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Electronic Auditing and Its Impact on Achieving Quality Financial Reports An Exploratory Study at Al-Tafif Islamic Bank, Babylon Branch

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ABSTRACT

This research aims to determine the effectiveness of electronic auditing in improving the quality of financial reports. To achieve the objectives of the study, a cross-sectional survey method was used to collect data from a sample of employees working at Al-Taif Islamic Bank (Babylon Branch), and primary data was collected using structured electronic Likert-scale questionnaires. SPSS statistical software was used to analyze the collected data; The results of the analysis concluded that electronic auditing improves the quality of financial reports in Iraq. The study concluded that banks should adopt the effective and expanded use of electronic auditing because it provides independent, honest and reliable financial audit information. Banks in Iraq must adopt effective and expanded use of electronic auditing to ensure the detection of financial fraud, thus closing routine financial loopholes.

KEYWORDS: provides independent, honest and reliable financial audit information.



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INTRODUCTION

In recent years, the world has witnessed a revolution in Information Technology, which has led to an increase in the number of computer users in various activities. All sectors, with their various activities, have witnessed many obvious developments and changes over the past years in several aspects, including the economic and technological aspect, as technology has become an essential part of professional and institutional work, which required the audit profession to keep pace with these developments and changes. With the advent of electronic systems and their use in the accounting field to process financial statements automatically, the use of one or more computers in the processing of financial statements has become an electronic accounting information system.

The importance of auditing electronic accounting information comes by checking the inputs, operation and outputs of those systems and evaluating the security and integrity of that information. The audit of electronic accounting information systems is carried out through a sequential set of logical steps to collect the maximum amount of evidence in order to verify the integrity of the data of electronic accounting systems and then objectively evaluate them to express an impartial technical opinion on the validity and accuracy of those data and their conformity with the accepted standards and accounting rules contained in laws and regulations.

Research Methodology and Previous Studies

First: Research Methodology

1-The Problem of Research

The audit of electronic accounting information systems is carried out through a sequential set of logical steps to collect the maximum amount of evidence in order to verify the integrity of the data of electronic accounting systems and then evaluate them objectively to express an impartial technical opinion on the validity and accuracy of those data and their conformity with the accepted standards and accounting rules

contained in laws and regulations.

2-research questions

The research problem is represented by the following questions: -

A. Does electronic auditing affect the support and increase the independence of the internal auditor
P. Does electronic auditing affect the efficiency of the internal auditor

3-research objectives

The research aims to achieve the following: -

- Identify the importance of using a computer in the internal audit of the research sample units.
- Emphasize the need to use computer operating systems in the work of the internal auditor because of its benefits such as saving effort, time and cost, in addition to accuracy in the work of the auditor.

4. Research hypothesis

The research is based on the following main hypothesis:

The electronic audit has a positive impact on the efficiency and effectiveness of the audit

5. The importance of research

The contemporary environment and all its sectors have witnessed obvious changes in the performance of their work, as a result of technological changes and the use of electronic computers and software for accounting and recording financial operations electronically through programs designed for this purpose, which requires the auditing profession to keep pace with these developments through electronic auditing, whether by developing software for auditing and the introduction of electronic means resulting from the development of its IT capabilities in performing its audit tasks in line with technological developments, and therefore, the importance of research in shedding light on the role of electronic auditing of accounting data in raising the efficiency of accounting standards Independence and professionalism of internal audit in a sample of banks, and to alleviate the concerns of auditors that electronic audit eliminates the logical steps of the audit, which

negatively affects the quality of standards of professional performance of internal audit.

6. Research methods and procedures

The topic was addressed in the research in the following form: -

A. Theoretical aspect: it includes an explanation of the criteria of independence and professionalism of the audit.

- The use of computer and information automation in audit work.

- The impact of the use of computer in the development of standards of independence and professional competence of the internal auditor.

P. The applied aspect: - includes the analysis of the answers of the research sample according to the questionnaire that was distributed to them.

