

The Resource Planning System and its Role in Enhancing the Quality of External Audit

***Rajaa Ali Abed, ** Fatimah Feza Hadab**

**Middle Technical University*

Technical Institute Kut, Iraq

***Middle Technical University*

Institute Management Rusafa, Baghdad, Iraq

DOI:10.37648/ijtbm.v14i03.001

¹Received: 04 May 2024; Accepted: 03 July 2024; Published: 11 July 2024

ABSTRACT

Exploring the notion of the resource planning system and its significance in economic units, as well as the concept of quality of external auditing and auditing's objectives, this research seeks to elucidate the role of the system in improving the quality of external audits. In addition to determining the service quality and demonstrating the connection between the RPS and audit quality. Beginning with the RFP process and working their way up to better external auditing. Among its outcomes, the resource planning system's ability to supply information useful to the external auditor in organizing and overseeing auditors' tasks stands out as the most crucial. Records and documentation are provided to aid in the inspection process, and external audit processes are improved. By utilizing the resource planning system, external auditors can save time and effort during audit procedures, including improving and simplifying inventory processes, and increase the effectiveness of risk determination and error discovery. It also streamlines inventory processes. The most important recommendations are the need for external auditors to participate in training courses to enhance their skills in using advanced systems, and the need to use advanced systems in all economic sectors.

Keywords: *resource planning system; audit quality; external audit*

INTRODUCTION

The resource planning system is described as the most important development in the institutional use of information technology. It was developed to address the organizational problems faced by institutions, such as the difficulty of communication and coordination between functions and other problems related to data and information. Companies have huge amounts of data, branches, and stores, especially with the development of industry, and the need has emerged to link accounting data to the parent organization so that it can be referred to at the appropriate time. The enterprise resource planning system played a major role in meeting the needs of companies with large amounts of data and accounting information in all activities and industries. The resource planning system is an auxiliary tool to enhance the quality of external auditing because it makes it easier for external auditors to conduct a comprehensive and accurate examination of all records and financial statements and detect cases of errors and fraud, which contributes to enhancing the quality of external auditing.

In 2020, Salman and Bani Khaled How many Jordanian businesses have implemented an ERP system and how that has affected their ability to provide high-quality accounting information systems (AIS). Finding out how stakeholders in Jordanian industrial businesses feel about the resource planning system's adoption rate and how it has affected the quality of accounting information systems is the main goal of this study. Among the study's findings, the most crucial is the fact that resource planning systems were widely used. Supply management

¹ **How to cite the article:** Abed R.A., Hadab F.F. (July 2024); The Resource Planning System and its Role in Enhancing the Quality of External Audit; *International Journal of Transformations in Business Management*, Vol 14, Issue 3, 1-9, DOI: <http://doi.org/10.37648/ijtbm.v14i03.001>

system use also had a statistically significant impact on accounting information system quality, while inventory management system use, as well as financial and human resources, had no such impact on the dependent variable. According to the research, it's important to learn how various stakeholder groups view current inventory and HRM procedures, as well as the causes that contribute to the difficulties these areas experience. Investigation (Baloula, 2021) Using enterprise resource planning (ERP) software to refine financial statements. The purpose of this research is to examine how Naqaos Preservation Company's ERP system has contributed to better financial reporting. The study found a number of things, the most important of which is that ERP implementation can help improve accounting information quality in the company. This is because the ERP system improves accounting information in four ways: presentation, accessibility, subjective quality, and contextual quality. It also helps with information system integration and automation within the resource planning system environment. It contributes to better accounting data in a variety of ways. Based on the study's recommendations, the company's production units should be integrated with the NAV-ERP system for better integration, and software that is not part of the system should be eliminated and its solutions implemented. Impact of ERP system implementation on internal auditing quality (Okacha and Bouchriba, 2023). This study's overarching goal is to identify the most critical aspects influencing internal audit quality and to provide light on how deploying an ERP system affects that quality. Among the study's findings is the existence of an impact for both convenience and Enterprise resource planning (ERP) system. It impacts the quality of internal audits and the existence of a significant correlation between the variables, in addition to the correctness and transparency of the information it contains and the quality of the services it provides. Training courses should be organized to improve internal auditors' proficiency with information systems, according to the report. The purpose of this study is to examine and evaluate the components of an economic institution's internal control system in order to determine how the enterprise resource planning system affects the quality of that system. Among the study's findings is that ERP systems help make internal control systems more effective (in terms of risk assessment, control environment, information and communication, follow-up and monitoring), and that ERP systems greatly aid in meeting operational goals and legal requirements. According to research (Sit, 2016) Changes to accounting data systems and decision-making tools brought about by ERP software. Accounting information systems and their function in decision support for various Saudi enterprises are the focus of this study, which seeks to understand the effects of deploying an RMS on these systems. According to the results, accounting information systems are affected by implementing the resource planning system. Applying the resource planning method has an effect on decision-making, according to the study. The study concluded that all industries should increase their utilization of resource planning systems because of the positive impact these systems have on accounting quality.

