

The auditor's responsibility to detect errors and fraud and its role on the quality of the audit

An exploratory study of the opinions of a sample of auditors and academics in the accounting specialization in the city of Erbil

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Abstract

The research aims to identify the methods used by the auditor in detecting cases of errors and fraud. Identify aspects of professional responsibility related to audit quality. The research problem revolves around Is the difference between error and fraud and how to detect them? Is there a relationship between the auditor's responsibilities and the quality of audit operations? Is the auditor's inability to know cases of errors and fraud considered a lack of professional care? In order to test the research hypotheses, the questionnaire form was designed and distributed to a sample of auditors and academics in the accounting specialization in Erbil, and then analyzed the data reached through the use of SPSS V.26 program. Based on them, a set of conclusions were reached, the most important of which are that there are reasons associated with the auditor that work to detect cases of errors and fraud, which must be characterized by such as efficiency and independence, as well as the experiences of workers in the field of this profession. The more the audit process. The calculations were based on well-founded evidence and the process of errors and fraud was easy to detect by the auditor. There are reasons associated with the auditor with the standards of the auditing profession that affect the auditor's performance in detecting the process of errors and fraud, such as the rules and conduct of the profession. The auditor plays an important role in the business environment in contemporary economic units. Many economic aspects depend on the services of the auditor in making rational decisions related to these economic units. The work of the auditor is to carry out accounting operations, detect errors and fraud and monitor accounting data. The auditor submits his legally binding report on the new procedures after discovering financial errors and fraud. Emphasis should be placed on the academic qualification and professional qualification of the auditor while constantly developing his performance. It is necessary to accurately define the auditor's responsibilities

and establish rules and controls regarding the detection of fraud and error in the financial statements. Fraud and error detection affects the quality of the audit process. The research recommended that training courses and workshops should be organized to enhance the capabilities of auditors in detecting errors and fraud, which contributes to improving the quality of auditing. Encourage the use of information technology and artificial intelligence to help auditors detect fraud and errors more quickly and accurately. Enhance auditors' independence to reduce the impact of external factors on their integrity and credibility in their reports. Directing auditors towards adhering to the highest standards of ethics and professionalism in order to maintain a high level of quality in auditing. The need to increase the level of transparency in financial reporting and audits to ensure improved audit quality and reduce opportunities for manipulation. Review and develop laws and regulations related to auditors' responsibility to ensure their adequacy for recent economic and financial developments. **Keywords:** auditor, auditor's responsibility, errors and fraud, audit quality.

Introduction

It relates to the process of auditing the past while ensuring the accuracy and correctness of the information contained in the financial reports, preparing accounts represented in books and records, detecting errors, fraud and manipulation and reducing the commission of these crimes, and then coming up with an impartial technical opinion on the importance of financial statements in expressing the truth of business results and financial position is the economic unit at the end of the fiscal year, however, the means and methods of auditing developed at present as a result of the rapid economic development that the contemporary world has seen It continues to attest for monitoring plans, following up on their implementation, evaluating performance, and raising the level of efficiency and effectiveness of projects under audit, which would significantly affect the validity of the results. Business and the integrity of financial reporting Mistakes may be deliberate, this is what we call fraud, by manipulating the outcome of the business or showing the largest or least real profit. The auditor is responsible for discovering these errors and fraud revealed by the normal audit of books and records of economic units and the auditor shall exercise his professional caution and randomly select samples for him. As for errors and fraud in books and records that are not disclosed through this audit, the auditor is responsible for this, but it is the duty of the auditor to increase the sample size and scope of tests in order to remove his suspicion of certainty and conviction that there is any error or fraud.

Research Methodology and Previous Studies

Research problem:

The problem of the research lies in the lack of responsibility of the auditor to discover cases of errors and fraud in the books and accounting records of the economic unit subject to audit, or there is a deficiency in the auditor's performance of his duties in accordance with auditing standards.

The research problem can be expressed through the following questions:

1. Is the difference between error and fraud and how to detect them?
2. Is there a relationship between the auditor's responsibilities and the quality of the audit?
3. Is the auditor's inability to know cases of errors and fraud considered a lack of professional care?

Research Objectives:

The research aims to achieve the following:

1. Identify the methods used by the auditor in detecting cases of errors and fraud.
2. Identify aspects of professional responsibility related to the auditor's performance.
3. Statement of the impact of errors and fraud on audit quality

The importance of research: -

The responsibilities of the auditor in accounting thought and international standards and the auditor to conduct a careful study of the organization of financial information to express an impartial technical opinion on the fairness of this information and its representation of the truth, and this opinion is the result of what has arrived, and has its effects on all relevant internal and external parties that take this opinion and take into account. When making financial decisions. The importance of research shows by promoting a culture of auditing, highlighting the aspects of the responsibility placed on auditors, and enlightening them of their legal and ethical responsibilities that result in the absence of fraud and errors and undetected, and achieving this research is expected to help promote a culture of audits. Thus, raising the quality of performance of audit operations to the required level, which enables these economic units to continue working.

Research hypothesis:

The research hypotheses lie in the following:

Does the auditor exert due diligence to complete the audit process and detect cases of errors and fraud have a positive impact on the quality of the audit?

Research Methodology:

In order to achieve the objectives and hypotheses of the research, the research methodology has been divided into two aspects:

A- Theoretical aspect:

The inductive and deductive approach will be used for information obtained by referring to possible sources of official documents, theses, periodicals, research and books related to the subject as well as websites relevant to the research topic on the Internet.

B- Field aspect:

The descriptive analytical approach will be used through the analysis and description of the results as it will be reached through the design of the questionnaire form and its distribution to a sample of auditors and academics in the accounting specialization in the city of Erbil. (as the main source of data on the field side).

Search limits

Objective limits: The objective limits of the research are the auditor's responsibility for the discovery of errors and fraud and their role on the quality of the audit

Spatial boundaries: The spatial boundaries of the research are limited to the city of Erbil, in order to poll the opinions of a sample of auditors and academics in the accounting specialization.

