



## THE ROLE OF RISK-BASED AUDITING IN ENHANCING THE INFORMATIONAL CONTENT OF FINANCIAL REPORTS

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Article history:		Abstract:
<b>Received:</b>	1 <sup>st</sup> March 2023	The research aims to enhance the informational content through the use of risk-based auditing, highlighting the audit risks that the auditor is exposed to, the ability of the auditors to treat them, estimating the acceptable total audit risk, implicit risks, control risks, and the risk of detection for the purpose of bringing it to the lowest level of accommodation to enhance the content. The subject of audit risks receives increasing attention from the concerned professional bodies because it has become a realistic matter that threatens the auditor and that the process of identifying and evaluating its degrees helps him to plan and implement the audit process in a more efficient and effective manner, which leads to more logical results to achieve The objective of auditing the financial statements in a way that meets the needs of the users of the financial statements is the risk-based audit using the auditor's implementation that enhances the informational content of the financial reports. Based on the risks and the implementation of the audit process, the research recommended the need to pay attention to the subject of audit risks by professional bodies and researchers because it has become a reality that threatens the auditor with the need to use the investigation based on risks because it enhances the informational content of the financial reports. The auditor should plan and implement the audit process using risk-based audit because it enables the auditor to avoid implicit audit risks and the risks of control and discovery. Select highly qualified people to carry out the auditor's process and be technically and academically skilled and work on setting up developmental courses periodically to assist them. To get acquainted with the new developments related to the profession and to inform them of the latest changes that occur first.
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### INTRODUCTION

The increase in activities and the diversity of operations. Therefore, it became necessary for the control agencies and external auditors to prioritize the audit process. The risk-based audit method appeared, which is done by prioritizing the audit plans or during the audit of operations and activities. This is done by focusing on the sites where the risks are high in order to cover them well so that it is directed work among members of the audit team and link the internal control systems and identify and evaluate risks.

The researcher has followed two methods to achieve the objectives of the research. The first method is in the theoretical study, which is a time for the theoretical

side, by relying on Arabic and Foreign sources related to the subject of the research and the second method it depend on the analysis the results it reached from distribute the questionnaire to the samples .

### 1- Research methodology

#### 1-1 Research problem

The efforts exerted by professional organizations to improve the informational content of financial reports because of its great importance to the parties used for the purpose of making their decisions accurately and to reach informational content of high quality that avoids several obstacles, including risks in the audit process may harm the parties benefiting from it, and this shows that the research problem is represented in the



following question: Does the auditors' reliance on risk assessment through the use of the risk-based auditing method guarantee the enhancement of the informational content of the financial reports?

### 1-2 Importance of research

Due to the negative impact left by the failure to identify and assess audit risks and not to take everything that would reduce the intensity of their impact on the informational content of financial reports. The informational content of the financial reports, which are of the most important role a significant role for internal and external users in making decisions .

### 1-3 Research Objectives

1- Highlighting the audit risks to which the auditor is exposed and the ability of the auditors to deal with them .

2- Enhancing the informational content through the use of risk-based auditing .

3- Estimating the accepted total audit risk, the implicit risks, the control risks, and the risk of discovery to display its receipt when The lowest possible level to enhance the informational content of the financial reports.

### 1-4 Research Hypothesis

The research stems from the hypothesis that there is a significant effect that the risk-based audit method leads to enhancing the informational content of the financial reports, and this is done through the presence of a significant effect of the audit risk dimensions to enhance the informational content .

### 1-5 Research limits

1- Temporal boundaries: Distributing questionnaires to auditors during the year 2020.

2- Spatial boundaries: the offices of the auditors in southern area- Iraq of financial Supervision.

### 1-6 Research sources

1- Arabic and foreign books.

2- Publications of international professional organizations Regulations and laws Scientific journals and training courses.

3- Questionnaire form.

2- Theoretical aspect

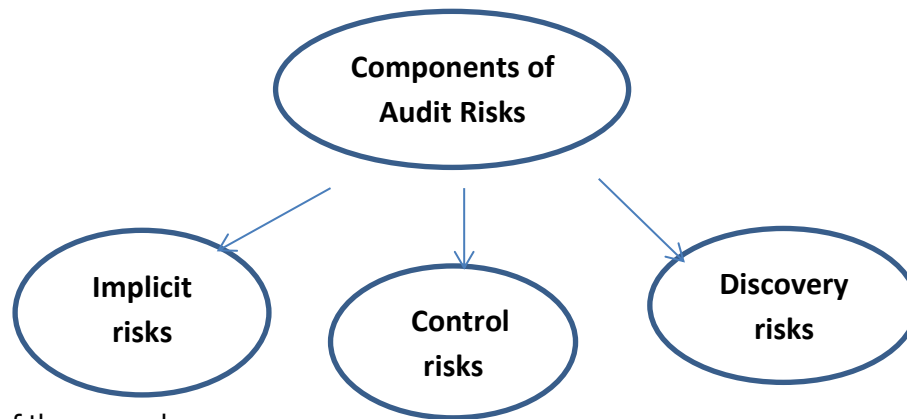
2-1 Audit risks to which the auditor is exposed

The word risk generally means the lack of confirmation of an event that may have an impact In achieving the objectives and defined by the American Institute of Certified Public Accountants (AICPA) in the statement issued by (SAS No. 47) in 1983, audit risks in the risk of failure of the auditor (unintentionally) to express an appropriate or correct opinion on financial statements that contain distortion or errors (Boynton et al :174 - 2001 ) and defined by the International Federation of Accountants (IFAC) in International Standard No. (400) issued in 1993 as the auditor expressing an inappropriate audit opinion in materially distorted financial statements, and ( Lunk) defined it as the risks resulting from the auditor's failure to express an unqualified audit opinion in a timely manner Which should have been a conservative opinion and vice versa, (Al-Rubai: 18-2002). The researcher believes from the above concepts that they share several points, which is the state of uncertainty affecting the ability of the economic unit and in achieving its objectives. The risks are either positive or negative.