The primary difference between this study and others is that this one focuses on the effects of ERP on accounting information system (AIS) quality rather than on other aspects of ERP quality, such as internal audit and control system quality, or on improving accounting information quality. This research stood out because it focused on how external audit quality can be improved via the use of the resource planning system.

Research Problem

The quick rate of technological progress has made contemporary technologies indispensable to institutions for the management and organization of their operations, with the ultimate goal of enhancing performance quality. For that reason, I've been making use of a resource planning system; this study will examine the system's connection to external audits, leading us to ask: In order to improve the standard of external audits, how does the resource planning system function? Determine the economic unit's significance and the notion of a resource planning system. Explain what an external audit is and how it works, as well as the idea of audit quality. Displaying the connection between the external audit's quality and the resource planning system. Improve the standard of external audits by determining the efficacy of the resource planning system's services. This study's significance rests in the fact that it adds to our understanding of how the resource planning system contributes to better external audit quality.

THE THEORETICAL FRAMEWORK

Resource Planning System

Research hypothesis:

In order to improve the quality of external audits, the study hypothesis states that the resource planning system should be user-friendly, accurate, and deliver high-quality services.

The concept of the resource planning system

The resource planning system is defined as (an information system that integrates and controls all work methods in the organization). (Al-Fawaz, Al-Salti, & Eldabi, 2008, p2), and it was also defined (as a set of integrated programs for business management, finance, accounting, human resources management, inventory management, project management, service and maintenance management, e-commerce Transportation, supply chain, electronic cooperation, and customer relationship management, as it includes all software and technology systems in the economic unit (Haag & Cummings, 2009: 52). He believes

Mei-Yeh & Fengyi, 2006) The resource planning system (ERP) is (software dedicated to automating and defining the company's operations and ensuring that they are regular and according to specific plans to help management in making the right decisions). The resource planning system (ERP) is a group of systems that work together in order to complete the operations of the economic unit and carry them out in a unified and integrated manner, so that whatever the nature of the work, whether charitable, commercial or other, it can be applied. In addition, it eliminates the need to use different software and systems from Several companies). (Al-Najjar, 2019: 4)

Characteristics of the resource planning system

The characteristics of the resource planning system are: (Balloula, 2021: 9)

1- Integration: It is the free exchange of information in the organization and the use of unified interfaces (work environment, menus, screens, terminology, etc.), which leads to improving internal coordination. Integration has a role in eliminating the problems of redundancy that exist in the organization. Integration is achieved through:

A - Data integration: This is achieved by unifying the definition of data, which allows data to be shared across various functions internally and with suppliers and customers externally.

B - Operations standardization: To implement the resource planning system, the organization must adopt organizational logic based on operations management. (Taheri, Baloula, 2018: 271)

2- Flexibility: The resource planning system must be able to respond to the changing needs of the economic unit so that it is operated through a database that ends again during an open database connection.

3- Database centralization: Resource planning is characterized by the use of a central database at the level of the economic unit in which all data of the economic unit is stored with the possibility of participation and access for all parties concerned with the system.