Time limits: The time limits for research are limited to the academic year 2023-2024.

This section deals with previous studies that the researcher was able to obtain: -

1.Study (Al-Tamimi, 2018), The Impact of Non-Adoption of Mandatory External Auditor Turnover on Audit Quality and Error Detection - A Field Study in Iraqi Audit Companies and Offices.

The study aimed to find out the impact of mandatory external auditor rotation on the quality of auditing in companies and to know the impact of mandatory external auditor rotation on the detection of errors. The study found that the auditor's turnover is considered a means of independence and quality due to preventing the consolidation of the relationship between the auditor and management, as a distinction must be made between capital-market-oriented audit firms and non-capital-oriented audit firms. The most important recommendations recommended by the study are the need to activate the joint role between the audit committees and the external auditor in terms of facilitating the auditor's rotation and the supervision and follow-up of the committee on this.

2.A study (Mansar, 2015), The Auditor's Responsibility in Detecting Fraud and Error in the Financial Statements / A Field Study of a Sample of Auditors for the Valley State, a thesis presented at the University of Martyr Hama Lakhdar in the Valley.

The study aimed to identify the extent of the auditor's commitment to international auditing standards to detect fraud and error and to show that the management of the institution is responsible for preventing fraud and illegal actions in the financial statements. The research found that the auditor is not responsible for discovering errors despite the civil and criminal liability because the latter two are only held when there is negligence or negligence on the part of the auditor in the performance of his professional duties. The study recommended that professional organizations should accurately define the auditor's responsibilities while setting rules and controls related to the detection of fraud and error in the financial report.

3.A study (Al-Nawasiya, 2006), Factors affecting the quality of auditing / a field study from the point of view of external auditors in Jordan.

The study aimed to identify the importance of auditing quality from the point of view of external auditors in Jordan and to identify the factors that affect the quality of auditing from the external auditor's point of view. The study found that the most stable variables are related to the audit team, which calls for the need to give the auditor more importance by providing material and moral incentives, education and training to reflect positively on the quality of the audit. One of the most important recommendations recommended by the study is the need to determine audit fees on objective bases, ensure that all audit offices adhere to them, and inform auditors of the importance of auditing.

4.The Auditor's Responsibility for Finding Errors and Fraud from Financial Situations: Case Study (TOPOR, 2017)

Auditor's responsibility for detecting errors and fraud from financial situations

The study aimed to highlight the auditor's responsibility for the discovery of errors and fraud in the financial statements of an economic entity. Approaches to the concepts of error and fraud are presented through the

interpretations of audit professionals, as well as other considerations related to the auditor's responsibility in discovering them in the financial statements. The study found that the responsibility for preventing and detecting fraud and errors and taking appropriate action lies with the management of the audited entities. Therefore, auditing the financial statements does not relieve management or those charged with governance of their responsibilities. The study found that the responsibility for preventing and detecting fraud and errors and taking appropriate action lies with the management of the audited entities. Therefore, auditing the financial statements does not relieve management or those charged with governance of their responsibilities.

5. An exploratory study of auditors' responsibility for fraud detection in Barbados) (Alleyne & Howard - 2005)

(Exploratory Study of Auditors' Liability for Fraud Detection in Barbados)

The study aimed at how auditors and users perceive auditors' responsibility for detecting fraud, the nature and extent of fraud in Barbados, and the audit procedures used in Barbados. The study aimed at how auditors and users perceive auditors' responsibility for detecting fraud, the nature and extent of fraud in Barbados, and the audit procedures used in Barbados. The study found that the expectation gap was wide, with auditors seeing fraud detection as the responsibility of management, while users and management disagreed. It also discovers that fraud is not a major problem in Barbados and that companies with internal auditors, sound internal controls and effective audit committees are better equipped to deal with fraud prevention and detection.

Thus, the current study differed from previous studies in the following points:

After presenting the different trends of previous studies, the current study comes to study the auditor's responsibility from the discovery of errors and fraud and their role on the quality of auditing, so the difference of this study from previous studies is to determine the aspects of professional responsibility related to the auditor's performance.

Auditor's Responsibility in Detecting Errors and Fraud

First: Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with United States's generally accepted auditing standards. These standards require that we plan and conduct an audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit involves conducting procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected are based on the auditor's judgment, including the risk assessment of material misstatement. In financial statements, whether due to fraud or error. In conducting such risk assessments, the auditor shall take into account internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design auditor procedures appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes assessing the appropriateness of accounting policies followed and the reasonableness of significant accounting estimates prepared by management, as well as evaluating the overall presentation of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion (Arens et al, 2014: 49).

Second: Types of Responsibility of the Auditor

Several types of liability that can be summarized as follows:

1- Legal Liability: There are many stakeholders who rely on audited financial statements: the customer (with whom there is a special relationship), actual and potential shareholders, vendors, bankers, other creditors, employees, customers, and the government. The auditor's legal liability to each stakeholder varies from country to country and region to region. This liability can generally be classified as being based on one or more of the following: Public law, civil liability under statutory law, criminal liability under statutory law, and liability as members of professional accounting organizations (Hayes, 2005: 52).

2- Liability under public law: The liability of auditors under public law generally falls into two categories: obligations to customers and third-party liability. Hayes, 2005: 52)

A-Customer Responsibility: A typical civil action filed by a client involves an allegation that the auditor did not discover fraud in the financial statements or employee fraud (shorthand) because the auditors showed negligence in conducting the audit. The legal action for breach of contract can be, or more likely, a tort action due to negligence. Tort actions are the most common, as they generally generate greater monetary provisions than breach of contract.

B- Responsibilities to third parties: Third parties include all stakeholders in an audit process other than the audit client. An economic audit unit may be liable to third parties such as banks that have incurred a loss due to reliance on misleading financial statements.

3- Moral responsibility: The important role assigned to the external auditor to make it represent the conscience of society and the realistic guard against corruption or abuse, and therefore his silence in the face of violations or thefts or not referred to in determining his consent to the distribution of fictitious profits in response to management purposes, but revealed to the loss of the moral position that this external auditor enjoys (Rifa'a, 2017: 27).

