

Effectiveness Of Audit Quality In Combating Financial Fraud: An Analytical Study In The Algerian Corporate Environment

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Abstract:

This study aims to analyze the impact of audit quality on reducing financial fraud within selected economic institutions in Western Algeria. To achieve this objective, a questionnaire was employed as the primary data collection tool, with a final sample of 78 respondents comprising executives, accountants, and internal and external auditors working in these institutions. Data analysis was conducted using SPSS version 26, and the results revealed a statistically significant effect of audit quality on mitigating financial fraud in the studied institutions, although the role of external audit was found to be limited. Based on these findings, the study recommends enhancing and activating communication channels between audit committees and both internal and external audits to ensure effective information sharing and better coordination in combating and reducing fraudulent practices.

Keywords: Audit Committee, Internal Auditing, External Auditing, Financial Fraud, Audit Quality.

1. Introduction :

Corporate financial fraud has become a global concern in recent years. The increasing number of scandals, prevalent in both developing and developed countries, has drawn widespread attention from scholars seeking to identify the key factors that drive companies to engage in fraudulent activities, given their profound and long-lasting impacts on society as a whole. Corporate financial fraud refers to intentional misstatements, omissions, or manipulations in financial reports aimed at misleading stakeholders. Such behavior not only harms the interests of stakeholders but also hinders the company's long-term development (Yang Liu, 2023).

As widely recognized, corporate financial disclosure serves as a vital bridge for information exchange with investors and the public at large. Timely, accurate, and comprehensive disclosure is fundamental to sound investment decisions. However, due to several factors, the likelihood of companies presenting misleading information has alarmingly increased in recent years. Changes in disclosure practices are often closely linked to fraud, primarily driven by financial distress and declining corporate performance. Manipulations may be used to conceal illicit appropriation or mismanagement of funds. Consequently, managers may issue inaccurate financial statements to deceive investors or regulators about the company's financial health and future prospects, typically to secure personal gains (Jing Li, 2023).

Over the past decade, improvements in audit quality have significantly enhanced auditors' ability to detect fraudulent practices at an early stage. This advancement is attributed to the development of rigorous audit methodologies, adoption of stricter auditing standards, and integration of advanced data analysis techniques. Additionally, the establishment of audit committees has reinforced audit quality by overseeing auditors' work and ensuring their independence and professional competence. These efforts have strengthened internal control systems, providing institutions with greater resilience against fraudulent activities and reducing the severe losses that such practices can cause.

In line with the above, this study aims to address the following research problem:

- To what extent does audit quality effectively reduce financial fraud in selected economic institutions in Western Algeria?

From this, the following sub-questions arise:

1. Is there a statistically significant correlation between the audit committee and the quality of internal auditing in these institutions?
2. Is there a statistically significant correlation between the audit committee and the quality of external auditing in these institutions?

3. Does audit quality significantly influence the reduction of financial fraud in these institutions?

1.1.Research Objectives: This study aims to :

- Analyze the relationship between audit committees and internal audit quality within economic institutions in Western Algeria.
- Analyze the relationship between audit committees and external audit quality in the same context.
- Assess the extent to which audit quality impacts the mitigation of financial fraud.
- Provide practical recommendations to assist policymakers, regulators, and institutional managers in implementing reforms effectively.

1.2.Scope of the Study : The research focuses on a sample of executive managers, accountants, and internal and external auditors working within or associated with economic institutions in Western Algeria, given their comprehensive knowledge of organizational structures and control systems.

1.3.Research Hypotheses : This study tests the following hypotheses:

H1: There is a statistically significant correlation between the audit committee and internal audit quality in economic institutions in Western Algeria.

H2: There is a statistically significant correlation between the audit committee and external audit quality in these institutions.

H3: Components of audit quality have a statistically significant effect on reducing financial fraud in these institutions.

1.4.Research Methodology : The study adopts a descriptive-analytical approach, combining a review of relevant accounting and auditing literature with empirical analysis based on a structured questionnaire. The survey targeted executive managers, accountants, and both internal and external auditors working in economic

institutions in Western Algeria. Data were analyzed using the statistical software SPSS v26.