4- Independence in processing: The resource planning system should allow any unit to be disconnected or connected when needed without hindering the functions of other units.

5- Responsiveness: This means the ability of the resource planning system to respond to users of accounting information and the continuous request for accounting information, given that the resource planning system generates information and stores it until it is requested. (Taha, 2021: 52)

Objectives of the resource planning system

1- Measuring the achievement of the goals of reducing usage costs for both used and unused resources.

2- Providing the necessary and basic information about the resources of the economic unit, which includes: - the relationship between resources, the possibility of identifying available resources, the relationship between resources and activities, how to optimally exploit resources, and resource costs.

3- Explaining the ability of resources to create added value for the customer and providing an integrated framework for resources within the economic unit and the mutual relations between them and how to benefit from them efficiently.

4- Achieving various control concepts, as by controlling the source of cost occurrence, preventive control is achieved, and by following the quantities of unused and used resources with the aim of achieving compatibility between the supply and demand of resources, subsequent and simultaneous control is achieved, which leads to rationalization of the cost of resource consumption.

5- Linking the cost of the product to the actual resources consumed through the activities of the economic unit and the capacity of each, while explaining the causal relationship. Thus, the cost of the product is calculated accurately and objectively and provides useful and correct information to ensure serving the purposes of the cost system. (Al-Rawi & Al-Hafiz, 2018:31)

Features of the resource planning system

1- Controlling the inventory of materials from production processing operations, production returns, purchasing operations, and purchase returns, as all of these operations are carried out within the system automatically, in addition to the possibility of being monitored by a specialized employee.

2- Providing integrated information about raw materials, as it provides a complete class card for each material, as well as a complete movement of the materials.

3- The system provides integrated information about raw materials, as it provides a complete class card for each material, in addition to a complete movement of the materials.

4- Implementing a resource planning system contributes to facilitating business operations, as it provides a single database for collecting data, which facilitates the exchange of information in a timely manner and provides a clear view of the entire company's business operations, as well as the possibility of monitoring inputs, processes, and outputs in the system. (Kawaja, Dida, 2021: p. 223)

External audit

The concept of audit quality and external audit

Audit quality is defined as “the level of assurance provided by the auditor that the financial statements are free of fundamental errors, and the higher this level, the more it indicates the quality of the audit and vice versa” (Brody and Abdel Hamid, 2019: 183).

External audit is defined as “a structured process for collecting and objectively evaluating evidence.”

Concerning the client's allegations regarding the results of economic events and actions to determine the extent to which the claim is consistent with the specified standards and communicate the results to the users of the financial statements and stakeholders in the project” (Nasr et al., 2013: 9). It is also defined as “the process of examining the financial statements and making criticisms of the records, books, and internal control and verification system.” The validity of the balances and obtaining sufficient and appropriate evidence to express an impartial technical opinion about the truthfulness and integrity of the financial statements (Abdel Hafeez, Marzouk, 2020: 4-5). Through the second identification, it becomes clear that the external audit process, in order to achieve its goals, must pass through three stages, which are: (Siddiqi, Buraq, 2005: 27)

Inspection: Ensuring that the processes related to the organization's activity and safety are correctly measured, recorded, and tabulated.

Verification: The possibility of verifying the validity of the final financial statements, ensuring the actual existence of the physical elements of the institution, and recording them in the records in accordance with accounting standards.

Report: The process of writing a report explaining the results of the examination and verification and submitting it to those interested.

External audit quality standards

The International Federation of Accountants (IFAC) and the International Financial Supervision Organization (INTOSAI) addressed Standard No. (220) according to the following formula: (Mohamed, Najris, 2020: 222-223)

1- Planning and its requirements: This includes distributing tasks and supervising the audit work.

2- Determine audit and follow-up programs for quality control procedures and policies for audit work.

3- Business quality control: The International Auditing Standard (220) stipulates that the quality of reports and information is audited and that they have been audited in accordance with international standards, and the following has been determined:

A- The competence and skill of the external auditor: The auditor must be committed to applying accounting standards.

