

EMPIRICAL STUDY FOR THE STRATEGIC ROLE OF INTERNAL AUDIT IN DEDICATING FRAUD RISK IN THE FINANCIAL STATEMENT: EVIDENCE FROM IRAQ

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Abstract

An audit is a regular and systematic process to collect and impartially evaluate evidence of management claims in relation to economic activities and events to determine the extent to which these claims comply with predetermined criteria and to report results to stakeholders. The study aims to know the strategic role of internal audit in detecting the risks of financial fraud, in addition to identifying the basic concepts of internal auditing and the types of fraud risks in the financial statements, and clarifying the role of the internal auditor in detecting the risks of financial fraud, by knowing the impact of the planning process and professional skepticism and understanding The work environment and its contribution to support the internal auditor in detecting fraud risks in the financial statements, and the study concluded that the internal auditor when developing an audit plan, must develop an integrated vision of the effectiveness of governance and risk management, which contributes to reducing the risks of fraud in financial information. In addition, he should consider the institution's evaluation of fraud risks and may evaluate the company's fraud detection abilities on a regular basis. The ability of the internal auditor to continuously assess the potential risks resulting from the work environment helps in discovering the risks of fraud in financial information, in addition to the internal auditor's knowledge of the nature of the work environment in which he works helps to know the risks and detect financial fraud. The internal auditor should identify the potential effects of fraud and discuss the matter with the appropriate level of management, whom management decides to initiate a full investigation and this is achieved through the professional skepticism of the auditor.

Keywords: Internal Audit, internal auditor, Fraud Risks, Financial Statements.



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1. Introduction:

Auditing has become a necessary and much-needed profession in the world these days as there is ample evidence of the many attempts at fraudulent manipulation of corporate accounting offices. The issue of fraud, and in particular financial fraud, has become inevitable. Financial scandals have not only incurred economic costs and losses, such as harming creditors, investors, and shareholders, but also political and judicial costs. In this regard, every year the Association of Official Fraud Investigators (the largest association for investigating and detecting fraud in the world) publishes a report on the amount of fraud and financial scandals that have been detected and reported. This report publishes comprehensive information in this regard (Drogalas et al., 2017). The reporting approach emphasizes fraud and professional misconduct. Major financial statement fraud can have a significant adverse effect on a business unit's market value, accountability, and capacity to accomplish its strategic goals. In 1997, the Auditing Standards Board of the United States issued Statement 99 of the Auditing Standard entitled "Investigating Financial Statement Fraud". For every audit, auditors must estimate the potential for fraud, according to this criterion (Ramos, 2003). According to Standard 99, There are three types of risk elements for misleading financial reports. (Aghghaleh & Mohamed, 2014):

- A. Management characteristics and the effect he has on the environment control
- B. Industry circumstances
- C. Financial consistency and operating features of the client.

2. Methodology of Research

2.1 Research Problem:

The widespread financial fraud activities and the risks it causes led to the collapse of many countries, especially developing countries, which has had a significant impact on the process of economic development. In recent years, the rates of financial fraud and illegal acts by companies have increased, which led to the loss and bankruptcy of shareholders' money. and its exit from the market, and therefore the internal audit function is considered one of the important functions that provide advisory activities to assist management in activating risk management, and therefore the internal audit process is necessary to prevent fraud and risk, and it is the responsibility of the internal auditor to review activities and be prepared to face the risks of financial fraud This was confirmed by the American Institute of Certified Public Accountants (AICPA) and Institute of Internal Auditors (IIA). The study problem can be formulated in the following question: "Do the planning process, professional skepticism, and adequate understanding of the work environment contribute to the internal auditor in detecting fraud risks in the financial statements?"

2.2 Study Importance:

The importance of research is related to the significance of the objective value of internal audit and its dimensions and its effective contribution to the detection and prevention of fraud, as well as the importance of the role of the professional internal auditor and the responsibility that falls upon him in deterring any operations tainted by the risks of financial fraud and his contribution to informing the management of the activities and operations exposed to this risk and how to deal with them appropriately.

2.3: Research Objective:

The study aims to know the strategic role of internal auditing in detecting the risks of financial fraud, in addition to identifying the basic concepts of internal auditing and the types of fraud risks in the financial statements, and clarifying the role of the internal auditor in detecting the risks of financial fraud.