4- Professional responsibility: The social acceptance of the role of auditors and the enormous social responsibility placed on them push them to organize themselves into professional economic units. These economic units have developed a guide to professional conduct that members must commit in order to ensure the dignity of the profession, unless they are subject to professional accountability that may range from warning (Rifa'a, 2017: 28).

Third: Professional Responsibilities of the Auditor

Financial reporting is the responsibility of the audited entity and not the auditor. Thus, officials of the audited entity entrusted with handling public and private resources and auditors of programs or government entities perform the primary roles and responsibilities in ensuring that public resources are used efficiently, economically, effectively and legally. Auditors should be able to fulfill their responsibilities. These unique roles include the use of sound management practices and the provision of professional audits and certification processes, the following auditors are responsible (WUDU, 2014, 22-23).

- In carrying out their professional responsibilities, auditors need to observe the principles of serving the public interest and maintaining the highest levels of integrity, objectivity and independence. The public interest is defined as the collective welfare of the community of persons and entities served by auditors. These principles are fundamental to the responsibilities of auditors.
- Auditors must act in a manner that serves the public interest, respects public trust, and maintains their integrity. The hallmark of the profession is the acceptance of its responsibility to the public. This responsibility is crucial when auditing the government environment. GAAS embodies the concept of accountability, which is fundamental to serving the public interest.
- Auditors need to make decisions consistent with the public interest in the program or activity under audit. In discharging their professional responsibilities, auditors may face conflicting pressures from the management of the audited entity, different levels of government, and others who rely on the objectivity and independence of auditors. In resolving these disputes, auditors are responsible for acting impartially guided by the principle that when auditors fulfill their responsibilities to the public, the interests of these individuals and organizations are best.
- To maintain and expand public trust, auditors need to perform all professional responsibilities with the highest integrity.

Fourth: Auditor's Responsibilities for Detecting Material Errors

Auditors spend a significant portion of their time planning and conducting audits to detect unintentional errors made by management and employees. Auditors find a variety of errors resulting from things like errors in calculations, misunderstanding of the situation, misapplication of accounting standards and incorrect summaries and descriptions. We consider how the auditor plans and conducts audits to detect both errors and fraud . Arens et al, 2014: 146)

Fifth: Auditor's Responsibilities for Detecting Material Fraud

Auditor standards do not distinguish between the auditor's responsibilities for error search and fraud. In both cases, the auditor must obtain reasonable assurance about whether the data is free of material errors. The standards also recognize that fraud is often more difficult to detect because the management or employees who committed the fraud attempt to hide the fraud, however, the difficulty of detection does not change the auditor's responsibility to properly plan and implement the auditor to detect material misrepresentations, whether resulting from Error or fraud (Arens et al, 2014: 146).

Sixth: Other considerations related to the risks and responsibilities of the auditor

The auditor shall carry out the task of an auditor in line with the International Standards on Auditing, and it contains basic principles and basic procedures, together with relevant recommendations, in the form of illustrative and other materials. While conducting an audit may be a means of preventing fraud and error, the

auditor is not responsible for preventing it and cannot be held accountable. The auditor cannot obtain an absolute certificate that material misstatements will be detected in the financial statements but is only able to obtain confirmation Reasonable about this fact. Although the audit is properly planned and published due to the inherent limitations of the auditor's engagement, there is an inevitable risk that certain material misstatements will not be discovered in the financial statements. The risk of not detecting serious errors resulting from fraud is greater than the risk of not detecting serious errors due to errors, as fraud involves actions aimed at concealing them, such as forgery, intentional failure to record transactions, or incorrect data. Thus the auditor may believe that the auditor's evidence is convincing when in fact it is false. The auditor's risk of not detecting material misstatements in management fraud is greater than the risk of employee fraud because the position of those responsible for governance and governance requires integrity and allows them to ignore control procedures to prevent fraud. The subsequent discovery of a material misstatement in the financial statements does not establish that the auditor lacks professionalism or uses inappropriate thinking and does not comply with International Standards on Auditing. The auditor's opinion is based on reasonable assurances and therefore does not guarantee that everyone has been detected false data about fraud or error. The auditor shall plan and implement the auditor's association with an attitude of professional skepticism, recognizing the possibility of circumstances in which the financial statements are materially misrepresented. A professional skepticism attitude means that the auditor critically assesses the validity of the auditor's evidence obtained and takes into account audit evidence that contradicts or raises doubts about the credibility of administrative documents or statements. However, unless the auditor discloses evidence to the contrary, the auditor has the right to accept the records and documents as genuine, They are not experts in authentication. The risk of the auditor not detecting serious errors resulting from management fraud is greater than the risk of employee fraud because management is often in a position to directly or indirectly manipulate accounting records, provide fraudulent financial information or bypass control procedures to prevent similar fraud by the company's employees. When planning an audit, the auditor must assess the risk of fraud and error that may lead to material misstatements in the financial statements and will request management information about any fraud. Or a physical error that has been discovered. In addition to structural weaknesses in accounting and internal control systems and non-compliance with internal control requirements. Topor, 2017: 343,344)

Seventh: The concept and definition of error

as misrepresentations or unintentional omissions of amounts or disclosures in the financial statements. Errors may involve errors in data collection or processing, unreasonable accounting estimates arising from oversight or misinterpretation of facts, or errors in the application of established accounting principles (Whittington & Any, 2016: 42).

Errors are misrepresentations or unintentional omissions of amounts or disclosures in the financial statements. Errors are not considered fraud because they occur unintentionally) (Louwers et al, 2018: 129).

It has been defined as ((the possibility of affecting the balance of an account or a group of operations due to errors that may be materialistic individually or combining them with errors in balances or a group of operations assuming that there is a system for monitoring any internal) (Noureddine, 2015: 60).