B- The external auditor must be committed to honesty, confidentiality and objectivity.

Characteristics of following the system to achieve audit quality

1- Providing reasonable assurances that the services and work performed by the auditor are consistent with professional requirements and recognized auditing standards while reducing the chances of committing errors in the auditing process.

2- Improving the auditor’s work program by following the guidelines and standards issued by professional associations regarding monitoring the quality of the audit process.

3- A high level of credibility in auditing means that the financial statements are free of fundamental errors, and this will only happen through high levels of audit quality.

4- High-quality auditing can be considered an important part of the facility owners’ control system, especially in the event that they are unable to directly monitor management’s actions in managing the facility.

5- Due to the intense competition between audit firms, the attention of both auditors and clients has turned to the quality of the audit process as a weighting factor through which audit firms are distinguished. (Ghalim et al., 2023: p. 390)

THE PRACTICAL ASPECT

This section sheds insight on how to enhance the quality of external audits by defining the function of the resource planning system. A questionnaire was created and distributed to a panel of arbitrators in order to gather useful information. Iraqi certified public accountants and auditors working for the Federal Financial Supervision Bureau make up the study population. One hundred of these auditors have been appointed.

Statistical methods used in the research:

The responses of the sample were measured using a Likert scale. A number of statistical techniques, including the widely-used statistical program SPSS, were employed to process the data collected for this study.

First: Descriptive analysis of the characteristics of the research sample:

Table (1) Descriptive analysis of sample characteristics

Relative frequency	Repetition	class	Variables
%26	26	Bachelor	Qualifications
%34	34	master	
%40	40	Phd	
%100	100		Total
%15	15	Less than five	Expert
%31	31	5 to 10 years	
%36	36	10 to 15 years	
%18	18	More than 15 years	
%100	100		Total

Following data analysis from the research sample, the following steps were taken to verify or disprove the hypotheses: we used the Pearson correlation coefficient to look at how the variables were related, and we used the regression coefficient to find out how much of an impact they had:

Table 2. Display the results of the following axes using Pearson's correlation coefficient

The role of system app quality in Enhancing the quality of e audit	The role of system infor integration Its accuracy enhances the qu auditing External	The role of system flexibil responsiveness On the quality of external a	Information
0.394	0.715	0.588	Correlation coefficient
0.157	0.511	0.344	The coefficient determination
7.242	43.936	21.021	F
0.000	0.000	0.000	Sig

It is clear from Table No. (2) The value of the correlation coefficient is (0.588, 0.715, 0.394), respectively, which indicates that there is a direct relationship between: -

- Flexibility and responsiveness of the resource planning system and the quality of external auditing.
- Integrity and accuracy of information and enhancing the quality of external audit.
- Quality of system implementation and enhancing the quality of external audit.

The value of the F test is (21.021, 43.936, 7.242), respectively, which is less than the level approved in the research and estimated (0.05), which indicates the existence of a statistically significant relationship and influence between:

- The flexibility and responsiveness of the resource planning system and its role in enhancing the quality of external audit.
- Integrity and accuracy of information and its role in enhancing the quality of external audit.
- The quality of the system's implementation and its role in enhancing the quality of external auditing.

Table 3. Show the results of the following axes based on simple regression

System quality	System information integr accuracy	Flexibility and responsive the system	Simple regression
0.639	0.716	0.384	Coefficient of linear regres
0.579	0.618	0.360	Coefficient of linear regres
4.586	6.629	2.791	Value of T
0.000	0.000	0.000	Sig

Table No. (3) makes it very evident that the regression coefficient values are (0.384, 0.716, 0.639) in that order. Improving the standard of external audits via the resource planning system's adaptability and responsiveness. The significance of precise and integrated data in raising the bar for external audit quality. Improving the standard of external audits: the function of well-executed system installation. Values of t of (2.791), (6.629), and (4.586)

respectively corroborated this. By computing the mathematical mean and standard deviation, the study axis' findings were shown and evaluated.