6. Spatial limits of the research: the questionnaire form was used to reach results that would prove or disprove the research hypotheses, by distributing it to a sample of accountants and auditors at Al Wasat Electricity Distribution Company for the research sample in addition to a group of professionals and academics in the field of accounting and auditing.

Second: previous studies

Some of the scientific contributions of researchers in the field of electronic auditing, the objectives of these contributions and their findings will be presented. The following table shows some of these contributions and what the researchers have found, according to their chronological sequence: -

First: Arabic studies:

1.) Winner study, (2023: examining the impact of the characteristics of the Audit Committee on the quality of financial reports.

Financial expertise, independence, size and meetings of the audit committee.

Experience is measured by the percentage of committee members with financial experience, independence is measured by the percentage of independent members of the committee, size is measured by the number of committee members, meetings are measured by the number of times the committee meets during the year. Quality of financial reports. The ranking assigned by the investment management and Research Authority

(AIMR) to the quality of financial reports, where that authority forms a subcommittee of analysts in an industry to assess the quality of financial reports of companies.

2.(Fadel Study, 2018) electronic audit in banking and implementation determinants.

The study aims to diagnose the most important determinants that hinder the auditor's work of the mechanisms of banking operations systems implemented electronically. And how to bypass these limits so that it can be assured to carry out banking operations properly. The study reached the following results:

1. There are many factors that affect the objectivity of the external auditor in the performance of his work, including some limitations under electronic systems.

2-following the nature of banking operations and their diversity have an impact in finding determinants for the implementation of external audits.

3-after the audit method and the size of the samples have an impact in finding the determinants under electronic systems.

4-after the scientific and practical qualification of the external auditor with a track in identifying the determinants and how to deal with them.

The study recommended the following: -

1. Review the traditional methods of external audit to keep pace with technological development.

2. Qualifying the external auditor through training and special courses, which leads to his understanding of the banking business and the nature of banking operations.

3. Establish clear standards and rules to regulate the relationship between the auditor and the audited banks so as to enhance the degree of impartiality and independence.

Second: Foreign Studies: -

1. Study Shaikh .M "E-commerce impact: emerging technology – electronic, auditing" - (2020)

The study aims to apply technologies that can help auditors improve the quality of their work, how to use some computer technologies in

auditing, and more effectively with emerging information technology. The study introduced a new concept called electronic audit, as some audit tasks can be performed electronically via the internet with the help of information technology, as the study identified three emerging information technologies to form a software framework to facilitate the task of electronic audit, including a form that reflects distributed medium installations, internet protection techniques and smart agents, and the study identified that electronic audit has some limitations, as the new portal relied on some technologies to be able to communicate with auditors, all applications are in the nascent stage, meaning that they are at the beginning of development to help improve and develop, and the study recommended that the need to adopt Modern technologies in electronic auditing because they develop the performance of enterprises in the contemporary business environment.

2-the study of Morty, M and others,, " The impact of information technology on internal auditing (2018).

The study focused on the global trend of adopting the IT system (physical components and software) in producing a more controlled environment under electronic audit, and the study focused on how information technology affects internal audit (control environment, risk assessment, control activities, Information Communications and control) and provided the study with guidelines and the best applications to evaluate the available technologies to perform internal audit tasks with the highest efficiency, as the study tried to correct some mistakes when using the auditor For technology, it is important that there is no general model of technology tools that apply to every organization, and it is also important to recognize the increasing reliance on technology to achieve and / or support almost all audit activities. Another important is to support the role of auditors and the audit profession to assist in the auditor's efforts to provide new systems and technology to enhance the construction of control, supervision and

assurance benefits of systems without considering them as an additional process or those elements contribute to reduce performance.