2.4 Research hypotheses:

- A. There is an impact of the planning process carried out by the internal auditor in detecting fraud risks in the financial statements.
- B. There is an effect of adequate understanding of the work environment and the professional skepticism of the internal auditor in detecting fraud risks in the financial statements.

2.5 Practical method of Research:

To achieve the objectives of the study and test its hypotheses, the descriptive approach was relied on in presenting the theoretical side through the use of scientific references that dealt with the topic of the research, while the practical side was adopted in the investigative approach in analyzing the results of the questionnaire that was distributed to the research community. Where the research community consisted of a number of internal auditors working in Iraqi institutions if this community was chosen because it is directly related to the topic of the research.

2.6 Research Community and Study Sample

Effective control and internal audit activity can support the organization through the fraud risk management process is a very important way. Although the responsibility for preventing and deterring fraud lies with the management, but the internal auditors can assist the management by determining if the organization has enough internal controls or not, and this is done through planning the audit process and understanding the work environment in addition to identifying and promoting an adequate control environment and their practice of professional skepticism. Relevant to the subject of the study, as (50) questionnaires were distributed to a group of employees working in internal audits for different sectors in Iraq.

3 . Conceptual framework:

3.1 The Strategic Role of IA

In the beginning, the objective of the internal audit was to track errors and manipulations and provide advice based on an examination of historical data that actually occurred in light of the internal control system applied in the economic unit and the extent of commitment to this system, meaning that it included only financial aspects, then the concept of audit evolved over time as The view of it has changed and it is now considered an integral part of management because it performs many administrative tasks such as evaluating the performance of the unit's employees, providing the senior management in a timely manner with the correct information about the risks that the unit may face (Sarens & De beelde, 2006) (Mohammed et al, 2021). and control and governance to become Its focus are to audit the risk management process at the level of the economic unit and provide confirmation of its effectiveness in addition to its traditional tasks of protecting the unit's assets from any undesirable behavior, and ensuring the extent to which employees comply with the established policies and procedures (Mohaisen et al, 2020).

The importance of internal audit is due to the extent to which the users of financial and accounting data and the beneficiaries of the results of this data need. By monitoring the quality and quality of data, financial reports, and companies' work systems, enabling them to make decisions, assess the level of risk, provide

recommendations and advice, protect assets and verify the optimal use of resources (Al-Maqbool & Al-Dukhairi, 2019).

Recent studies have revealed a widespread misunderstanding about the role of Internal Audit (IA) in firms. Traditionally, IA functions have mostly concentrated on subjects related to compliance and internal control systems (ICS). IA has always placed a low focus on adding value and giving insights into an organization's critical risks. In order to bring value to the organization, a modern IA function should comprehend the organization's core risks and proactively detect developing hazards. This enables IA to support the company in assigning resources properly and effectively to minimize risks and further enhance its key role. In developing the yearly strategic auditing approach, IA should take into account the following main risks. It will aid IA in prioritizing subjects and will strengthen IA's position as a strategic and value-added business partner within the company. IA should pick the main risks that matter to the organization and further develop its strategic position within the organization so to select the major issues that interest the company (Saeed, et al, 2020; Luka Zupan, 2020; Al-Abedi, et al, 2022):

- a. **Understanding major business issues:** IAs must have a thorough awareness of the organization's business strategy and activities at all levels. Once this is accomplished, IA may apply its knowledge to detect important potential risks, teach the business, and partner with it to seize any chances.
- b. **Leverage technology:** IA should adjust its techniques to make better use of technology in the auditing process. This will result in not just increased effectiveness in the provision of IA, but also better views of the business, enhancing the perceived value and reliability of IA.
- c. **Ensure that IA activities create business value:** IA should guarantee that its actions give not only assurance but also business knowledge that may be used to develop business operations or obtain a competitive edge.

3.2 Consider the source of demand for assurance: IA should always evaluate who is seeking confirmation over the identified hazard when developing a risk-based IA Plan. IA should then evaluate its capacity to deliver further insights beyond the stakeholder's present understanding of the topic once it has been recognized. This should aid IA in prioritizing audits that provide importantly and have the capacity to give information that would otherwise be unavailable to interested parties.