Eighth: Types of errors

Errors based on their nature can be of the following types:

1. Clerical errors: Errors made by accounting clerks are called clerical errors. These errors are made in the process of recording financial transactions. These occur due to the negligence of the writer responsible for financial registration transactions. Clerical errors are also called technical errors. The main types of clerical errors are as follows (Namo, 2014: 495):

a) Omission errors: Errors committed by not recording a transaction either in the original entry book or in the ledger are errors in deletion. This omission may be either complete or partial.

b) Equivalent errors: Errors made during transaction registration or posting are called commission errors. Commission errors may occur either in the journal, in branch books, or in the ledger. Such errors include posting wrong amounts, posting on the wrong side of the accounts, wrong total or posting, and wrong balance.

c) Error compensation: Compensation errors refer to two or more errors that compensate each other for the effects of the other. If one error balances the effect of another error, then the two errors are called compensatory errors.

d) Duplication errors: Duplication errors are those errors that arise due to double registration. Double posting of a transaction from journal or ledger subbooks also creates such errors. For example, goods sold to John, but

this transaction was incorrectly entered two or more times in the sales book or was wrongly posted two or more times in John's account and then called duplicate errors.

2. Errors of principle: Errors of principle are those errors that occur in violation of the principles of accounting. Errors in principle may occur due to the wrong allocation between capital expenditures and revenues, or the wrong valuation of assets, for example, debiting from the wage account instead of calculating machines for the remuneration paid to the mechanics used to install the machine and debiting from the customer's account instead of the cash calculation of the cash sales made. Errors in principle may also occur due to the erroneous valuation of assets by High-level staff.

Ninth: The concept and definition of fraud

As a legal concept, fraud is a broad concept and covers a wide range of activities and auditor's responsibilities towards considering fraud in the audit of (revised) financial statements, to fraud as an intentional act by one or more individuals among management, governance officials, employees or third parties, including the use of deception. To obtain an unfair or illegal advantage . Wudu, 2014: 12)

It has been defined as "associated with embezzlement, financial misrepresentation, embezzlement, extortion, illegal accumulation of wealth through dubious means, deception, bribery, false representation, theft, concealment of material facts, etc." Olatunji & Adekola, 2017: 292)

Through both fraud and aggressive financial reporting, some companies have caused financial statements that are misrepresented, usually by exaggerating revenues and assets, underestimating expenses and liabilities, making distorted disclosures or omitting important information. 2018: 126).

Tenth: Types of fraud

Remember that financial statements may be materially misrepresented, as a result of errors or fraud. While accounting errors are usually unintentional, fraud consists of providing material misrepresentations of facts with the intention of inducing someone to believe falsehood and act on it, therefore, suffering loss or damage. This definition includes all the means by which people can lie, cheat, steal, and deceive others.

1- Management fraud: It is deliberate fraud committed by management that harms investors and creditors through materially false information. Because management fraud usually takes the form of deceptive financial statements, management fraud is sometimes referred to as fraudulent financial reports . Louwers et al, 2018: 128)

2- Employee fraud: It is the use of fraudulent means to embezzle money or other property from the employer. It usually involves forgery of some kind: the use of forged documents, lying, exceeding authority, or violating employer policies. It consists of three stages of the act of cheating and the transfer of money or property to the use of the fraudster, and concealment. Employee fraud can be classified as either embezzlement or theft. Embezzlement is a type of fraud in which employees or non-employees illegally participate in Embezzlement of funds or property entrusted to their care, custody and control, theft is simple theft, for example, the employee embezzled the employer's money or property that was not entrusted to the employee's custody and shorthand is another name for fraud, embezzlement and theft by employees. Auditor standards also call this misappropriation of assets (Louwers et al, 2018: 128, 129).

Eleventh: Causes of fraud

The following factors have been suggested associated with misrepresentation or fraud accounts (Louwers et al, 2018: 131,132):

1.Liquidity: The more liquid an account is (the ability to easily convert into cash), the more vulnerable the account is to fraud. For example, cash is more likely to be stolen from, for example, a building.

2.Transaction volume: The higher the volume of transactions, the greater the chance of error or fraud in transactions.

3.Complexity of transactions: Highly complex transactions (for example, those involving securities derivatives or hedging transactions) tend to have a higher error rate than simple transactions.

4. Self-estimates: Subjective measurements (e.g., estimating the provision for doubtful accounts) tend to cause more errors and fraud than objective measurements (e.g., petty cash calculation). Simply put, the more subjective the measurement, the easier it will be to process.

Twelfth: Errors vs. Fraud

Audit standards distinguish between two types of misrepresentations: errors and fraud. Any kind of misrepresentation can be material or immaterial. An error is an unintentional error in the financial statements, while fraud is deliberate. Two examples of errors are: an error in extending the price multiplied by the quantity

in the sales invoice and ignoring the old raw materials in determining the cost or market for inventory whichever is lower. For fraud, there is a distinction between asset embezzlement, often called shorthand or employee fraud, and financial reporting Trance, which is often called administrative fraud. An example of embezzlement of assets is the fact that a clerk takes money at the time of making a sale and does not enter the sale in the cash register. An example of a financial reporting is the deliberate exaggeration of sales near the balance sheet date to increase declared earnings (Arens et al, 2014: 145).

Thirteenth: Internal Auditor's Responsibility and Fraud Detection:

Fraud detection is closely related to the internal auditor's personal responsibility, which includes establishing clear and accurate audit regulations, a sense of professional commitment and the internal auditor's relationship to the fraud event and how his actions can control it. Moreover, auditors, who are responsible for their reports, have a higher degree of responsibility for disclosing anonymous auditors. In investigating auditors' behavior in relation to innovative accounting practices in influencing financial assets, they found that the main goal of auditors is not only to detect frauds and errors but to evaluate Efficient internal audit and make recommendations aimed at preventing and tracking fraud and errors. And how to deal with fraud by the internal auditor. It examines many cases of fraud and the impact of management and fraud on various fields of work such as insurance, banking, healthcare and construction, as well as the role of management, boards of directors, auditor committees and auditors and their responsibility towards fraud prevention. According to the above research, when the internal auditor learns of fraud, he must collect the necessary information to determine the circumstances and criteria under which the fraud occurred so that he can get a complete picture of the incident, stating that the internal auditor is the main line To defend against cheating. Internal auditors may be assisted by external auditors who can help prevent, deter, detect and report fraud, and the internal auditor should: evaluate the audit framework, identify fraud indicators, identify weaknesses that could facilitate fraud, recommend investigations, and report audit findings to management members (Drogalas et al, 2017: 438,439). Fourteenth: Responsibility of the external auditor The auditor's responsibility to detect and report misrepresentations resulting from illegal acts that have a direct and material impact on determining the amounts of the financial statements is the same as the responsibility for misrepresentations resulting from error or fraud. The role of the external auditor in the supervisory process requires criteria such as independence, objectivity and integrity to achieve them. If we compare the performance of the regulator and the external auditor, we can find that both have the same functions in terms of verifying financial statements, and they serve certain interests, where the regulator works to protect Financial stability and the interests of investors, while the external auditor serves the special interests of the shareholders of the economic unit. (Dalabih, 2018: 10).

Fifteenth: The role and responsibilities of external auditors in detecting fraud

The auditor is responsible for preventing, detecting and reporting fraud, and illegal acts and errors are among the most controversial issues in auditing, and have been the most frequently discussed areas among auditors, politicians, media, regulators and regulators. The external auditor provides a critical role in providing reasonable assurance of the quality of financial information provided to stakeholders and other users of the financial statements. As an independent and objective party, shareholders, creditors and other interested parties rely on the audit report to determine whether to rely on Information for decision-making. The two primary attributes that most stakeholders expect from an external auditor are efficiency and independence. State licensing requirements address aspects of the technical competence of the external auditor. It is difficult to determine the state of independence. Wudu, 2014: 19)

The second topic: the theoretical framework for audit quality

First: The concept of audit quality

The quality of auditing is an important and ongoing issue in the profession because it is essential for all parties in the audit services market, and the audit profession does not constantly react to the rapid changes in the environment Therefore, the factors affecting the quality of the audit auditor must constantly take into account when conducting audits (Matar,2012, 5). The quality of a functional audit is defined as the degree to which the process of conducting an audit and communicating its results meets consumer expectations, and this aspect of audit quality represents not only the result, but the process itself, but also the auditor's ability to identify points of interest to management in relation to corporate finance, internal or public control. Business administration, as a by-product to express their opinion on the accuracy of financial statements. Moreover, they value the auditor's empathy (does the auditor understand the client's work and language, communication skills (Hayes, 2005: 51).The auditor's quality is defined as a market assessment (conclusion) of the possibility that the auditor

may detect cases of material misrepresentation of the employer's financial and accounting system, and to report material misrepresentation. Whether the auditor has discovered significant cases of material misrepresentation depends on the auditor's competence and whether the auditor reports these cases of material misstatement Depends on the independence of the woman (Zahmatash & Rezazadeh, 2017: 82). Audit quality is defined as "the common probability that the auditor will discover and report a breach in the client's accounting system. Misrepresentation detection measures quality in terms of auditor knowledge and ability, while reporting misrepresentation relies on the auditor's incentives to disclose" (Khaddash et al, 2013: 207).

Second: The need for auditor quality

Determining the quality of the auditor is one of the most difficult things because of the difference in terms of its nature and the diversity of its beneficiaries. The quality of the auditor is a key requirement for all beneficiaries of the auditor for the following reasons) (Matar, 2012: 69).

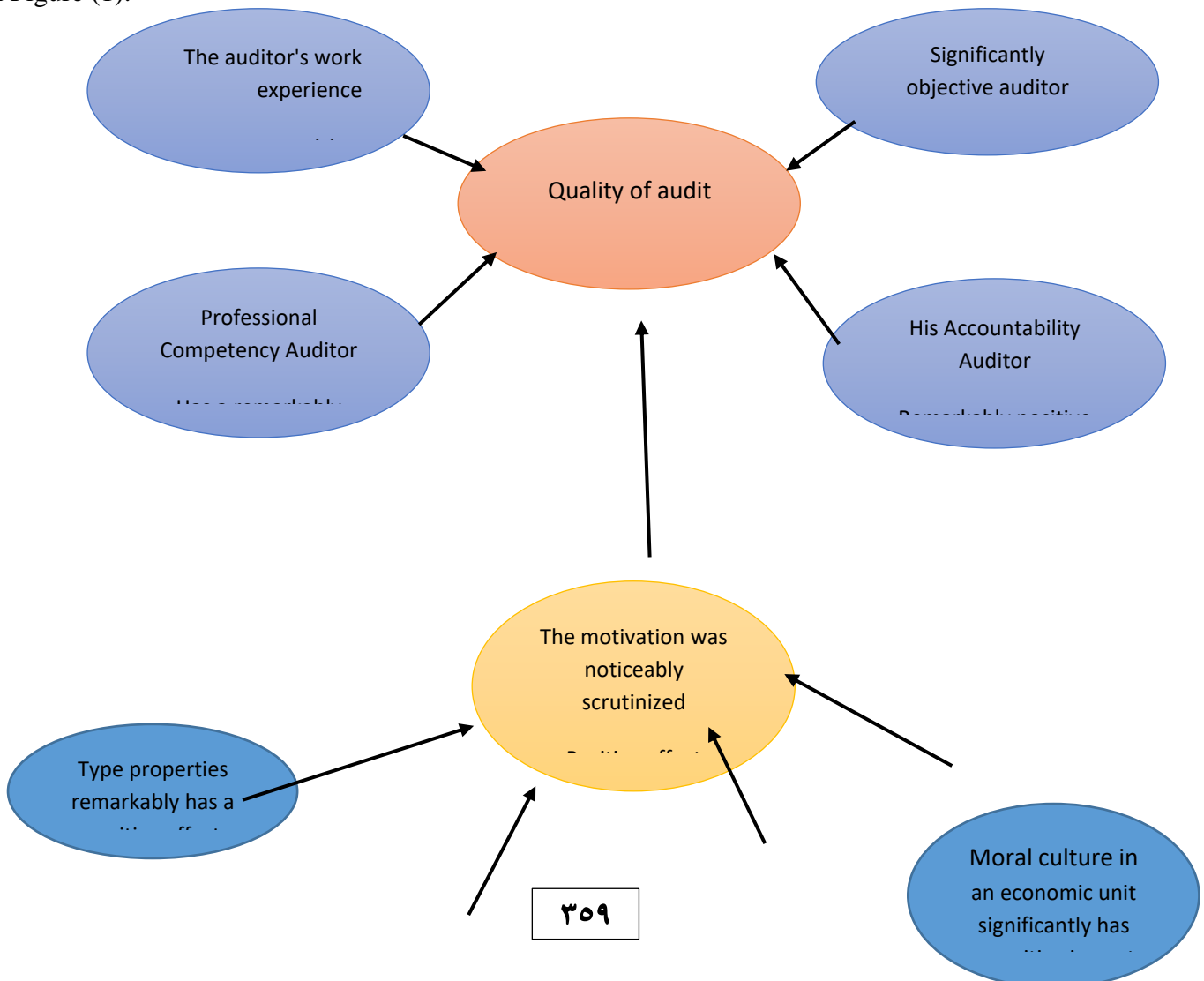
1. Auditors should conduct the audit of the highest possible quality to ensure credibility in their report.
2. The management of the audited economic unit should want to inspire confidence in its financial statements, which requires conducting an audit of the highest possible quality.
3. Professional organizations must consider quality when carrying out the functions of the auditor, and ensure that their responsibilities to all parties involved are fulfilled.
4. Due to the intense competition between audit firms, both auditors and customers pay attention to auditor quality as a predominant factor when distinguishing between audit firms.