Table 4. Results of the first axis

Std.Dev	Mean	Statement
0.876	3.520	The resource planning system is able to respond to changing needs in the economic unit
0.886	3.770	The resource planning system is able to answer the inquiries of users of accounting information and meet the constant demand for accounting information
0.881	3.645	Results

It is clear from Table No. (4) The paragraph (the resource planning system helps increase the ability to answer the inquiries of users of accounting information and meet the constant demand for accounting information) ranked first, with arithmetic mean (3.770) and standard deviation (0.886). The paragraph (the resource planning system is capable of responding to the changing needs of the economic unit) was ranked second, as its arithmetic mean was (3.520) and the standard deviation was (0.876) This indicates that most of the answers were (Agree), and this indicates that the resource planning system helps in increasing the ability to respond to user inquiries and respond to changing needs in the economic unit.

Table 5. Results of the second axis

Std.dev	Mean	Statement
0.860	4.16	The information in the system is identified and reviewed on an ongoing and periodic basis
0.650	3.59	The system provides correct and error-free data
0.896	4.41	The system helps eliminate redundancy problems
0.810	4.02	The system provides timely information
.758	3.95	The system provides detailed, periodic reports that help management in making decisions
0.794	4.026	Results

It is clear from Table 5. The paragraph of implementing the resource planning system helps in eliminating the problems of repetition was ranked first in the arithmetic mean (4.41) and standard deviation (0.896). The paragraph of implementing the resource planning system that provides correct and error-free data was ranked last, as its arithmetic mean was (3.59) and the standard deviation was (0.650). This indicates that most of the answers were (Agree). This indicates that the resource planning system helps in identifying and reviewing information periodically and continuously, and provides correct and error-free data, in addition to that it helps in eliminating problems of duplication and providing appropriate information at the right time, and finally, it provides The system provides detailed and periodic reports that help management in making decisions.

Table 6. Results of the third axis

Std. Dev	Mean	Statement
0.77	3.73	Implementing a resource planning system helps improve the quality of operations implementation
0.76	3.41	Implementing a resource planning system helps in carrying out tasks efficiently, effectively and in a timely manner
0.85	4.43	Implementing a resource planning system helps coordinate and organize internal operations with departments and branches
0.79	3.9	Results

It is clear from Table 6. The paragraph of implementing the resource planning system helps in coordinating and organizing internal operations with departments and branches ranked first in arithmetic mean (4.43) and standard deviation (0.85). The paragraph of implementing the resource planning system helps in improving the quality of implementation of operations was ranked second, as its arithmetic mean was (3.73) and the standard deviation was (0.77). As for the paragraph, “Implementing a resource planning system helps in carrying out tasks efficiently, effectively, and in a timely manner” was ranked third, as its arithmetic mean was (3.41) and the standard deviation was (0.76). This indicates that most of the answers were (Agree). This indicates that the resource planning system helps improve the quality of implementing operations, in addition to its role in implementing tasks efficiently and effectively and helps in coordinating operations with departments and branches.

Table 7. Results of the fourth axis

Std. Dev	Mean	Statement
0.98	4.22	Implementing a resource planning system provides data that helps the external auditor plan and supervise the auditors' work
0.741	3.18	Implementing a resource planning system contributes to improving external audit procedures and providing records and documents to facilitate the examination process
0.75	4.67	Implementing a resource planning system contributes to increasing the effectiveness of external audit when identifying risks and discovering errors
0.59	4.45	Implementing a resource planning system contributes to improving and simplifying the inventory processes carried out by the external auditor
0.47	4.37	Implementing a resource planning system saves time and effort when conducting external audit procedures
0.707	4.18	Results

It is clear from Table 7. The paragraph of implementing the resource planning system contributes to increasing the effectiveness of external audit when identifying risks and discovering errors. It ranked first in arithmetic mean (4.67) and standard deviation (0.75). The paragraph of implementing the resource planning system contributes to improving and simplifying the inventory operations carried out by the external auditor was ranked second, as its arithmetic mean was (4.45) and the standard deviation was (0.59). This indicates that most of the answers were (Agree), and this indicates that the sample agrees that implementing the resource planning system has a role in enhancing the quality of external auditing.