3.3 Fraud in financial statements

Corporation fraud has piqued national and governmental interest in the latest decades of a rash of high-profile corporate failures. To reflect the social community's judgment on this type of activity, the penalties for fake financial reporting have been dramatically enhanced (Coram et al., 2006).

According to the report of the Association of Official Inspectors on fraud "Fraud is the misuse of one's position and influence to misuse the organization's assets and resources." Intentionally one or more managers, employees, or third parties Refers to misrepresentation of financial statements It is said to be coded. The common chapter of these definitions shows Gives that all frauds with the intention of deceiving and in order to achieve It is for personal gain and therefore different from wrong. According to Section 24 Fraudulent Auditing Standards Is any inadvertent misstatement of financial statements (including Deleting an amount or item of disclosure such as collection error or Information processing, incorrect accounting

estimates resulting from ignored Mistakes or misrepresentation of existing and wrong facts Apply measurement-related auditing standards, Identify, classify, present or disclose).

According to Statement No. 99 US auditing standards, current fraud is intentional Significant misstatement of the audited financial statements Fraud usually occurs in the following three situations Gives:

- A. Management or other employees in pursuit of motivation or under They commit certain pressures of fraud.
- B. Current situation, for example, lack of control, inadequacy Existing controls, or the ability to manage to trample Putting controls in place is an opportunity to commit fraud Provide.
- C. People who commit fraudulent acts are able to Justify their actions and some of these people have an attitude, characteristic, or set of ethical principles that allow them to consciously and intentionally Commit violations.

3.2.1 Classification of types of fraud

In general, fraud occurs in the following three ways (Halbouni, 2015; Hadby & Zidane, 2018; DeZoort & Harrison, 2008):

- A. Corruption: Defined as a fraud in which fraudsters misuse their influence in a financial transaction in order to operate for their own personal benefit or that of another person; Such as accepting commissions and engaging in conflicts of interest.
- B. Misuse of assets: includes theft or misuse of assets of an organization; Such as cash theft tricks, theft of goods, theft of other assets, and illegal use of assets as personal property.
- C. Financial reporting fraud: is a deliberate distortion of the results of financial statements to present a false image of the company; Such as overspending assets and underspending - overstatement of revenues and overstatement of Assets Minimize stolen assets.

According to Section (AS 2401) of the Auditing Standards for Fraud and Mistake, there are two types of fraud:

Type 1: Fraudulent financial reporting; Includes fraud such as documenting and manipulating or altering accounting records or Evidence supporting the preparation of financial statements, incorrect presentation of Events in the financial statements or their intentional elimination, and Improper application of accounting standards related to Measure, identity, classify and present or disclose Intentionally

Type 2: Misuse of assets; including embezzlement of receipts, Theft of tangible or intangible fixed assets, or payment Cash for goods and services not received.

4.2: The Methods of detecting and preventing fraud:

In general, fraud has two fundamental flaws that are ultimately possible is to discover (Reinstein & Bayou, 1999):

Structure: This shows the nature of the fraud cycles, the structure of the elements, and the cohesive path. As a person Experienced and expert even with a brief look at some aspects of this The cycle can with its evaluations of all fraudulent tricks and Unveil its intentions and stimuli.

Predictability: Cheating as an event in both The macro and micro framework is predictable because any disability must-have conditions to be created. At the macro level, one Correlation between the general state of the economy and industry and the tendency to cheat There is. At the micro-level, the predictability of fraud is this insight shows that most scams have common features and an experienced auditor can

master the rules of learning Fingerprinting and professional care and predict fraud when certain conditions prevail.

Generally, prevent, detect and detect fraud in the face Today, more than ever, corporate finances have become It has become a serious concern for the world's certified public accountants and accountants Officially more than ever to provide preventive services or Reaction related to fraud, whether in special joint-stock companies and serves in public or quasi-government companies take. Almost all organizations engage in some form of fraud Wrestle and a variety of it, from a minor theft by staff They experience deceptive financial reporting. Major fraud in financial statements can have a significant adverse effect on the value Business unit market, its credibility, and its ability to achieve goals Have your own strategy (Reinstein & Bayou, 1999).