2-2 Components of audit risk

There is a consensus among professional bodies and specialists that audit risk has three main components stipulated in each of the standard numbered (400) issued by (IFAC) And the standard number (300) issued by (ICAEW) is the implicit risks, control risks, detection risks, and the following is the concept of each of these components. (Mubaraka and Hanan:9. 2018) the following figure will appear:

Figure (1) Components of Audit Risks



source:- preparation of the researcher.

### **First: The implicit risks:**

Some call them inherent risks, while others call them substantial or inherent risks, whatever name they are called. Many professional bodies and associations and specialists have known it in several forms, but it bears the same content and does not differ in essence. It is defined as "a measure of the auditor's estimate of the possibility of material misstatement in a set of statements due to fraud before internal control measures are taken into account"(Arens at el :261- 2012) as defined by the American Institute of Certified Public Accountants (AICPA) as "the susceptibility to display an account balance A certain or a specific type of operation due to the occurrence of a material error if it is combined with other errors in the balances of accounts or other operations, with the absence of internal control procedures" and the implicit risks are divided into two types: (Hassan :23 2017)

1 –Implicit risks circumstances: This type of risk results from circumstances beyond the control of the economic unit and the economic unit cannot control them, such as changes in business conditions, economic factors, and new government instructions, and cannot be controlled if an effective accounting control system is in place.

2- Implicit risks Resulting from the characteristics : This type of risk is produced because of the balance of a specific account or the nature of a particular account and that this type can be controlled in the event that an effective system of accounting control is established.

### **Second: Control risks**

The American Institute of Certified Public Accountants (AICPA) defines control risk in Auditing Standard No. (323) as "the risk resulting from the occurrence of a misstatement of a balance or a certain type of transaction, which is material if combined with misstatements of balances or another type of transaction." . Which is not prevented or discovered in a timely manner by the internal control of the economic unit" (Yusuf :69- 2009) and it was also known as "measurement of the observer's estimate Calculations for the probability of discovering errors that exceed the acceptable limit in a specific set of data in a timely manner by the internal control system "(Arens at el: 262-2012)

### **Third: Discovery risks**

Discovery risks were detected according to Standard No. (47) issued by (AICPA)" It is the risk represented in performing audit procedures. The auditor came to the conclusion that there is no manipulation and forgery in one of the balances or in a type of transaction. And at the time when this manipulation and forgery already exists and it is material if it is combined with manipulation and forgery in other balances or in other types of transactions(Yussif :72- 2009). What can be material in itself" (Mubarka and Hanan:11- 2018). The discovery risk consists of two main types "the risk of analytical examination and the risk of detail testing is the risk resulting from the failure of the detail tests (Al-Sabbagh:31- 2016)



### 2-3 The informational content of financial reports

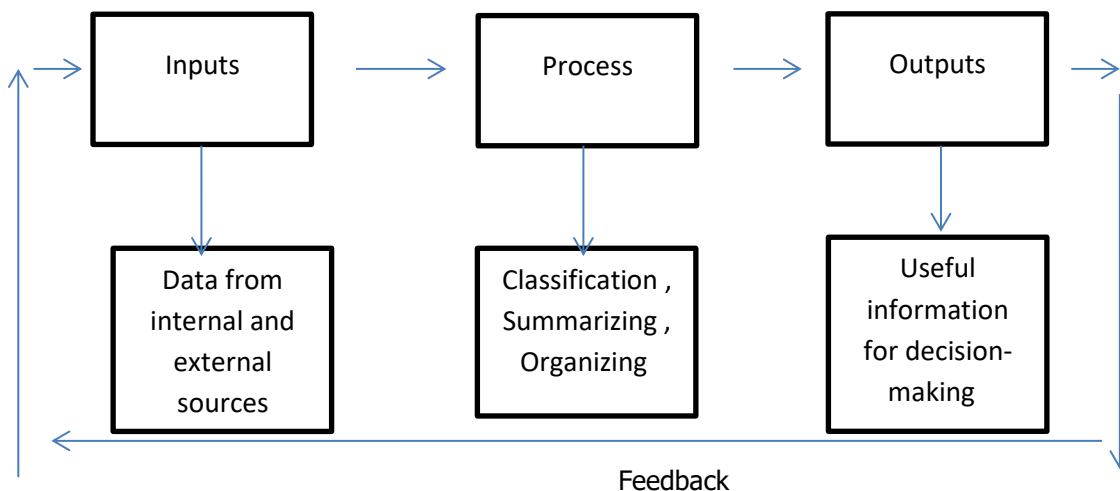
The informational content is considered the fulcrum upon which decision-makers rest when they make their investment decisions. and affiliation. Informational content has been defined by several definitions, including, according to the accounting theory, that it is the content that looks at financial measures as being rich in events and useful information. (Christensen & Demski :5-2016) It was also defined as "the value of information presented or contained in financial statements for making financial decisions." The informational content also includes lists, non-financial financial reports, management plans, future forecasts, and the extent to which sustainability standards are applied quarterly( Alfadhly: 5-2020)