CONCLUSIONS

- 1- The resource planning system contributes to facilitating business operations, as it provides a single database for collecting data, which facilitates the process of exchanging information in a timely manner and provides a clear view of the entire company's business operations, as well as the possibility of monitoring inputs, processes, and outputs in the system.
- 2- The resource planning system provides data that helps the external auditor plan and supervise the auditors' work.
- 3- The resource planning system contributes to improving external audit procedures and providing records and documents to facilitate the examination process.
- 4- The resource planning system contributes to increasing the effectiveness of external audit when identifying risks and discovering errors.
- 5- Implementing a resource planning system contributes to saving time and effort when performing audit procedures, including improving and simplifying the inventory processes carried out by the external auditor.

RECOMMENDATIONS

- 1- The need for external auditors to participate in training courses to enhance their skills in using advanced systems.
- 2- The necessity of using advanced systems in all economic sectors.
- 3- Conduct a regular process quality control review at appropriate intervals.

REFERENCES

- 1- Atyaf Khaled Taha, 2021, Integration of resource consumption accounting and the resource planning system and its impact on administrative decisions.
- 2- The carpenter. Emad Abdel Aziz Abdel Qasabi, 2019, The impact of the effectiveness of enterprise resource planning systems in achieving competitive precedence, an applied study on private pharmaceutical production companies in Dakahlia Governorate, Tanta University, Faculty of Commerce, Scientific Journal of Commerce and Finance
- 3- Botli Mabrouk, 2016, The contribution of the ERP system to the quality of the internal control system.
- 4- Bashir Kaouja, Kamal Dida, 2021, The reality of implementing the enterprise resource planning system and its impact on the organizational performance of the National Works Corporation in Lafi El-Abar, Algerian Journal of Economic Development.
- 5- Hayat Okasha, Mohamed Bouchriba, 2023, The impact of implementing the ERP system on the quality of internal auditing.
- 6- Hussein Ali Muhammad, Wissam Khalaf Najris, 2020, Aligning internal audit with external audit and its reflection on the quality of the external auditor's reports, Kirkuk University Journal of Administrative and Economic Sciences.
- 7- Khadija Khalil Salman, Tariq Odeh Bani Khaled, 2020, The level of adoption of the enterprise resource planning (ERP) system and its impact on achieving the quality of the accounting information system (AIS) in the Jordanian industrial sector.
- 8- Abdel Wahab Nasr and Others, 2013, Basics of External Auditing According to Egyptian and American Auditing Standards, Dar Al-Uloom Academic for Publishing and Distribution, Egypt.
- 9- Ghufran Ali Set, 2016, Enterprise Resource Planning System and its Impact on Accounting Information Systems and Decision-Making Support
- 10- Fatima Al-Zahraa Taheri, Muhammad Akram Baloula, 2018, The role of enterprise resource planning systems in raising the competitiveness of economic institutions, Journal of Industrial Economics.
- 11- Quraiz Abdel Hafeez, Saqravi Marzouk, 2020, The role of external auditing in achieving the reliability of accounting information, Faculty of Economic Sciences, Commercial Sciences and Management Sciences.
- 12- Muhammad Akram Baloula, 2021, The role of enterprise resource planning (ERP) systems in improving the quality of accounting information. Algeria
- 13- Masoud Siddiqi, Muhammad Buraq, 2005, The Reflection of the Integration of Internal and External Audit on Regulatory Performance, International Scientific Conference on the Distinguished Performance of Organizations and Governments, College of Law and Economic Sciences.
- 14- Mafrom Brody, Marrakchi Abdel Hamid, 2019, Factors affecting the quality of external auditing from the point of view of auditors in Algeria. Al-Maqrizi Journal of Economic and Financial Studies,
- 15- Nadia Ghalem, Hussein Bariati, and Muhammad Al-Habib Marhoum, 2023, The quality of the external audit of financial statements in light of International Auditing Standard 220. Journal of Economic Integration.