3.4 The Role of Internal Audit in Detecting Fraud Risks

The normal course of the internal audit activity is to provide an independent evaluation, examination, and evaluation of the organization's activities as a service to the organization. The objective of an internal fraud detection audit is to assist management members in effectively discharging their responsibilities by providing them with analysis, assessments, recommendations, counsel, and information regarding the activities reviewed. The mission objective includes promoting effective control at an affordable cost (IIA, The Professional Practices Framework, 2005) (Mohamed & Handley, 2014) (Ali, et al, 2019).

Internal auditing helps organizations build a society of ethics, honesty, and integrity by assessing the internal controls (systems of internal control) that are utilized to identify or reduce (the impacts) of fraud, as well as by trying to measure management's risk evaluation and involvement in any fraud investigation. Internal auditors are regarded as adequate resources to examine the success of the procedures taken by management, despite the fact that it is management's obligation to develop (and build) internal controls to avoid, identify, and reduce fraud. Internal auditors can serve many functions in the areas of advice, reassuring, collaboration, guidance, supervision, and examination of the fraud management process in the business, depending on which way of administration, the board, the audit committee, and any other competent authority (IPPF, 2009).

Competent professional internal auditors are highly skilled in employing techniques for evaluating internal controls. Those professionals, in addition to their understanding of fraud and fraud indicators, enable them to identify the risks of fraud and fraud to which the institution is exposed and to advise and advise management on taking the necessary steps if such indications are found (IPPF, 2009). Internal auditors are responsible for exercising "due professional care" as specifically defined in Standard 1220 in connection with the detection of fraud. Internal auditors must have sufficient knowledge of fraud to identify indicators that may have been committed, be alert to opportunities that may allow fraud, assess the need for additional investigation, and notify the appropriate authorities (IIA, The Professional Practices Framework, 2005).

Thus, the role of internal audit in detecting and combating fraud can be clarified by the internal auditor as reported by (IPPF, 2009):

- A. **Prevention:** Establishing a culture of integrity is a critical component of fraud prevention. The executive management should set the overall approach from the top

and give the highest model of integrity. The internal auditor may advise management on ways to ensure integrity and may participate in communicating and interpreting those methods. It may also assist in providing training on integrity and fraud policies. As part of their reassurance activities, internal auditors monitor potential fraud risks, determine the appropriateness of relevant controls (relevant control systems) and make recommendations for improvement. They may assist in comparing (comparing) statistics on the probability and outcome of fraud.

- B. Detection:** Internal auditors could play multiple roles in the areas of recommendation, affirmation, cooperation, advice, scrutiny, and inspection of the fraud control process in the business, based on the direction in which the management, the committee, the supervisory board, and every other qualified agency are headed. When developing the annual audit plan, the internal auditor takes into account the organization's assessment of fraud risk and may periodically assess management's fraud detection capabilities. For this, the auditor performs to ensure the efficiency, examinations based on audit techniques such as data analysis are conducted. (efficiency) of the available control systems.
- C. Investigation:** Internal auditor's expertise in collecting proofs, analyzing (recognizing) disadvantages in regulations (control systems) which could enable fraud to take place, and creating suggestions for enhancement, as well as his direct usable correlation with the directors or regulatory agency, provide him with the objectivity and independence required to conduct sensitive investigations. Although internal auditors may have a straight role in fraud inquiries or play a role as a source (resource) to those involved, they are not often supposed to have the same level of experience (and skill) as those whose major work (professional) is to identify and examine fraud (s). When the main task of the internal auditor is to detect fraud, he must possess the main capabilities (skills) for that task - usually acquired through special training and relevant experience. He may be granted an approved license as a fraud or forensic investigator (IPPF, 2009; Bierstaker et al., 2012).

4. Presenting and Analyzing Questionnaire Results

This research aims to present results of the field study conducted by the researcher and analyze them using descriptive analysis tools represented by (Arithmetic Mean and Standard Deviation) to estimate the Absolute Dispersion for the answers of sample individuals from the mean. The aim is to draw a picture or a general frame for the preferences and general orientations of respondents regarding search variants through the Likert 5 Scale besides using referential tests represented by correlation and regression to test the relation among the search variants. In order to achieve this purpose, a questionnaire consisting of (16) questions was prepared, it was distributed on two axes; the first one, which is the independent variant represented by internal audit, consisted of eight questions. The second one, which is the median reliable variant to detect fraud in financial lists, consisted of eight questions as well. Table (1) below shows Content Validity Test using Cronbach's Alpha Scale.