3-"(Electronic Audit Role in Achieving Competitive Advantages and Support the Strategy of the External Audit in Auditing Offices in the Hashemite Kingdom of Jordan ,2019)

The study aimed to identify the role of the electronic auditor in achieving competitive advantages and supporting the external audit strategy used by audit offices in Jordan through testing a set of hypotheses to address the role of electronic audit in achieving the dimensions of competitive advantage in audit offices and supporting the audit strategy., The study identified obstacles hindering the utilization of the use of electronic auditing aimed at achieving strategic competitive advantages and audit support followed by the Audit Office in the Hashemite Kingdom of Jordan. The study found that the use of e-auditing contributes to achieving competitive advantages in Jordan, including cost reduction, quality, flexibility and market share. Electronic auditing also contributes to supporting the external audit strategy. The study indicated that there are obstacles to the use of electronic audit including the costs of specialized audit program, high prices of public programs, their lack of appropriate for all work institutions in addition to the need for scientific and practical qualification of the auditor who specialized in the field of Information Technology.

Third: - the scientific contribution made by the current study: - the current study showed the importance of electronic auditing in government banks and its impact on raising the efficiency of independence and professional competence standards, after a simplified presentation of what the literature dealt with in the field of accounting and auditing, and a presentation of the most important independence and professional competence standards, as the research was applied:

1. Electronic audit affects the independence of the internal auditor in the research sample units because it is away from external influences

such as pressures exerted on auditors, which negatively affect the objectivity and credibility of reporting.

2. Electronic audit leads to making the external auditor more efficient and experienced in the field of computer work and data processing electronically, and therefore enables him to implement the procedures adopted by the

research sample units in the audit process.

3. Achieving confidentiality and security of accounting information, and this can only be achieved by having a proper and efficient performance of auditing through the computer. Only authorized users are allowed to access the system.

Approval level	standard deviation	SMA	Paragraph
I agree	1.22	3.52	1.
I agree	1.05	3.63	2.
I agree	1.04	3.65	3.
I agree	1.03	3.63	4.
I agree	1.04	3.52	5.
I agree	1.16	3.60	6.
I agree	1.058333333	3.6475	Total

The table of the researcher's work based on the questionnaire data

It is clear from Table (1) that the total arithmetic mean of the respondents' responses to the paragraphs of the electronic audit variable amounted to (3.6475), which is within the level of (I agree) in the standard of judgment, and the standard deviation reached (1.058333333), this indicates that the answers are not scattered, as

the averages of all paragraphs of this variable fell within the level of (I agree) in the standard of judgment, indicating that there is agreement among the respondents on phrases of this variable.

Second: the dependent variable (quality of financial reports)

Table (2) arithmetic averages, standard deviations and the level of approval of the responses of research personnel to the paragraphs of the variable of the quality of financial reports.

Approval	standard	SMA	Paragraph
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level	deviation		
I agree	1.01	3.79	1.
I agree	1.02	3.55	2.
I agree	1.12	3.67	3.
I agree	1.05	3.73	4.
I agree	1.11	3.51	5.
I agree	1.17	3.76	6.
I agree	1.05	3.625833333	Total

The table of the researcher's work based on the questionnaire data

It is clear from Table (2) that the total arithmetic mean of the respondents' responses to the paragraphs of the quality of financial reports amounted to (3.625833333), which is within the level of (agree) in the standard of judgment, and the standard deviation reached (1.05), this indicates that the answers are not scattered, and that the averages of all paragraphs of this variable fell within the level of (agree) in the standard of judgment, which indicates that there is agreement among the respondents on the paragraphs of phrases of this variable.

Testing the two main hypotheses of the study
 In this paper, each hypothesis will be verified separately, and for this purpose, the correlation between the independent variable and its

relationship with the dependent variable was calculated to indicate the nature of the correlation in terms of value, direction and significance, and a simple linear regression was used to indicate the effect of the independent variable in the dependent variable. the following is a detailed:

The first main hypothesis: it states that "there is a statistically significant correlation between the electronic audit (as an independent factor) and the quality of financial reports (as a subordinate factor) in the organization under consideration "
 To indicate whether the hypothesis is accepted or not, the Pearson correlation coefficient between the electronic audit and the quality of financial reports was calculated as follows:

Table (3) statistical outputs of the relationship between electronic audit and the quality of financial reports.