2. Previous Studies: Several prior studies have addressed the topic and its related variables. The most notable works are summarized below in chronological order :

2.1. Yekini & Alhababsah (2021) – “Audit Committee and Audit Quality: An Empirical Analysis Considering Industry Expertise, Legal Expertise, and Gender Diversity”

This study emphasized the importance of specific attributes among audit committee members in enhancing their oversight role and audit quality. Focusing on Jordan, the authors analyzed data from 115 non-financial companies listed on the Amman Stock Exchange. The findings revealed that industry expertise among audit committee members had a significant positive impact on audit quality, whereas legal expertise and gender diversity had no substantial effect.

2.2. Harris & Williams (2020) – “Audit Quality Indicators: Perspectives from Non-Big Four Firms and Small Company Audit Committees”

The study evaluated the audit quality indicators suggested by the Public Company Accounting Oversight Board (PCAOB) from the viewpoint of audit committee members and non-Big Four firms. Surveying small publicly traded companies, the researchers concluded that auditor expertise and timely reporting of internal control issues were perceived as the most effective indicators of audit quality.

2.3. Lisic, Silveri, Song, & Wang (2014) – “Accounting Fraud, Auditing, and the Role of Government Sanctions in China”

This research investigated the role of external auditors in detecting fraud within Chinese firms operating under strong regulatory frameworks. Using multiple regression analysis on a sample of companies across various regions, the study found that firms audited by large audit firms were significantly less likely to engage in fraudulent financial reporting, particularly in highly regulated industries.

2.4. Tieanu & Petraşcu (2014) – “The Role of Internal Audit in Fraud Prevention and Detection”

This study highlighted the crucial role of internal auditing in fraud prevention and detection. Adopting a deductive approach, the authors developed a theoretical framework illustrating how internal audit functions enhance organizational governance and risk management. The findings underscored that internal auditing serves as a key mechanism for mitigating fraud and adds long-term value by strengthening corporate integrity.

2.5. Research Gap : A review of previous studies reveals that most research on audit quality and fraud prevention has focused on developed markets or countries with relatively mature governance frameworks, such as Jordan, China, and advanced economies. These studies primarily examined audit committee characteristics, external audit quality indicators, and the role of internal audit functions.

However, there is a notable lack of empirical evidence concerning the combined effect of audit quality components—internal auditing, external auditing, and audit committees—on mitigating financial fraud within developing economies, particularly in Algeria, where governance mechanisms are still evolving and enforcement remains relatively weak.

Moreover, prior research often analyzed these mechanisms in isolation, without considering the integrated role of audit quality dimensions in institutional environments characterized by limited resources and regulatory challenges. This creates a gap that this study aims to address by exploring how the effectiveness of audit quality contributes to reducing financial fraud in Algerian economic institutions, offering insights for strengthening governance practices in similar emerging markets.

3. Study Literature: Financial fraud represents one of the most critical challenges faced by economic institutions, whereas audit quality stands as one of the most effective tools for mitigating such risks and promoting transparency. This section addresses these two elements as follows:

3.1. Financial Fraud: For decades, major corporations have suffered from fraudulent financial reporting, which has had severe consequences on capital markets and shareholder value. Financial fraud has been associated with some of the largest corporate bankruptcies in U.S. history, making it a strong indicator of serious financial distress leading to insolvency.

According to the Institute of Internal Auditors, financial fraud is defined as “an illegal act characterized by deceit, concealment, or breach of trust, committed to obtain money, property, or services by unlawful means. It does not involve the use of physical force or threats but relies on exploiting trust for personal or organizational gain.” Similarly, the American Institute of Certified Public Accountants defines it as the deliberate misrepresentation, omission, or disclosure of distorted accounting information to mislead financial statement users (Jingyu Li, 2024).

The deceptive nature of fraud significantly increases investor anxiety due to the difficulty of early detection. Several common factors contribute to creating an environment conducive to fraud, including:

- Lack of effective oversight functions (board of directors and audit committee).
- Arrogant and opportunistic management.
- Unethical behavior by senior executives.
- Ineffective audit functions.
- Weak regulatory frameworks.
- Inadequate and non-transparent financial disclosures.
- Passive and indifferent shareholders.