First: Data and information

Are always used for one term as synonyms, despite the existence of a strong difference between them, it is necessary to distinguish between these two terms .

and processing them to provide meaning and improve the decision-making process, as a general rule, users make better decisions with an increase in the quantity and quality of information" (Romney & Steinbart: 4-2015 ) and that this data is collected and organized through a systematic system that includes a set of procedures known as accounting information systems, where it was known These systems are described as "a set of elements that interact together in order to produce useful financial and non-financial information for decision-making processes" (Al-Mousawi: 13- 2016), where accounting information systems consist of a set of components as in the following figure.

Figure (2) Components of the accounting information system :



source:- preparation of the researcher depend on the ( Romney and Steinbart :10-2015)

### Second: Informational Content Quality:

The quality of the informational content is represented by the characteristics that must be available in the accounting information presented in the financial statements and in order for the information to become useful or of quality for decision-makers. If defining the objectives of financial reports is the starting point for applying the approach, the usefulness of high-quality information is the information that is More useful for rationalizing decisions and what is meant by the concepts of information quality "are those main characteristics that must be characterized by This is the



useful accounting information." So, defining these characteristics after the necessary link between the stage of setting goals and the other components of the accounting intellectual framework, and these characteristics are of benefit and interest to those responsible for setting standards and those responsible for preparing reports (Al-Shirazi:194,195-1990).

### **Third: the qualitative characteristics of accounting information**

Economic units must take into account the cost constraint when preparing useful information, so that the cost of preparing the information should be less than its benefit. In 1980, the American Financial Accounting Standards Board (FASB) issued Statement No. (2) called (Qualitative Characteristics of Accounting Information, explaining in it the qualitative characteristics of information in a hierarchy) (Muhammad:54-2006),

1- Appropriateness: It is information that has the ability to predict future events and is related to the decision that will be taken, by enabling users to evaluate current and future events.(Al-njar: 23-2012) For accounting information to be appropriate, the following three sub-characteristics must be available.

A- Predictive value: It means that the accounting information is characterized by the ability to predict, i.e. predict what may happen in the future. (FASB) defined it as "the property of information in helping users increase the probability of correcting predictions results Or past or subsequent events" (Al-Iskaf and Shaheed: 252-2019).

B- Relative importance: This feature is considered the point of separation from the financial information that must be disclosed within the financial reporting system on its in reports or not.( Hamidi: 43-2009)

2- Honest representation: In order to rely on accounting information in decision-making, this information must be correct, as defined by (FASB) "the existence of conformity or agreement between numbers or descriptions on the one hand, and between the resources and events that produce them These figures and events on the other hand" (Al-Dilla'a: 24-2013) and there are three sub-characteristics of true representation:

A- Completeness: Completeness represents one of the important characteristics that must be available in accounting information, and it is considered an important aspect of true representation. Completeness means that the accounting information contains all important matters in a complete manner and free from any deficiency or imbalance in the complete real situation of the economic unit (Al-Fadhli: 61-2020).

B- Impartiality: impartiality means that Accounting information is unbiased, so that one party of information users is not guessed at the expense of another party, but is for public use without discrimination between any party (Samah:43- 2015).

C- Free from errors: so that the accounting information is free from errors and manipulation and expresses events in a sound and honest manner, otherwise it will be harmful and useless even if it is appropriate and understandable to users (Al-Shami: 41-2009).

The reinforcing properties are as follows:

A- Comparability: The aim of this feature is to facilitate the process of studying it, predicting, analyzing and making - decisions, as it is considered one of the most important indicators that depend on it in financial control and analysis in order to evaluate the performance of economic units by comparing the results of a certain period of time for two or more companies, and this is known as comparison (Aloul: 38-2012) .

B- Appropriate timing: It means that information reaches users, i.e. decision-makers at the right time, and the faster the information arrives, the greater its impact will be on decision-making. If it does not come at the right time, then



the information loses its importance and is useless in decision-making.(Al-Dallaa: 23-2013).

C-The ability to understand: This characteristic is one of the most important characteristics that must be available in the information contained in the financial reports, and for this reason, users must have sufficient ability and knowledge of commercial and economic activities (Al-Mahamid: 59-2015)

#### 2-4 Estimating audit risks

-The importance of assessing audit risks

The importance of estimating audit risks, which can be summarized in the following points (Hassan: 39-2017)

1- Failure to assess audit risks leads to an increase in the probability of an auditor's error in rejecting financial statements that do not contain material misstatements (incorrect rejection) or accepting financial statements that contain material misstatements, i.e. (Wrong acceptance)

2- It helps the auditor to make rational decisions related to the audit process, and among these decisions

- classifying the accounts according to their susceptibility to the type of risk.