Third: Reasons for the development of the quality of audit

Three specialized audit quality centers to improve the auditor's service quality; it is still difficult to develop a specific quality audit concept for the following reasons) : (Matar, 2012: 5)

1. The services provided by audit firms cannot be pre-tested as in physical goods.
2. There is difficulty in measuring the quality of the auditor after completing the audit process because of its existence, there are no specific measures for that.
3. Lack of experience with the beneficiaries of this service.

The impact of the auditor's features on the quality of the auditor can be illustrated in a diagram form as shown in Figure (1).



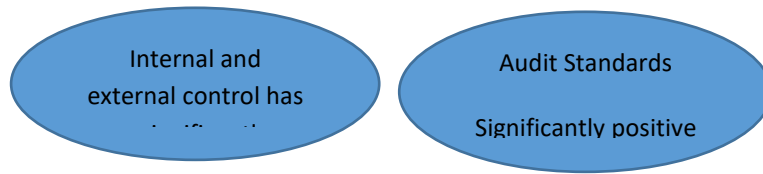


Figure (1)The impact of auditor features on the quality of the auditor (Zahmatesh & Rezazadeh, The effect of auditor features on audit quality,2017, p81)

Fourth: Factors affecting the quality of audit

Some factors, such as the size of the audit economic unit, the reputation of the audit economic unit, the auditor's independence, the auditor's fees, and completion among audit firms, will be addressed as follows: (Ghadhab et al, 2019: 6-8)

1- Size of an economic unit Audit: Large audit firms are incentivized to perform better audits because they have a high reputation and do not want to risk losing their reputation. They also have significant material and human resources to attract more specialized and skilled employees. Large audit firms earn more revenue because they reduce their clients' exposure to prosecution for having more experience. The size of an audit economic unit is one of the most important factors that affect the measurement of audit quality, as it is positively related to the quality of the audit, as Audit firms often offer better audit quality than other audit firms do.

2- Auditor's fees: Indicates that the auditor's fees indicate the escalation charged by the auditor due to an audit of the accounts of the economic unit. The amount of fees is determined according to the agreement between the client and the auditor according to the time that the audit will take, the type of services required and the volume of these transactions. There are a number of things that an auditor should consider when determining the auditor's fees, such as the time required to plan and conduct the auditor, the number of auditors and assistants performing the audit, the size of the audited economic unit, the size and quality of the auditing economic unit, the number of Reports required from the client. Determining the auditor's fees is of great importance to the auditor on the one hand and the client on the other, because each party wants to equalize the value of the auditor's services provided, but there is no scientific method that determines the auditor's fees fairly and reasonably. It is difficult to determine the auditor's fees at the beginning of the contract between the auditor and the client, because the auditor does not know the nature of the audited economic unit, the special circumstances, the size of the auditor's operations, and the extent of the auditor. The procedures to be performed and the time and effort required to perform them.

3- Competition between auditor companies: The profession of auditor operates in an open market, as in other professions based on competition among its members to attract customers, especially with the increase in the number of audit offices and the number of auditors licensed to practice the profession. Due to the importance of competition between audit firms and its impact on the quality of auditing, it has received wide attention from professional organizations. For example, it is one of the problems facing audit firms nowadays, because it affects audit hours and time balance. Higher competition among audit firms on the quality of the auditor with great interest in research and studies. The proponents of this opinion assume that the more competition between auditors to obtain clients, the greater the client's desire and ability to change the auditor, and one of the reasons for changing the auditor and looking for another auditor is to try to reduce fees. The more an auditor feels that another auditor is trying to replace him in the client's audit, the more he relies on the client, and this cycle positively affects the quality of the best audit. Audit quality is one of the areas of differentiation between audit firms, where competition is based on audit quality as an alternative to competition.