Significance level	Correlation coefficient	The dimension
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0.01	0.748**	Electronic auditing
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Through Table No. (3) it is clear what follows:

In order to confirm the strength of the correlation relationship between the total independent variable and the dependent variable, the correlation coefficient was measured, which reached a value of (0.748) at an indicative level of (0.01), and in light of this and the validity of the four sub-hypotheses, we say the validity of the first main hypothesis, which states that " there is a statistically significant correlation between electronic audit (as an independent factor) and

the quality of financial reports (as a dependent factor) in the organization under consideration
 The second main hypothesis: it states that " there is a statistically significant impact of cloud computing on the quality of financial reporting in the organization under consideration "
 To determine whether the hypothesis is accepted or not, a simple linear regression analysis was performed between the electronic audit and the quality of financial reports as follows:

Table (4) linear regression coefficients of the impact of electronic audit on the quality of financial reports.

Significance level	t value	B value	Constant	Significance level	F value	The coefficient of determination R2	The dimension
0.01	3.010	0.782	Gradient constant	0.01	230.300	0.611	Electronic auditing
0.01	15.176	0.825	Quality of financial reports				The dimension

T (T (94) and at the level of significance (0.01) = 1.96

Table (4) above shows the statistical analysis of the second main hypothesis test, from which we conclude:

1-r (B) (0.782) 6 (61%) r (r) (R2= 0.611).

CONCLUSIONS

Through the theoretical and applied study in the research sample banks the researcher came to the following conclusions: -

1. Electronic audit affects the independence of the internal auditor in the research sample units because it is away from external influences such as pressures exerted on auditors, which negatively affect the objectivity and credibility of reporting.

2. It provides effective communication between the director of the Internal Audit Department and the senior management, as well as the departments related to audit activities, as all reports are submitted to the senior management, and therefore the role of the accountant comes in addressing and correcting accounting errors and answering the auditors' questions that are contained in the reports, and then the role of the senior management comes in following up the accountant's work in dealing with the observations that are contained in the auditor's reports.

3. The first task of the auditor in all units is to inspect the internal control system in the research sample units, so the presence of a sound electronic information system for the activities of the research sample units leads to ease and efficiency of checking the internal control system and thus detecting errors with minimal time, effort and cost.

4. It leads to the fact that the electronic information system does not allow unauthorized or authorized persons to enter and therefore does not give the opportunity to manipulate the information and the results of the audit in the research sample units.

5. Electronic audit leads to making the Auditor more efficient and experienced in the field of computer work and data processing electronically and thus enables him to implement the procedures adopted by the research sample units in the audit process.

6 avoid any manipulation in the interpretation of the auditor's findings by relying on objective accounting information and reflecting the performance of the unit

Second: Recommendations

In view of the conclusions made by the above researcher, he makes the following

1. The need to strengthen the electronic audit applications in the research sample units through: -

A. Providing the necessary material and human requirements for the success of the electronic audit process in all branches of Rafidain bank.

P. Providing a sound internal control system in all aspects that facilitates the work of the internal auditor.

C-providing an automated accounting information system that is sufficient and appropriate for the application of electronic audit in the research sample units.

2. Providing qualified computer personnel in addition to experience in the fields of auditing and accounting to be able to perform the audit efficiently and effectively.

3. Providing training programs both inside and outside the country, or using experts in this field to develop the capabilities of cadres who need to develop their capabilities and abilities in order to keep pace with developments in the field of specialization and the field of work.

4. Conducting Development Studies in the field of electronic auditing, auditing standards and the latest modern technological systems, and trying to benefit from the expertise of companies in this field.

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