Table (1) Content Validity Test using Cronbach's Alpha Scale

Variants	Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
Internal Audit	0.964	0.965	8
Fraud Detection	0.970	0.971	8

As we see Cronbach's alpha is greater than 0.9. The maximum expected value is 0.9 above this value is perceived as redundancy or duplication. But we can accept this

value. It shows our questionnaire is reliable. This is also true for our second Cronbach's alpha that we measured for the other questionnaire that we can see below.

4.1 Presenting and Explaining Descriptive Measures Results

Descriptive statistics tools, represented by (Arithmetic Mean and Standard Deviation), were used to estimate the Absolute Dispersion for the answers of sample individuals from the mean. Weights are: (Completely Agree = 5, Agree = 4, Neutral = 3, Disagree = 2, Completely Disagree = 1). The arithmetic mean (the probable mean) of the scale is set by firstly determining how long it takes and is equal to dividing 4 on 5. 4 represents the number of spaces (from 1 to 2 is a first space, from 2 to 3 is a second space, from 3 to 4 a third space and from 4 to 5 is a fourth space), whereas number 5 represents the number of selections. Dividing 4 on 5 results in the length of period (class) and equals (0.8) and the distribution becomes like this: from 1 to 1.79 (completely disagree), from 1.8 to 2.59 (disagree), from 2.6 to 3.39 (neutral), from 3.4 to 4.19 (agree) and from 4.2 to 5 (completely agree). Table (3) below shows the arithmetic mean and standard deviation for the total of both axes.

Table (2) Total Arithmetic Means and Standard Deviations

Criterion Variables	Mean	importance Relative	Std. Deviation	C.V	result
internal audit	3.6400	%70	1.11593	0.30	agree
detection fraud	3.3000	%71	0.97938	0.29	neutral

Table (2) shows arithmetic means and standard deviations of the first axis from the questionnaire distributed on sample members. It indicates that the arithmetic means for the items of these variations reached (3.64) and (3.3) for both axes respectively. It is higher than the hypothetical median which is (3) out of (5), with high consistency in answers through standard deviation values with an average of (70%) and (71%). This result indicates that there is a consensus on the role of internal audits in detecting fraud in financial statements.

1.1.4 Presenting and interpreting results of standard deviation and arithmetic mean of the first axis

Table (3) shows arithmetic means and the extent to which the answer is far from its arithmetic mean through standard deviations of the first axis known as (internal audit) from the questionnaire distributed to sample members.

Table (3) Rates, Iterations, Arithmetic Means, and Standard Deviations of the First Axis

Question	Criterion	Frequency	Percent	mean	Std. Deviation	c.v	Relative Importance	Result
Ensuring the existence of specific regulations for professional ethics that limit the risks of fraud and the extent of management's commitment to them.	totally disapprove	3	6.0	3.86	1.22	0.32	%68	Agree
	disapprove	6	12.0					
	unbiased	5	10.0					
	approve	17	34.0					

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	totally approve	19	38.0					
The internal auditor developed an integrated vision of the effectiveness of governance and risk management that reduces the risks of fraud in financial information.	totally disapprove	3	6.0	3.70	1.22	0.32	%68	Agree
	disapprove	6	12.0					
	unbiased	4	8.0					
	approve	27	54.0					
	totally approve	10	20.0					
Considers the organization's assessment of fraud risk and may periodically assess management's fraud detection capabilities.	totally disapprove	7	14.0	3.50	1.31	0.37	%63	Agree
	disapprove	4	8.0					
	unbiased	7	14.0					
	approve	21	42.0					
	totally approve	11	22.0					
Determining the factors and materiality and evaluating the acceptable level of audit and the inherent risks that lead to easy detection of fraud in financial information	totally disapprove	3	6.0	3.76	1.15	0.32	%68	Agree
	disapprove	6	12.0					
	unbiased	4	8.0					
	approve	24	48.0					
	totally approve	13	26.0					
The auditor should inquire of administration to determine the scope that management is familiar with the ability of systems of accountancy and internal control to detect and prevent fraud.	totally disapprove	4	8.0	3.56	1.18	0.33	%67	Agree
	disapprove	4	8.0					
	unbiased	14	28.0					
	approve	16	32.0					
	totally approve	12	24.0					
The auditor should make sure that the administration is familiar with any frauds that impacted the authority (establishment) or probable frauds.	totally disapprove	5	10.0	3.50	1.28	0.36	%64	Agree
	disapprove	7	14.0					
	unbiased	8	16.0					
	approve	18	36.0					
	totally approve	12	24.0					
The form and regularity with which management evaluates of control systems and accounting in place to prevent fraud and the danger of false financial statements..	totally disapprove	2	4.0	3.80	1.01	0.26	%74	Agree
	disapprove	3	6.0					
	unbiased	10	20.0					
	approve	23	46.0					
	totally approve	12	24.0					
Internal auditors must design procedures to identify the perpetrators, the extent of the fraud, the techniques used, and the cause of fraud.	totally disapprove	6	12.0	3.42	1.27	0.37	%63	Agree
	disapprove	5	10.0					
	unbiased	12	24.0					
	approve	16	32.0					
	totally approve	11	22.0					