Collectively, these factors paralyze the corporate control environment, encouraging fraudulent practices. Addressing such risks requires thorough investigations into the vulnerabilities exploited by fraudsters. There is broad consensus that strengthening audit processes—

considered a core element of internal control systems—can serve as a powerful deterrent. High-quality audits facilitate early detection of financial fraud, enabling corrective actions before the situation escalates. Since financial fraud is typically perpetrated by highly skilled individuals who exploit systemic weaknesses, detection requires deep technical expertise, placing greater responsibility on auditors (Petr Hajek, 2017).

3.2. Audit Quality: Audited financial statements that reflect a true and fair view of performance—rather than the inflated figures often presented by fraudulent companies—are essential for market participants, including investors and creditors whose trust in financial systems has been eroded by past scandals. Thus, the reliability, transparency, and quality of audited reports are critical for efficient resource allocation in the economy. Auditors enhance the credibility of financial disclosures by reducing the risk of material misstatements (Rezaee, 2005). Hiring high-quality auditors is therefore crucial for early fraud detection. Auditor performance is widely recognized as a key determinant of financial statement credibility and is positively associated with overall audit quality (Zureigat, 2015). Audit quality is defined as the joint probability that an auditor will detect and report any material misstatement in the client’s accounting system. The likelihood of detection depends on the auditor’s professional competence, while reporting accuracy relies on independence (Rahmina & Agoes, 2014).

Several theoretical perspectives relate to audit quality, including the “Police Officer Theory,” which posits that auditors, like law enforcement officers, should rotate assignments after three to five years to maintain objectivity. Extended tenure beyond five years may compromise independence and lead to leniency toward clients to retain engagements, potentially facilitating fraud (ABU Seini Odudu, 2018).

Experience also plays a critical role in fraud detection. Experienced auditors offer diverse perspectives, exercise professional skepticism, and make sound judgments, which are essential for evaluating risks and identifying irregularities (Minghui Li, 2024). In addition, adherence to professional and ethical standards is vital for audit

quality, as compliance strengthens public trust and enhances the profession's reputation (Ivo Blij IV, 2014).

Although internal auditors are not mandatory in all firms, their role is equally significant in reinforcing corporate resilience against fraud. Internal auditing, as an integral part of an effective internal control system, cannot entirely prevent fraud but can identify warning signs and mitigate risks. Internal auditors must possess advanced theoretical knowledge and practical expertise, be familiar with potential fraud schemes, and interpret red flags accurately. This requires companies to invest in specialized training and professional development programs to equip internal auditors with the necessary skills for effective oversight (Daniela Petraşcu, 2014).

3.3. The Role of the Audit Committee : To ensure the effectiveness of internal and external auditing, a robust oversight structure must be established, which is typically embodied by the board of directors and its specialized committees. Among these, the audit committee has gained particular importance following major financial scandals, prompting regulatory mandates for listed companies to establish such committees due to their critical role in supervising financial reporting processes. These committees ensure the accuracy and reliability of disclosed information, compliance with legal and regulatory frameworks, and oversee both external audits and the company's internal control systems (Farzaneh Nassir Zadeh, 2023).

The Sarbanes–Oxley Act of 2002 introduced stringent requirements for audit committee involvement in corporate financial reporting, significantly expanding their responsibilities to include reviewing internal controls and monitoring overall audit activities. As a result, audit committees have become the primary evaluators of audit quality. High-quality audit committees are typically characterized by attributes that enhance financial reporting reliability and reduce various forms of misconduct, including fraud. These attributes include financial expertise, independence, adequate size, and frequency of meetings. A summary of these characteristics is presented in the following table:

Table 1.Characteristics of Audit Committees

Attribute	Description
Financial Expertise	Members should have knowledge of financial matters, enabling them to accurately interpret financial statements.
Independence	Members must be completely independent from management, with no economic or personal ties to it.
Meeting Frequency	Committees that meet more frequently are better positioned to perform their oversight role effectively.
Size	A larger committee allows for greater diversity in opinions, experience, and skills, ensuring effective monitoring.

Surce: Hisham kamel madi, zuaini ishak, nor aziah abdul manaf(2014), « the impact of audit committee characteristics on corporate voluntary disclosure », procedia-social and behavioral sciences, volume 164, p 487-489

The audit committee functions as an effective governance mechanism that enhances overall corporate governance while promoting transparency and accountability in financial reporting. It plays a critical role in overseeing the integrity and quality of financial statements by ensuring auditor independence and professional competence. This, in turn, strengthens internal control systems and reduces the likelihood of fraudulent practices.