- reviewing his judgment to identify the extent of soundness Internal control.

- Determining the size of the basic tests, the timing of their implementation and the nature of the audit procedures .

3- According to the overall level of the estimated audit risk and the secondary, the auditor can amend the audit plan and reconsider the audit program and the planned audit procedures.

4- The risks surrounding the audit process must be reduced to a minimum so that he can The auditor is able to issue his report reassuringly about the objectivity of the opinion contained in the report.

- Assessment of audit risks for the informational content. The assessment of audit risks means that "the auditor takes a series of procedures, personal judgments, and decisions related to identifying and studying the factors that create risks, in order to assist him in reaching an estimated level of those risks, and expressing them." descriptively, and then employing the descriptive assessment to arrive at a quantitative estimate (percentage)".

(Al-Rbaee:37-2002).

The risk assessment process requires a set of personal judgments and procedures taken by the auditor and the issuance of decisions related to identifying the reasons from which risks (Arinse,Lubeck:330-2009)

First: Determining the level of total risk acceptable



Defining acceptable audit risk as "the percentage of the auditor's willingness to accept a distortion present in the financial statements at a certain percentage" (Robertson & tmothy: 78-2002) and also defined "a measure of the extent of the auditor's acceptance." After completing the audit process, for possible distortion in the financial statements and expressing an unqualified opinion in their regard" (Arens el al :208-2008): Three reliable means or activities for this are (Arrens and Lubeck: 335-2009).

- 1- Obtaining the largest number of evidence to ensure that the audit process does not contain material misstatement.
- 2- Using an audit staff with competence and experience mechanism.
- 3- Reviewing the results of the audit process more carefully than usual.

And there is a set of considerations that must be taken into account when determining the acceptable level of risk for the total audit (Al-Sabawi:79- 2007)

- 1- The extent of reliance on the financial statements by the users of the financial statements, as the greater the number of its users, the greater the number of its users. The auditor must reduce the risk level to the lowest possible level, and that is by increasing the basic tests necessary for the success of the audit mission.
- 2- The auditor's evaluation of the integrity of the management.

Second: The effectiveness and efficiency of the audit process.

There are some factors that must be taken into account before the implicit risk assessment process, which are as follows: (Hassan: 43-2017).

- 1- At the level of the financial statements:
  - the integrity and honesty of management.
  - The management's experience and knowledge of the changes that occur during the period. the lack of sufficient experience affects the preparation of the financial statements.
  - The nature of the work of the economic unit.
  - The set of pressures facing the management to make distortions in the financial statements, such as a shortage of working capital.

After identifying the factors affecting the estimation of implicit risks, you can reach a quantitative estimate of these risks, and this is done after a descriptive assessment of the implied risks, and then this descriptive estimate is converted into a quantitative estimate. A - Descriptive estimate of implicit risks

Their existence from one paragraph to another of the financial statements paragraphs, and the influence of those factors is included in the paragraphs. Therefore, implicit risks are estimated individually for all paragraphs of the financial statements, or for each group of similar paragraphs, and the factors affecting their implicit risks and their nature. The descriptive assessment of implicit risks is a prelude to reaching the quantitative assessment, as it requires the following (Al-Rbaee: 44,45-2002)

- Determine the paragraphs of the financial statements whose implicit risks are required to be assessed.



- Determine the factors affecting those risks for each paragraph separately of the financial statements.
- Determine the descriptive level of risk This gradation in the risk level 0 can take the form of a percentage as follows:

upper limit of risk 100%

high risk 80%

medium risk 50%

minimum risk 20%

#### B- Quantitative assessment of implicit risks

In this step, the auditor can translate the descriptive estimate that he obtained from the previous step and convert it into a quantitative estimate of those risks, as this is done by calculating the weighted average of the risk ratios and the effects of these factors in the following equation:-

$$M = \frac{\sum (R * F)}{\sum F}$$

Since:-

M= Mean which expresses implicit risks.

R= The four levels of implicit risk (100%, 80%, 50%, 20%).

F= The number of factors effects at each risk level.

#### Third: control risk assessment

The control risk assessment The auditor requires a sufficient understanding of the internal control system to plan the audit process and to understand the design of the control procedures related to the process of auditing the financial statements. After understanding the system, he makes a preliminary assessment of the control risks. It represents its maximum limit, but if the direction of the administration is to support control, then the streamer should assume that the control risk represents less than a lower level than the maximum limit (fbsa: 46-2017).

The auditor assesses the control risks according to the following steps:

First step: Understanding the internal control structure:

Structure of the internal control system with interrelated elements that integrate to form the internal control system.

Second step : Procedures control tests:

( AICPA) defined in the audit standard statement No. (55), paragraph (34), control tests as "audit procedures through which the effectiveness of the design and operation of internal control is assessed." The paragraph included the





existence of types of tests that can be carried out to evaluate the effectiveness of the internal control system, which are (Al-Rbaee: 57-2002).

- 1 Inquiry: Disusing with employees regarding the performance of the control function.
- 2- Documentary examination: Examination of documents to ensure there is control by employees.
- 3-Observation: It means that the auditor observes the performance of the control function by3 the employees.
- 4- Re-performance: that is, the auditor performs some aspects of the control function carried out by the employees.