Table (3) shows that the question: "The nature and frequency of management's evaluations of the accounting and control systems put in place to avoid fraud, and the risk of financial statements being erroneous.", achieved the highest relative importance among all questions of the first axis rated (74%) while the result of arithmetic mean (3.80) which is the highest arithmetic mean among all the other

arithmetic means. As for the standard deviation and coefficient of variation, they reached (1.01) and (0.26) respectively, their result indicates low dispersion in answers of sample members.

"While the question: "Internal auditors must design procedures to identify the perpetrators, the extent of the fraud, the techniques used, and the cause of fraud achieved less relative importance among all questions of the second axis rated (63%) while the result of arithmetic means (3.4)• whereas for the standard deviation and coefficient of variation, they reached (1.27) and (0.37) respectively, their result indicates low dispersion in answers of sample members.

2.1.4 Presenting and interpreting results of standard deviation and arithmetic mean of the second axis

Table (4) shows arithmetic means and the extent to which the answer is far from its arithmetic mean through standard deviations of the first axis known as (fraud detection) from the questionnaire distributed to sample members.

Table (4) Rates, Iterations, Arithmetic Means, and Standard Deviations of the Second Axis

Question	Criterion	Frequency	Percent	Valid Percent	Cumulative Percent	mean	Std. Deviation	c.v	Relative Importance	Result
Internal auditors are responsible for exercising due professional care, providing independent evaluation and examination of the organization's activities, and assisting management through analysis, evaluations, and recommendations for fraud detection.	totally disapprove	3	6.0	6.0	6.0	3.10	1.09	0.35	%65	Neutral
	disapprove	15	30.0	30.0	36.0					
	unbiased	9	18.0	18.0	54.0					
	approve	20	40.0	40.0	94.0					
	totally approve	3	6.0	6.0	100.0					
The internal auditor is responsible for examining controls to determine whether they are adequate to prevent or detect fraud	totally disapprove	4	8.0	8.0	8.0	3.32	1.20	0.36	%64	Neutral
	disapprove	10	20.0	20.0	28.0					
	unbiased	10	20.0	20.0	48.0					
	approve	18	36.0	36.0	84.0					
	totally approve	8	16.0	16.0	100.0					
If fraud is suspected, the internal auditor should inform an appropriate level of management within the organization such as the audit committee, the board of directors.	totally disapprove	4	8.0	8.0	8.0	3.36	1.17	0.34	%66	Neutral
	disapprove	10	20.0	20.0	28.0					
	unbiased	6	12.0	12.0	40.0					
	approve	24	48.0	48.0	88.0					
	totally approve	6	12.0	12.0	100.0					
When fraud is suspected, the internal auditor should identify the potential effects of fraud and discuss the matter with the	totally disapprove	2	4.0	4.0	4.0	3.42	1.12	0.32	%68	Agree
	disapprove	9	18.0	18.0	22.0					
	unbiased	15	30.0	30.0	52.0					