4.Field Study: This section presents the methodology applied in the empirical study and summarizes the main statistical results and economic interpretations.

4.1. Methodology : The methodology outlines the selected sample and the statistical techniques employed for data analysis and interpretation.

4.1.1. Reliability of the Measurement Tool : To assess the reliability and internal consistency of the instrument, Cronbach's Alpha coefficient was applied, as it is one of the most widely used statistical methods for evaluating the correlation among questionnaire items. Table 2 presents the results of Cronbach's Alpha for the study dimensions.

Table 2. Reliability Coefficients for Questionnaire Dimensions

Dimension	Number of Items	Cronbach's Alpha
Internal Audit Quality	4	0.677
External Audit Quality	4	0.890
Audit Committee	4	0.837
Financial Fraud	3	0.772
Overall Questionnaire	15	0.740

Source: Author's computation using SPSS

The results in Table 2 indicate acceptable to high reliability levels across the study dimensions, with Cronbach's Alpha values ranging between 0.677 and 0.890. The first dimension (Internal Audit Quality) recorded a coefficient of 0.677, which is acceptable for exploratory applied studies. The second dimension (External Audit Quality) showed a very high reliability of 0.890, while the third dimension (Audit Committee) achieved 0.837, also reflecting high internal consistency.

In contrast, one item was removed from the fourth dimension (Financial Fraud) due to weak correlation, which improved its reliability to 0.772, indicating an acceptable level after adjustment.

Overall, the Cronbach's Alpha for the entire questionnaire was 0.740, confirming that the research instrument demonstrates good internal consistency and is suitable for measuring the study variables.

4.1.2. Study Population and Sample: The study population consists of accountants, executive managers, and internal and external auditors associated with economic institutions located in Western Algeria. Due to the impracticality of reaching the entire population, a purposive sample of 98 respondents was selected. Questionnaires were distributed between June 15 and August 11 using both modern methods (social media and email) and traditional methods (in-person delivery to offices). A total of 83 responses were collected, representing a response rate of 84.69%, which is considered satisfactory. After screening, 5 questionnaires were excluded due to incomplete data, leaving 78 valid responses for statistical analysis.

Table 3. Sample Characteristics

Characteristic	Category	Frequency	Percentage (%)
Gender	Male	30	38.5
	Female	48	61.5
Years of Experience	Less than 5 years	19	24.4
	5 to <10 years	38	48.7
	10 to <15 years	15	19.2
	15 years and above	6	7.7
Profession	Executive Manager	2	2.6
	External Auditor	20	25.6
	Internal Auditor	3	3.8
	Accountant	53	67.9

Source: Author's computation using SPSS

Table 3 indicates that the majority of respondents were female (61.5%), compared to 38.5% male, reflecting a relatively higher female representation in the sample. Regarding experience, the largest proportion (48.7%) had between 5 and 10 years of experience, followed by those with less than 5 years (24.4%). Respondents with 10 to <15 years represented 19.2%, while those with over 15 years accounted for 7.7%.

In terms of profession, accountants represented the largest group (67.9%), followed by external auditors (25.6%). Internal auditors and executive managers were less represented at 3.8% and 2.6%, respectively.

Overall, these characteristics reflect a good diversity in gender, professional experience, and job roles, which strengthens the reliability of the findings by providing multiple perspectives on the effectiveness of audit quality in reducing financial fraud.

4.1.3. Descriptive Analysis : This section presents the descriptive statistics for the study variables based on the respondents' answers.

Table 4.Means and Standard Deviations of the Study Variables

Variable	Sample Size	Minimum	Maximum	Mean	Std. Deviation
Internal Audit Quality	78	1.75	4.00	3.4487	0.46002
External Audit Quality	78	2.50	5.00	4.1154	0.34822
Audit Committee	78	3.75	5.00	4.1090	0.27205
Fraud Mitigation	78	3.00	5.00	4.0342	0.30668

Source: Author's computation using SPSS

Table 4 presents the composite means and standard deviations of respondents' answers regarding the questionnaire items. The analysis indicates that the average rating for internal audit quality was 3.45 with a standard deviation of 0.46, reflecting a moderate level of effectiveness, which may be attributed to certain constraints on internal auditors' independence and the limited resources allocated to their function. In contrast, external audit quality and the audit committee dimensions received higher evaluations within the study environment, with external audit quality recording an average score of 4.12 and a standard deviation of 0.35, while the audit committee dimension achieved an average of 4.11 with a standard deviation of 0.27. These findings can be explained by respondents' confidence in these mechanisms, given their independence and ability to enforce controls that detect and mitigate financial fraud within the examined institutions.