Third step: Evaluating the results of control tests and determining the degree of effectiveness of internal control.

"It means analyzing the results of control tests. To find out what the results of those tests indicate in terms of strengths and weaknesses in the internal control applied and whether it was sufficient and working effectively during the period concerned with the audit. After understanding the elements of the internal control system and conducting control tests, the auditor can express the degree of effectiveness of the internal control system through (Abdullah : 179-2000).

A- "Unpacking the results of the internal control survey related to the areas of control related to the paragraph concerned with evaluating the elements of internal control related to it in a list that includes the elements of that control, and corresponding to answers (taking the form of yes or no) the results of the survey and tests, so that the auditor uses his professional judgment In giving a numerical value to each answer, and given the varying importance of aspects of the internal controls, the auditor gives different values For these answers according to their importance from his point of view, using a specific range, the values (points), and this range may be from 1 to 5 or to 10, or to any end of the range that the auditor deems appropriate, and thus these values are considered an expression of the relative weight of the importance of the control element.

B-by determining the degree the effectiveness of the internal control for the field under examination by the following equation:

$$\text{Degree the effectiveness of the internal control} = \frac{\text{sum of the values given for the strengths' answers (yes)} \times 100}{\text{sum of the standard values for the field}}$$

**Fourth step: Determine the level of control risk**

After determining the degree of effectiveness of the internal control system, the auditor determines the estimated level of control risk by the following:

$$\text{control risks} = 100\% - \text{the degree of effectiveness of internal control.}$$

Thus, the level of control risks is the complementary ratio to the percentage of the degree of effectiveness of internal control.

Fourth: Estimation of discovery risks .



After the auditor estimate the acceptable level of the overall audit risk , the implicit risk assessment and the control risk control , the auditor can estimate the discovery risk , so the less implicit risk and control risk

The permissible discovery risks have increased, and the auditor must not fully rely on implicit risk estimates and control risks in his assessment of discovery risks, and excludes carrying out procedures for checking item balances and types of operations due to the possibility of fraud or errors. The audit risks are determined according to the following equation (Bountain of Financial Supervision 47, 2017)

$$\text{Allowable Level of Discovery Risk} = \frac{\text{Acceptable Level of Audit Risk}}{\text{Implicit Risk} \times \text{Control Risk}}$$

### The effect of audit risk on enhancing the informational content of financial reports

The auditor's report is the final product of the stages of the audit process and a means of reporting the results of the audit process to the parties using the informational content. Decisions can be taken, positions determined, and discussions held" (Al-Rubai': 59, 2002). In addition, the opinion of the auditor is dangerous and has effects and consequences for many parties and in many aspects, including (Hassan: 88, 2017):

1. The auditor's opinion may lead to accusations, investigations, and perhaps even dismissal and trial of an employee or a competent official.
2. The auditor's opinion may lead to a reduction or increase in the taxes due, and this is done by reducing or increasing the profits subject to taxes.
3. A possibility that causes the financial position of the economic unit to fluctuate and loss of confidence in it, leading to a lack of confidence in it by the beneficiaries. If there is a financial rumor that results in declaring the bankruptcy of some banks, how will the situation be with it, and that is according to the opinion of the auditor.
4. The auditor's opinion may have serious consequences for himself, especially if his opinion is based on unsound foundations.

### 3-The practical side

#### 1-3 Examination and testing of the research tool and data

The use of the five-point Likert scale for coding, which will be clarified later, must be examined study variables to see if the data accurately represents the studied phenomenon. :First: coding and characterization

The questionnaire is divided into two axes, as the first axes included the audit risks to which the auditor is exposed, while the second axes, which included the informational content of the financial reports, as in the following table:

Table (1) Coding and characterization

Main axes	Dimensions	Coding
Audit risks to which the auditor is exposed		X
ijjj Informational content of financial report		Y



### Second: Research Society and Sample

The research community consists of auditors who are licensed to practice the profession of auditing inside (southern area) Iraq for the year (2020) working within the private sector (auditors' offices) and their number is (250) and auditors in the Bureau of Financial Supervision, as a sample was drawn through years of experience and their number is (120), so (99) auditors were obtained. As for the remaining (21) auditors, of whom (9) did not receive their answers, and (11) of them were incomplete, which is attributed to errors in the analysis, as the sample size reached (39%) of the population. And it became clear that the research sample members have scientific and professional qualifications in the field of auditor, and that all respondents work in the field of auditing, and that many of them have audited many economic units that operate in various activities, so they can determine what types of risks they are exposed to and how to control them during their auditing work.

### Third: Honesty and reliability

1- Testing of reliability for the first axis through Table No. (2) shows that the stability for the first axes was (0.781), which indicates the stability and sincerity of the questions of the questionnaire and the response of the respondents, because it is close to (1)

2- Testing the reliability of the second axes through Table No. (2) shows that the stability for the third axes was (0.939), which indicates the stability and sincerity of the questionnaire questions and the response of the respondents, and that Because it is close to (1).

Table (2) shows the stability coefficient (Cronbach's Alpha) for the axes

Dimensions	Stability coefficient(Cronbach's Alph)	Honesty coefficient
First axes	0,781	0,888
Second axes	0,939	0,969

### 2-3 Analysis and interpretation of the results of the study sample

To determine the responses of the study sample individuals towards the main paragraphs designed by the study tool, the percentages, frequencies, and mean were used in the following form:

1-Mean: in order to know the extent of the high or low responses of the study individuals for each of the main study variables, with Knowing that it is useful to arrange the phrases according to the highest mean.