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appropriate level of management, and whom management decides to initiate a full investigation	approve	14	28.0	28.0	80.0					
	totally approve	10	20.0	20.0	100.0					
The internal auditor should evaluate audit evidence objectively and focus on the circumstances and facts, as they represent an indication of the possibility of fraud.	totally disapprove	4	8.0	8.0	8.0	3.10	1.01	0.32	%68	Neutral
	disapprove	9	18.0	18.0	26.0					
	unbiased	17	34.0	34.0	60.0					
	approve	18	36.0	36.0	96.0					
	totally approve	2	4.0	4.0	100.0					
The internal auditor's knowledge of the management's internal systems gives an easy motive to discover fraud risks	totally disapprove	4	8.0	8.0	8.0	3.30	1.11	0.33	%67	Neutral
	disapprove	7	14.0	14.0	22.0					
	unbiased	15	30.0	30.0	52.0					
	approve	18	36.0	36.0	88.0					
	totally approve	6	12.0	12.0	100.0					
The ability of the internal auditor to continuously assess the potential risks arising from the work environment helps in discovering the risks of fraud in financial information	totally disapprove	1	2.0	2.0	2.0	3.58	1.03	0.28	%72	Agree
	disapprove	8	16.0	16.0	18.0					
	unbiased	11	22.0	22.0	40.0					
	approve	21	42.0	42.0	82.0					
	totally approve	9	18.0	18.0	100.0					
The internal auditor's knowledge of the nature of the work environment in which he works helps to know the risks and detect financial fraud.	totally disapprove	5	10.0	10.0	10.0	3.50	1.23	0.35	%65	Agree
	disapprove	3	6.0	6.0	16.0					
	unbiased	17	34.0	34.0	50.0					
	approve	12	24.0	24.0	74.0					
	totally approve	13	26.0	26.0	100.0					

Table (4) Shows that the question: "The ability of the internal auditor to continuously assess the potential risks arising from the work environment helps in discovering the risks of fraud in financial information", achieved the highest relative importance among all questions of the second axis rated (72%) while the result of arithmetic mean (3.58) which is the highest arithmetic mean among all the other arithmetic means. As for the standard deviation and coefficient of variation, they reached (1.03) and (0.28) respectively, their result indicates low dispersion in answers of sample members.

While the question: "The internal auditor's job is to examine controls to see if they're up to the task of preventing or detecting fraud.", achieved less relative importance among all questions of the second axis rated (64%) while the result of arithmetic mean was (3.32). As for the standard deviation and coefficient of variation, they reached (1.20) and (0.36) respectively, their result indicates low dispersion in the answers of sample members.

4.2 Measuring Correlation among Research Main Variants

The correlation hypothesis identified by the research is tested in order to identify the possibility of judging it by approval or refusal. The first hypothesis dictates that there is a correlation between internal audits and fraud detection. Table (6) shows that the Pearson coefficient of correlation reached (0.591) with a (0.01) significance level. This result indicates that there is a median correlation among variants, whereas (Sig.) value which was (0.00), indicates that the correlation was significant meaning that there is an important and clear relation between the two variants. Thus, the first

hypothesis is approved, but the result refers to the necessity of other factors besides internal audit to help reduce fraud through choosing other policies that have an effective impact in detecting fraud such as running more control by separating and specifying responsibilities, reorganizing authorities or adopting governance mechanism in governmental units and other methods as well. Table (6) below shows correlation test results between both variants.

Table (5) Correlation test results between both variants

Correlation		fraud risks
internal audit	Pearson's Correlation	0.591 ^{**}
	Sig. (2-tailed)	0.000
	N	50

^{**}. Correlation is significant at the 0.01 level (2-tailed).

4.3 Testing impact correlation results between the two variants

Impact hypothesis determined by the research is tests to identify the possibility of judging it by approval or refusal. The second hypothesis dictates that there is a significance level between internal audit and fraud detection. The following tables show the test results.

Table (6) model summary Test Results

model	R	R square	modified R square	Std. estimate's error
1	.591 ^a	0.349	.336	.90952
a. Predictors: (Constant), fraud risks				

Table (7) ANOVA Test Results

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	21.313	1	21.313	25.765	.000 ^b
	Residual	39.707	48	.827		
	Total	61.020	49			
a. Dependent Variable: internal audit						
b. Predictors: (Constant), fraud risks						

Table (8) Coefficients Test Results

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.418	.456		3.107	.003
	fraud risks	.673	.133	.591	5.076	.000
a. Dependent Variable: internal audit						

The results above show that the value of the Coefficient of determination (R^2) was (0.591) which means that the effectiveness of internal audit in detecting fraud was