5. Analysis and Discussion of Results : To test the validity of the hypotheses, several statistical methods were applied, each appropriate for the corresponding hypothesis, as follows:

5.1. Testing the First Hypothesis : To verify the first hypothesis, which posits a relationship between the audit committee and internal audit quality, Pearson's correlation coefficient was used to determine the strength and direction of the relationship between the two variables.

Table 5. Relationship Between Audit Committee and Internal Audit Quality

Variables	Correlation Coefficient (r)	Significance (Sig)	Sample Size
Audit Committee and Internal Audit Quality	-0.033	0.777	78

Source: Author's computation using SPSS

Correlation is significant at the 0.01 level.

As shown in Table 5, the results of Pearson's correlation test indicate that the correlation coefficient between the audit committee and internal audit quality was $r = -0.033$, with a significance level of $\text{Sig} = 0.777$, which is greater than 0.05. This indicates that the relationship between the two variables is statistically insignificant. Furthermore, the negative sign of the coefficient reflects a very weak inverse relationship, which carries no explanatory value in this context. Consequently, the null hypothesis is accepted, and the alternative hypothesis, which suggests a statistically significant relationship between the audit committee and internal audit quality in the institutions under study, is rejected.

These results can be interpreted as an indication of the absence of effective communication channels between the audit committee and internal audit activities within the organizational structures of the studied institutions, as well as weak coordination between the two functions. Additionally, these findings may be attributed to the marginalization of internal audit activities by the audit committee in favor of focusing primarily on external audit oversight. Alternatively, the negative results could be explained by the possible complete absence of internal audit activities in most of the studied institutions, given that implementing such activities may be considered relatively costly for these organizations.

5.2. Testing the Second Hypothesis: To validate the second hypothesis, which states that there is a statistically significant relationship between the audit committee and external audit quality, Pearson's correlation coefficient was used to determine the strength and direction of the relationship between the two variables.

Table 6. Relationship Between Audit Committee and External Audit Quality

Variables	Correlation Coefficient (r)	Significance (Sig)	Sample Size
Audit Committee and External Audit Quality	0.482**	0.000	78

Source: Author's computation using SPSS

Correlation is significant at the 0.01 level.

As shown in Table 6, the results of Pearson's correlation test indicate a positive and moderate relationship between the two variables, with a correlation coefficient of $r = 0.482$ and a significance level of $\text{Sig} = 0.000$, which is less than 0.01. This suggests that as the effectiveness of the audit committee increases, the quality of external auditing also improves within the institutions under study.

These results can be attributed to the fact that audit committees rely heavily on the outputs of external auditors in assessing the integrity and reliability of financial reports, given their full independence. Consequently, this relationship fosters effective information exchange between both parties, serving as a strong foundation for enhancing the quality of financial reporting and reducing opportunities for fraudulent practices. This occurs through strengthened accountability and stricter internal control systems aimed at greater transparency. Therefore, the null hypothesis is rejected, and the alternative hypothesis—which states that there is a significant relationship between the audit committee and external audit quality—is accepted.

5.3. Testing the Third Hypothesis : The third hypothesis posits that the components of audit quality have a statistically significant impact on reducing financial fraud in some economic institutions in Western Algeria.

Table 7. Regression Model Between Dimensions of Audit Quality and Reduction of Financial Fraud

Standard Error of Estimate	Adjusted R ²	R ²	R	Model
0.22503	0.462	0.483	0.695a	Regression

Source: Author's computation using SPSS

a. Independent Variables: Audit Committee, Internal Audit Quality, External Audit Quality

As shown in Table 7, the results of the multiple regression model indicate a strong relationship between the components of audit quality (audit committee, internal audit, and external audit) and the reduction of financial fraud in some economic institutions in Western Algeria. The multiple correlation coefficient (R) reached 0.695, reflecting the strength of the relationship between the independent variables and the dependent variable. Furthermore, the coefficient of determination (R^2) was 0.483, meaning that approximately 48.3% of the variation in the level of financial fraud can be explained by audit quality, while the remaining percentage is attributed to other factors not included in the model. The adjusted R^2 was 0.462, which is considered an acceptable value, indicating the robustness and validity of the model.