2-Standard Deviation: to identify the extent of the deviation of the responses of the study individuals for each of the phrases of the study variables and for each of the main axes from their arithmetic mean, and it is noted that the standard deviation shows the dispersion in the responses of the study members For each statement of the study variables along with the main axes, the closer its value is to zero, the more concentrated the responses will be and the less dispersed they will be between the scale (if the standard deviation is one or more, then it means that the responses are not concentrated and dispersed). Perhaps one of the difficulties that the researcher may face when wanting to present the analysis of descriptive data using the values of the arithmetic mean and standard deviation is



his ability to determine definitive values at which he can say that the sample members tend to agree or strongly agree with a statement.

- calculating the range, which is in this The case is (the largest value, the smallest value), in a Likert scale, i.e. (5-1).
- Then the cell length is determined by (dividing the range by the number of cells of the Likert scale), i.e.  $(5 / 4 = 0.80)$  .
- After that The length of the cell is added to the smallest value in the scale, which is (1) to obtain the upper limit of the cell (totally disagree) and so on until we reach the lower and upper limits of each cell and it will be as follows.
- Any mean whose value falls between (1 - 1.79), is classified in the cell (totally disagree), which constitutes a percentage less than (20%).
- Any mean whose value is greater than (1.80 to 2.59) is classified in the cell (disagree), which constitutes a percentage between (21%) to (40%).
- Any mean whose value is greater than (2.60 to 3.39) is classified in a (neutral) cell, which constitutes a ratio between (41%) to (60%).
- Any mean whose value is greater than (3.40 to 4) 19) It is classified in the cell (agree), which constitutes a ratio between (61%) to (80%).
- any mean whose value is greater than (4.20 to 5) it is classified in the cell (totally agree), which constitutes a percentage more than ( 81 %) as shown in the following table:

Table (3), indicating the scale of the answers.

Degree	1	2	3	4	5
Category	totally disagree	disagree	neutral	Agree	totally agree
Range	1-1.79	1.80-2-59	2.60-3.39	3.40-4.19	4.20-5
Percentage	20%	40%	60%	80%	80%-100%

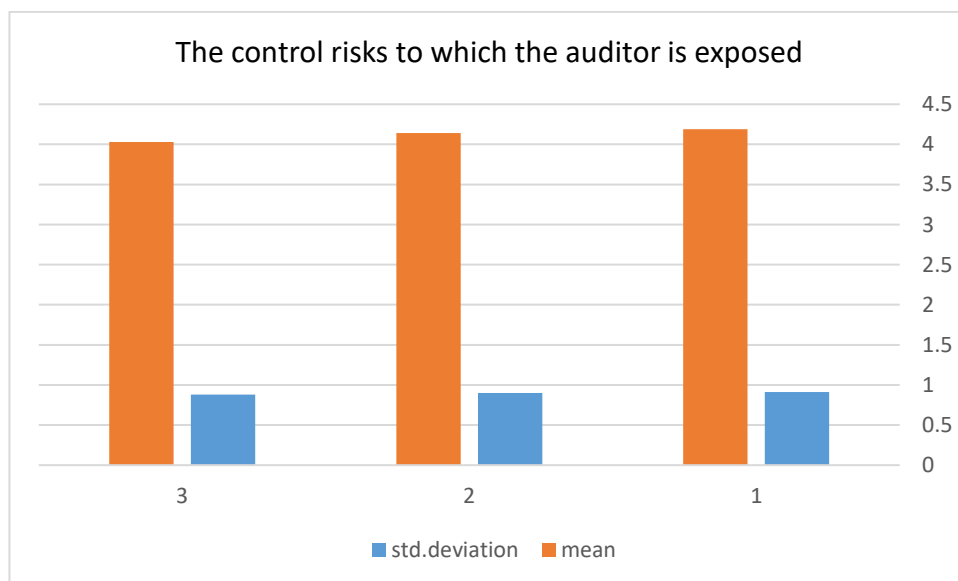
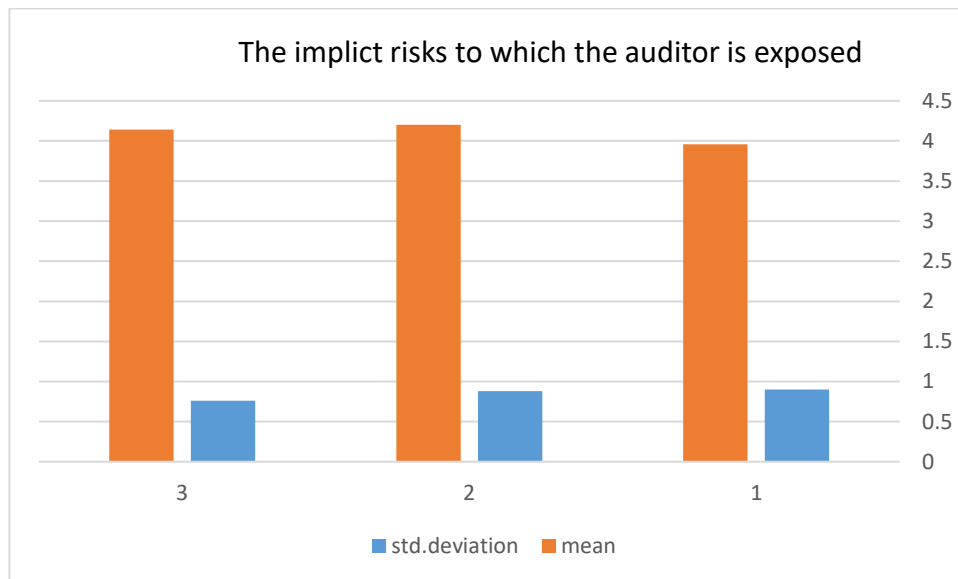
**Analysis of the first axes:-**