Fifth: Auditor Independence and Auditor Quality

It should be noted that the ability to report in terms of influencing errors in financial statements depends on the independence of the auditor and is considered the cornerstone of the audit profession. From this perspective, we can define "auditor independence" as the auditor's ability to compile a report on deficiencies in a client's financial reporting. Accordingly, an auditor with a relatively high degree of independence has a greater potential to report such errors, and the need for an independent audit has increased in order to improve the flow of information. Between management and users of financial statements, giving confidence to financial statements increase the degree of dependency on different entities that can be used to evaluate the efficiency of management, and thus

determine the market value of the shares of the economic unit under audit. With this in mind, it was investigated whether an investor's choice of auditors improved the auditor's independence. The study found that giving investors the power to hire and dismiss auditors ultimately reduces violations of auditors' independence, which will lead to an increase in the economic surplus, and there is no doubt that increasing the independence of auditors will lead to a fully transparent and honest opinion on the financial statements. (mohammad, 2015. Matar, 2012: 74-75)

Sixth: Quality audit gives credibility to accounting information:

Investment decisions by users of financial statements are vital decisions for any society depending on rational investments. Importantly, they lead to an increase in the net wealth of society on an economic level, although it is inappropriate to classify systems of auditor's legal responsibility from the perspective of auditor quality only; this responsibility reinforces their occurrence. Since the auditor's efforts are not an end in themselves but a means of lending credibility to accounting information, investors and other users of financial statements may seek to Access this data when making decisions regarding a business economic unit. Accordingly, the most complete analysis in this area should test aspects related to the decisions of financial statement users – depending, to a large extent, on the audit process and the implications of such decisions for social welfare – as a key aspect of determining the overall efficiency of resource allocation in any society. As such, it is essential that the efficiency of the proposed legal liability rules be assessed in terms of their impact on social welfare by testing the implications of these rules on decisions associated with auditors (level of auditor's efforts) and investors (investment level). (Matar, 2012: 80. Ahmed, etal., 2024)

Seventh: Measuring the quality of the auditor

The lack of a unified concept or definition of audit quality by all parties involved has made it vague and difficult to approve or even measure directly. The difficulty in measuring audit quality is that the auditor's only product is the auditor's visual and read auditor report, which is a general form, and most reports issued by auditors are typical reports with unqualified opinions (so-called clean report). We believe that to measure product quality there are two methods (direct and indirect methods) by alternative means (such as Fame of the producer or fame of the economic unit). In terms of audit quality, there are two common ways to measure audit quality: (Matar, 2012: 6. Ahmed, etal.,)

1. Indirect method: includes alternative means such as the size of the auditor's economic unit and the auditor's reputation, the duration of the contract with the client, the provision of services other than the audit process, the percentage of lawsuits related to the auditor's work and experience in the industry and others.
2. Indirect method (behavioral approach): This method assumes that the probability of disclosure and reporting any violations related to the audit contract will be reflected in the outcome of the audit process such as errors committed by auditors.

Eighth: Specialized auditor and the quality of fraud detection

Auditor research has applied a variety of approaches to measuring audit quality. For example, he argues that larger auditors are more independent and therefore, provide higher quality to the auditor by identifying errors, misrepresentations, and fraud. Large audit firms are interested in protecting their reputation and more resources, which enable them to perform better audit services, compared to smaller audit firms. Provide evidence of the use of auditor size as a substitute for auditor quality. However, adopting an auditor period with their clients as an audit quality agent as auditors who have served their clients longer will know their clients' accounting systems and internal controls better. Their results show that a short audit period of two or three years is associated with low-quality financial reporting. This long-term auditor-client relationship may actually create a pooled awareness that helps auditors reduce irregularities in reporting processes. Financial. We suggest that under the current system of voluntary rotation auditor, the quality of the auditor does not seem to deteriorate with the longer auditor's lifetime. However, he argued that the auditors' tenure may have a negative impact on the quality of the audit, as auditors who have served their clients for a longer period may compromise their independence to maintain close relationships with their clients. Other researchers apply the number of audit-eligible reports as an indicator of the auditor's quality; some researchers call this procedure an unclean auditor's opinion. Thus, high-quality auditors will typically issue more unclean opinions than lower-quality auditors. (mohammad, ahmed 2017. Wudu, 2014: 37,38)

Ninth: The relationship between the auditor and the quality of the auditor

Auditing remains a kind of ambiguity for those who are not familiar with the concept, as this process becomes more technical and complex. Since the process is very technical and complex, it is necessary to be handled by

someone who is an expert in this procedure, and specialization must be given sufficient importance to maintain the reliability of the auditor's actions. For example, while best practices have evolved and established certain tools for analytical auditing or the creation of audit trails, the element of autonomy remains where auditors determine which A guide that needs to be contained. Accordingly, it imposes a suggestion that the auditor's knowledge of the client's industry improves the auditor's overall ability to understand audit risks. The results indicate that an auditor's knowledge of the client's industry improves audit risk assessments and directly affects the quality and nature of the auditor's planning decision. Apart from this, the study found that an auditor's knowledge of a client's industry directly affects the way the auditor adjusts audit procedures.

There is a cost incurred by large audit firms to form their business reputation and specialization in a particular industry, which justifies acquiring a subsidiary economic unit plus a fee to cover costs. This study shows that large specialized audit firms received more fees than non-specialized audit firms and that large audit firms generally received more fees than other audit firms). (Matar, 2012: 22. Ahmed, et al, 2024. Mohammad, 2015).

Table 1: Frequency Distribution auditor's responsibility

Ferry	I strongly agree		I agree		neutral		Disagree.		Strongly disagree	
	number	Ratio	number	Ratio	number	Ratio	number	Ratio	number	Ratio
The use of modern accounting information systems requires additional scientific qualification of auditors	36.0	39.6	44.0	48.4	10.0	11.0	1	1.1	0.0	0.0
Accounting and auditing education programs in universities and institutes provide adequate qualification in accounting information systems for graduates	17.0	18.7	28.0	30.8	14.0	15.4	20.0	22.0	12.0	13.2
The environment of business organizations in the Kurdistan Region (North Iraq) is evolving towards the use of electronic	16.0	17.6	40.0	44.0	22.0	24.2	7.0	7.7	6.0	6.6

information systems										
Professional and scientific organizations in the Kurdistan Region (North Iraq) are interested in developing the requirements of the external auditor towards modern accounting information systems	20.0	22.0	38.0	41.8	14.0	15.4	13.0	14.3	6.0	6.6
Total	89	24.5	150	41.3	60	16.5	41	11.3	24	6.6

Source: Prepared by the researcher from the data of the questionnaire 2014. Note from Table 1 the following: The majority of respondents agree that the use of modern accounting information systems requires additional scientific qualification for auditors, as their percentage reached (88.0%) while the percentage of those who disagreed with this reached (1.1%). As for the respondents who did not give specific answers (neutral), their percentage was (11.0%).