These findings suggest that enhancing the effectiveness of different audit mechanisms can significantly contribute to mitigating fraudulent practices within economic institutions in Western Algeria, thus supporting the third hypothesis of the study.

Table 8. Analysis of Variance (ANOVA)

Model	Sum of Squares	df	F	Sig.
Regression	3.495	3	23.005	0.000
Residual	3.747	74	-	-
Total	7.242	77	-	-

Source: Author's computation using SPSS

The ANOVA test shows that the multiple regression model used in this study is statistically significant at the 0.01 level, with an F-value of **23.005** and a significance level of Sig = 0.000, which is far below the threshold of 0.05. This indicates that the regression model as a whole explains a substantial proportion of the variation in the dependent variable (financial fraud), and that the three independent variables—audit committee, internal audit, and external audit—collectively contribute to influencing the level of financial fraud within the studied economic institutions.

Therefore, the model demonstrates a high level of statistical significance and can be reliably used to interpret the relationship between the various variables within the institutions under study.

Table 9. Coefficients of Multiple Regression

Variable	Unstandardized Coefficient (B)	Standardized Coefficient (Beta)	t	Sig.
Constant	0.762	–	1.596	0.115
Internal Audit Quality	0.301	0.452	5.242	0.000
External Audit Quality	-0.094	-0.107	-1.088	0.280
Audit Committee	0.638	0.566	5.904	0.000

Source: Author's computation using SPSS

Table 9 presents the regression coefficients analyzing the impact of the audit committee, internal audit quality, and external audit quality as independent variables on reducing financial fraud as the dependent variable. The findings reveal that internal audit quality has a positive and statistically significant effect on financial fraud, with a standardized Beta value of ($\beta = 0.452$) and a t-value of ($t = 5.242$) at a significance level of ($\text{Sig} = 0.000$). This indicates that improving internal audit quality is associated with a reduction in fraud levels within the studied institutions, reflecting the critical role internal audit plays in strengthening internal control systems and implementing necessary procedures to limit fraudulent activities and reduce their likelihood.

The results also show that the audit committee has a strong, positive, and statistically significant effect, with an unstandardized coefficient ($B = 0.638$) and a significance level ($\text{Sig} = 0.000$). Considering the standardized Beta ($\beta = 0.566$), the audit committee emerges as the most influential independent variable in this model. This can be attributed to its independence and its position within the organization, enabling it to oversee audit processes and enhance internal systems that reduce opportunities for fraud.

Conversely, external audit quality did not show a statistically significant effect, as the Beta value was negative ($\beta = -0.107$) and the unstandardized coefficient was ($B = -0.094$) with a non-significant level (Sig = 0.280). This suggests that external auditing, based on the sample data, does not have a meaningful impact on fraud reduction. This may be explained by the nature of external audit work, particularly statutory audits that focus primarily on financial statements, as well as the limited duration of auditors' presence within the company, which negatively affects their ability to detect fraudulent practices.

In conclusion, despite the varying influence of audit quality components on fraud reduction, the overall model is statistically significant. Therefore, we reject the null hypothesis and accept the alternative hypothesis stating that the components of audit quality have a statistically significant effect on reducing financial fraud in some economic institutions in Western Algeria.

6. Discussion and analysis of results: The findings of this study highlight the critical role of the audit committee as a key factor in combating financial fraud. This committee plays a strategic and comprehensive supervisory role that minimizes opportunities for unethical practices. Its position within organizations enables it to function as a high-level oversight body, influencing the culture of compliance while reinforcing accountability and transparency. This explains why the audit committee emerged as the most influential variable in the model.

On the other hand, despite the absence of a strong statistical relationship between the audit committee and internal audit quality, the results show that internal audit quality is also an influential factor in reducing financial fraud. This can be attributed, in some cases, to internal audit units operating with relative independence from the audit committee, particularly in institutions where governance structures have not yet been fully implemented. In such cases, the audit committee may either not be formally established or may not fully perform its oversight duties, which explains the weak correlation between the two. Nevertheless, internal auditors can still effectively fulfill their control functions, relying on their professionalism, regulatory obligations, and the orientation of executive management.