the researcher analyzed the answers of the sample with regard to the implicit risks to which the auditor is exposed through the data presented in Table No. (4), as it was found that the results of the mean ranged between (4.14-3.96), which is greater than (3.40) and less than (4.19), which is within the relative importance, which indicates that the sample trend is towards (agree).As for the control risks that the auditor is exposed to, if it turns out that the results of the mean range between (4.18-4.03), which is greater than (3.40) and less than (4.19), which is within the relative importance, which indicates that the sample trend is towards (agree), as for the discovery risks to which it is exposed, as it was found that the results of the arithmetic mean range between (4.08-3.95), which is greater than (3.40) and less than (4.19), which is within the importance. Relative, which indicates that the sample's attitude towards (agree)



Table (4) respondents' response towards paragraphs

Phrases	Audit risks to which the auditor is exposed					mean	std.deviation	%	Sample orientation
	1 Totally disagree	2 disagree	3 neutral	4 Agree	5 Totally agree				
First	The implicit risks to which the auditor is exposed								
1-freq.	0	5	23	47	24	3.96	0.9	80	Agree
2-freq.	1	2	23	41	32	4.2	0.88	83	Agree
3-freq.	2	3	24	36	34	4.14	0.76	83.7	Agree
Second	The control risks to which the auditor is exposed								
1-freq.	1	5	19	42	32	4.18	0.91	83.7	agree
2-freq.	2	5	19	43	30	4.14	0.90	82.5	Agree
3-freq.	0	5	26	37	31	4.03	0.88	81.9	Agree
Third	The discovery risks to which the auditor is exposed								
1-freq.	2	9	15	37	36	3.95	0.95	79.3	Agree
2-freq.	1	7	16	41	34	4.06	0.95	81.2	Agree
3-freq.	2	3	20	37	37	4.08	0.84	81.9	Agree
4-freq.	2	8	17	38	34	4.02	0.91	80.3	Agree
General Mean						4.05	0.90	81.1.	Agree





source:- preparation of the researcher based on the results of the statistical analysis (spss)

From the answers contained in the forms that were retrieved from the research sample, the researcher reached the following analysis, which is related to the questions of the first axis, which obtained from the mean and standard deviation of the total questions of the axis(4.07) Std. deviation which obtained (0.88). Which indicates that the research sample responds with the movement of the scale.

The analysis of the paragraphs contained in the first axes as follows:

First:

Q1:- The existence of material errors of the activity unit in the account balances , the question got the following answers :

totally agree	agree	neutral	disagree	totally disagree	mean	std.deviation
24	47	23	5	0	3.96	0.9

Which shows mean (3.96) and a standard deviation (0.9), which indicates the response of the research sample to the movement of the scale and a weak dispersion in the answer, which means the meeting of the research sample and their agreement on the existence of errors inherent in the activity of the economic unit .

Q2:- The association of material errors with items that are associated with a high degree of personal judgment of the auditor , the question got the following answers :

totally agree	Agree	Neutral	Disagree	totally disagree	mean	std.deviation
32	41	23	2	1	4.2	0.88



Which shows mean (4.2) and a standard deviation (0.88), which indicates the response of the research sample to the movement of the scale and a weak dispersion in the answer , the research sample agreed these errors result from poor procedures followed by the investigators , which result in material errors in accounting.

Q3:- Discovery of pressure on management by stakeholders leading to data distortion , the question got the following answers

totally agree	Agree	Neutral	disagree	totally disagree	mean	std.deviation
34	36	24	3	2	4.14	0.76

Which shows mean (4.14) and a standard deviation (0.76), which indicates the response of the research sample to the movement of the scale and a weak dispersion in the answer , the research sample agreed that there is pressure on management by the stakeholders, as it leads to errors in the truth of the data .

Second:

Q1:- The auditor expected to rely on the existing control system in the unit, when in reality it could not be relied upon due to a defect in it , the question got the following answers:

totally agree	Agree	Neutral	Disagree	totally disagree	mean	std.deviation
32	42	19	6	0	4.18	0.91

Which shows mean (4.18) and a standard deviation (0.91), which indicates the response of the research sample to the movement of the scale and a weak dispersion in the answer , the research sample confirmed that the auditor expects to rely on an internal control system, while in reality it cannot be relied upon, and therefore it leads to the occurrence of control risks.