(59%). The remaining rate is (41%) attributed to other contributions and variants which were not examined in the OLS model of the study. While F calculated value was (25.765) which is higher than its table value amounted to (4.19) meaning that there is an effect of the independent variant over the dependent variant. Whereas P-VALUE refers to highlighted significance model amount to (0.00) which is smaller than the significance level which was (0.05). The beta coefficient, which is (0.67), means that any variation in internal audit in one unit can affect the detection of fraud by (67%). Its significance level was statistically complete which amounted to (0.00) which is less than the significance level which is (0.05). as we demonstrated in the correlations test, there should be extra protection procedures or reduce fraud levels, though the results showed that there is a significant correlation to detection fraud which results were average.

5. Conclusion:

Independent commenting on the desirability of financial statements and reporting the results to stakeholders the purpose of the financial statements auditing profession is to enable the auditor to comment on whether the financial statements have been prepared in accordance with accounting standards in all material respects. The auditor must comply with the ethical requirements associated with the audit, these ethical requirements related to the integrity of the impartiality, the competency must comply with the ethical requirements related to the audit, the ethical requirements related to the integrity of the competency and professional care Confidentiality, professional conduct and The principles and rules are professional. The objective of our study revolved around the role of internal audit in detecting fraud risks in the financial statements, through the roles played by the internal auditor in terms of planning the audit process, understanding the environment and nature of work and practicing professional skepticism, and therefore professional internal auditors possess high professionalism in employing techniques for the assessment of internal controls. These professionals, in addition to their understanding of fraud indicators, enable them to identify the fraud risks to which the institution is exposed and to advise and advise management on taking the necessary steps if such indications are found. Internal auditors have the independence and objectivity needed to conduct sensitive investigations due to their skills in gathering proof, specifying weak points in controls that could enable fraud to happen, making recommendations for improvement, and having an immediate functional link with the board or competent authority. This research recommends that the internal audit should be Associated with the board of directors to inform them of the results of the audit work periodically .

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دراسة تجريبية : الدور الاستراتيجي للتدقيق الداخلي في اكتشاف مخاطر الاحتيال في البيانات المالية : دراسة حالة من العراق

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المستخلص:

التدقيق هو عملية منتظمة ومنهجية لجمع الأدلة على مطالبات الإدارة ، وتقييمها بحيادية فيما يتعلق بالأنشطة و الأحداث الاقتصادية لتحديد مدى امتثال هذه المطالبات للمعايير المحددة مسبقا وإبلاغ النتائج إلى أصحاب المصلحة. تهدف هذه الدراسة الى معرفة الدور الاستراتيجي للتدقيق الداخلي في الكشف عن مخاطر الاحتيال المالي كونه يزود الادارة العليا بالمعلومات الصحيحة عن المخاطر التي تحيط بالوحدة الاقتصادية في الوقت المناسب وتقديم تأكيدات على فاعليتها ، بالإضافة الى التعرف على المفاهيم الأساسية للتدقيق الداخلي و انواع مخاطر الاحتيال في البيانات المالية. وتوضح دور المدقق الداخلي في الكشف عن مخاطر الاحتيال المالي ، من خلال معرفة تأثير عملية التخطيط والتشكيك المهني وفهم بيئة العمل ومساهمتها في دعم المدقق الداخلي في الكشف عن مخاطر الاحتيال في البيانات المالية . و خلصت الدراسة الى انه ينبغي على المدقق الداخلي عند وضعه لخطة التدقيق ان يقوم بوضع رؤية متكاملة لفاعلية الحوكمة وادارة المخاطر ، بشكل يساهم في الحد من مخاطر الاحتيال في المعلومات المالية. فضلا عن ، ان معرفة المدقق الداخلي بطبيعة بيئة العمل يساعد على معرفة المخاطر واكتشاف الاحتيال المالي ، كما ينبغي على المدقق الداخلي تحديد الاثار المحتملة للاحتيال ومناقشة الأمر مع المستوى المناسب للإدارة ، والتي تقرر اجراء تحقيق كامل يمارس من خلاله المدقق الشك المهني .

الكلمات المفتاحية : التدقيق الداخلي ، المدقق الداخلي ، مخاطر الاحتيال ، البيانات المالية.