This makes their direct impact on fraud reduction evident in the statistical analysis.

Thus, these results suggest that the effectiveness of internal audit quality is likely driven by internal organizational factors—such as professional competence, ongoing training, and internal control policies—rather than by direct oversight from the audit committee.

Conversely, and contrary to some previous studies, external auditing showed no significant impact on curbing financial fraud. This can likely be explained by the limited scope of external audit engagements, which typically focus on verifying financial statements without delving deeply into internal control mechanisms. Additionally, the short duration of the auditor's presence within the organization significantly constrains their ability to detect fraudulent practices.

7.Conclusion : This study aimed to highlight the effectiveness of audit quality in reducing financial fraud by examining a sample of economic institutions in Western Algeria. Despite current advancements in intelligent systems, the risks of manipulation and financial fraud remain persistent, as fraudsters continually find new ways to execute their schemes without detection. In this context, the present research demonstrates how audit quality can serve as a strong defense against fraudulent behaviors by improving internal control systems within organizations. These systems can be described by the phrase, "*What does not kill you makes you stronger*", meaning that non-fatal challenges can strengthen systems that initially have weaknesses, especially when supported by the "audit triangle," which is considered a critical factor in enhancing integrity and mitigating fraud within organizational structures.

However, the impact of this triangle varies by component. The statistical analysis of this study revealed that audit committees and internal auditing play a significant role in reducing fraudulent practices, whereas external auditing showed no significant effect in the examined sample. This indicates that the effectiveness of an audit system is not merely determined by the formal presence of mechanisms, but by how well they are implemented and integrated within institutional policies and procedures.

7.1. Study Findings

- There is no statistically significant relationship between the audit committee and internal audit quality in some economic institutions in Western Algeria.
- There is a statistically significant relationship between the audit committee and external audit quality in some economic institutions in Western Algeria.
- There is a statistically significant impact of audit quality components on reducing financial fraud in some economic institutions in Western Algeria.
- Internal audit quality and audit committees have a stronger impact on reducing financial fraud despite their weak interrelationship.
- External audit quality has no significant impact on reducing financial fraud, reflecting the limited scope of its work.

7.2. Recommendations

- Strengthen the effectiveness of audit committees in organizations by ensuring their independence and diversifying their expertise to better fulfill their oversight role.
- Reinforce the role of internal auditing through continuous training programs for internal auditors and by guaranteeing their operational independence.
- Ensure continuous supervision by the audit committee over the work of internal auditors, while maintaining their freedom to perform their control duties.
- Activate and enhance communication channels between the audit committee and both internal and external auditors to ensure effective information exchange and role coordination to combat financial fraud.
- Reconsider the scope of external auditors' work to improve their ability to detect fraud indicators.
- Since manual fraud detection is time-consuming, costly, and often inaccurate, it is essential to adopt accurate automated systems for detecting fraud in financial data.

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9. Appendix: Questionnaire Items

Axis	Statements	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Axis 1: Internal Audit Quality	The internal auditor in my organization is independent from top management.					
	The internal auditor in my organization possesses the necessary professional competence and financial expertise.					
	Internal audit tasks in my organization are carried out according to a clear annual plan.					
	Internal audit reports in my organization are taken into consideration by management.					
Axis 2: External Audit Quality	The external auditor is completely independent from my organization.					
	The external auditor possesses professional competence and integrity.					
	The external auditor detects material errors and fraud when they exist.					
	My organization relies on the external auditor’s recommendations to improve its financial systems.					
Axis 3: Audit Committees	The audit committee in my organization consists of independent members.					
	Members of the audit committee in my organization have expertise in finance					

	and accounting.					
	The audit committee in my organization holds regular and periodic meetings.					
	The number of audit committee members in my organization plays an effective role in its efficiency, monitoring auditors' reports, and combating fraud.					
Axis 4: Financial Fraud	My organization has previously been exposed to fraud attempts.					
	My organization has effective mechanisms to detect fraud.					
	The quality of internal control systems in my organization contributes to reducing fraud opportunities.					
	My organization promotes a culture of work ethics that helps reduce financial fraud.					