Table 2 : Frequency Distribution of the errors and fraud

Ferry	I strongly agree		I agree		neutral		Disagree .		Strongly disagree	
	number	Ratio	number	Ratio	number	Ratio	number	Ratio	number	Ratio
The auditor shall evaluate the powers vested in the use of the electronic accounting system according to the administrative work sequence.	30.0	33.0	45.0	49.5	8.0	8.8	8.0	8.8	0.0	0.0

The auditor shall assess the cybersecurity risks of the electronic accounting information systems used in the audited business organization.	22.0	24.2	32.0	35.2	24.0	26.4	7.0	7.7	6.0	6.6
Providing methods of storing and preserving data and information provided by the electronic system in a safe and sound manner	25.0	27.5	42.0	46.2	15.0	16.5	5.0	5.5	4.0	4.4
The auditor must follow the accounting work course initially to ensure the proper procedures for operating the system.	39.0	42.9	35.0	38.5	11.0	12.1	2.0	2.2	4.0	4.4
Total	116	31.9	154	42.6	58	16.0	22	6.1	14	3.9

Source: Prepared by the researcher from the data of the questionnaire 2014. Table 2 shows the following: The majority of respondents agree that the auditor should evaluate the powers vested in using the electronic accounting system according to the sequence of administrative work, where their percentage reached (82.5%) while the percentage of those who disagreed with this reached (8.8%). As for the respondents who did not give specific answers (neutral), their percentage was (8.8%). Table 3: Frequency Distribution quality of the audit

Ferry	I strongly agree		I agree		neutral		Disagree .		Strongly disagree	
	number	Ratio	number	Ratio	number	Ratio	number	Ratio	number	Ratio
The use of electronic	27.0	29.7	37.0	40.7	9.0	9.9	16.0	17.6	2.0	2.2

accounting systems leads to a change in the form and type of evidence that the auditor seeks to obtain to express his neutral technical opinion.										
The use of electronic accounting systems requires a change in the form of documents used in the registration and tabulation process	20.0	22.0	38.0	41.8	16.0	17.6	15.0	16.5	2.0	2.2
The use of electronic accounting systems changes the external auditor's quest to obtain spatial evidence associated with external customers and suppliers	21.0	23.1	49.0	53.8	12.0	13.2	8.0	8.8	1.0	1.1
The use of electronic accounting information systems requires support in obtaining sufficient and specific evidence in accordance with International Accounting Standards	27.0	29.7	40.0	44.0	14.0	15.4	5.0	5.5	5.0	5.5
The use of electronic accounting information systems requires the auditor to carry out the actual inventory of the goods and match them with the book balances provided by the electronic system	29.0	31.9	45.0	49.5	11.0	12.1	6.0	6.6	0.0	0.0
	124	273	209	460	62.0	136	50	110	10	2.2

Source: Prepared by the researcher from the data of the questionnaire 2014.

Table 3 shows the following:

The majority of respondents agree that the use of electronic accounting systems leads to a change in the form and type of evidence that the auditor seeks to obtain to express his impartial technical opinion, as their percentage reached (70.4%) while the percentage of those who disagreed with this reached (19.8%). As for the respondents who did not give specific answers (neutral), their percentage was (9.9%).

Conclusions and recommendations

First: Conclusions

The researchers reached a number of results, the most important of which are:

1. There are reasons associated with the auditor that work to detect cases of errors and fraud that must be characterized by it, such as competence and independence, as well as the experiences of workers in the field of this profession.
2. The more the audit process is based on well-founded evidence, the easier it is to detect errors and fraud by the auditor.
3. There are reasons associated with the auditor with the standards of the auditing profession that affect the auditor's performance in detecting the process of errors and fraud, such as the rules and conduct of the profession.
4. The auditor plays an important role in the business environment in contemporary economic units.
5. Many economic aspects depend on the services of the auditor in making rational decisions related to these economic units.
6. The quality of the auditor's professional performance is the focus of many studies and regulations issued by professional organizations.
7. The work of the auditor is to carry out accounting operations, detect errors and fraud and monitor accounting data.
8. The auditor verifies the integrity of records and information and maintains the assets of the economic unit.
9. The auditor submits his legally binding report on the new procedures after discovering financial errors and fraud.
10. Several factors affect auditor performance, such as the effectiveness of rules, professional conduct, and clarity of accounting principles.
11. Emphasis should be placed on the academic qualification and professional qualification of the auditor while constantly developing his performance.
12. It is necessary to accurately define the auditor's responsibilities and establish rules and controls regarding the detection of fraud and error in the financial statements.
13. Fraud and error detection affects the quality of the audit process.

Second: Recommendations

Based on the findings, the research recommends the following recommendations:

1. Training courses and workshops should be organized to enhance auditors' abilities in detecting errors and fraud, thus contributing to improving the quality of audit.
2. Encourage the use of information technology and artificial intelligence to help auditors detect fraud and errors more quickly and accurately.
3. Enhance the independence of auditors to reduce the impact of external factors on their integrity and credibility in their reports.
4. Directing auditors towards adhering to the highest standards of ethics and professionalism in order to maintain a high level of quality in auditing.
5. Encourage collaboration between auditors and corporate management to promote a common understanding of financial objectives and the challenges of fraud and errors.
6. The need to increase the level of transparency in financial reporting and audits to ensure better audit quality and reduce opportunities for manipulation.
7. Review and develop laws and legislations related to the responsibility of auditors to ensure their suitability to modern economic and financial developments.
8. Develop mechanisms to evaluate the continuous performance of auditors through periodic tests to ensure efficiency and quality.
9. Improve communication channels between auditors, financial departments and companies to ensure quick detection of errors and fraud.
10. Support academic and field research that addresses the relationship between auditor responsibility and audit quality, to develop better policies and procedures.

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