Q2:- The existence of errors in the accounts that the accounting and control systems could not prevent or detect , the question got the following answers:

totally agree	Agree	neutral	disagree	totally disagree	mean	std.deviation
30	43	19	5	2	4.14	0.90

Which shows mean (4.41) and a standard deviation (0.90), which indicates the response of the research sample to the movement of the scale and a weak dispersion in the answer , the research sample confirmed there are errors in the accounts that exceeded the accounting systems and the control barrier that lead to the control risk .

Q3:- The occurrence of fraud in one of the balances or a certain type of transaction, and it is material if it is combined with distortions of other balances , the question got the following answers:





totally agree	Agree	neutral	disagree	totally disagree	mean	std.deviation
31	37	26	5	0	4.03	0.88

Which shows mean (4.03) and a standard deviation (0.88), which indicates the response of the research sample to the movement of the scale and a weak dispersion in the answer, the research sample confirmed there is occurrence of an error in a certain type of balances and its combination with other errors leads to the occurrence of control risks.

Third :-

Q1:- The auditor discovers, while examining the sample, that there are material errors, even though the sample does not represent the community, the question got the following answers:

totally agree	Agree	Neutral	disagree	totally disagree	mean	std.deviation
36	37	15	9	2	3.95	0.95

Which shows mean (3.95) and a standard deviation (0.95), which indicates the response of the research sample to the movement of the scale and a weak dispersion in the answer, the research sample confirmed there is the discovery of errors during the examination of the sample so that this sample does not represent the community, this causes risks.

Q2:- The auditor's misapplication of the audit procedure used, the question got the following answers:

totally agree	Agree	Neutral	disagree	totally disagree	mean	std.deviation
34	41	16	7	1	4.06	0.95

Which shows mean (4.06) and a standard deviation (0.95), which indicates the response of the research sample to the movement of the scale and a weak dispersion in the answer, the research sample confirmed there is The auditor's misapplication of the auditing procedures he uses is the reason for the emergence of these risks.

Q3:- The auditor's misinterpretation of the conclusions drawn from the audit process if he implements these procedures, the question got the following answers:

totally agree	Agree	Neutral	Disagree	totally disagree	mean	std.deviation
37	37	20	3	2	4.08	0.84

Which shows mean (4.08) and a standard deviation (0.84), which indicates the response of the research sample to the movement of the scale and a weak dispersion in the answer, the research sample confirmed there is the emergence of these risks is due to the auditor's misinterpretation of the conclusions drawn from the audit process.

Q4- The auditor's lack of knowledge of the scope and nature of routine audit procedures, the question got the following answers:

totally agree	Agree	Neutral	Disagree	totally disagree	Mean	std.deviation
34	38	17	8	2	4.02	0.91



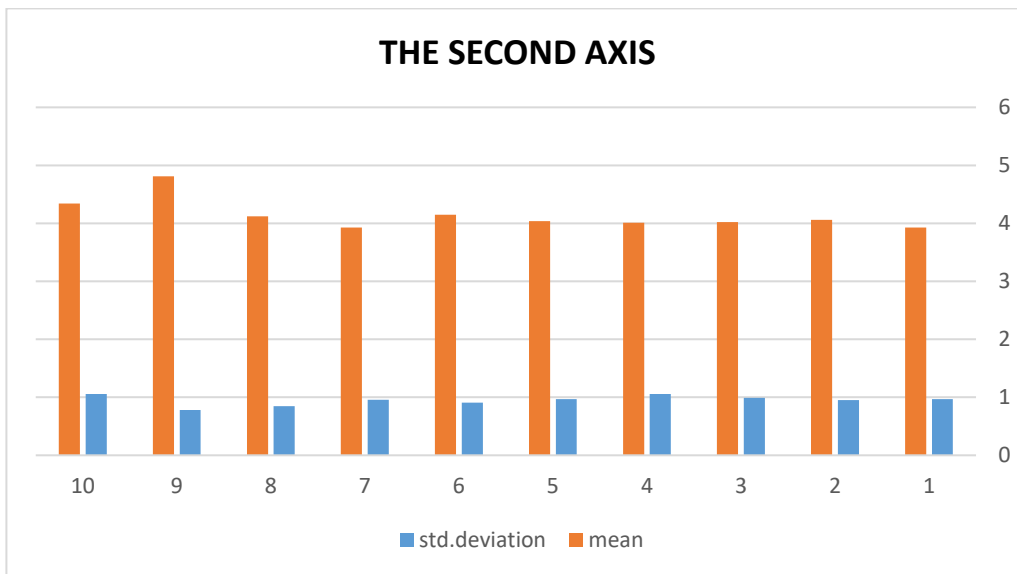
Which shows mean (4.02) and a standard deviation (0.91), which indicates the response of the research sample to the movement of the scale and a weak dispersion in the answer, the research sample confirmed there is the auditor's lack of knowledge of the nature, scope and timing of audit procedures led to the emergence of discovery risks

**Analysis of the second axis:-**

The researcher analyzed the answers of the research sample members through the data presented in Table(5), as it was found that the results of the mean range between (3.93-4.15) which is greater than (3.40) and less than (4.19), which is within the relative importance, which indicates that the trend of the research sample is towards (agree), except for the point (9-10), where the mean ranges between ( 4.34 - 4.81 ) and is greater than (4.20) and less than (5) and is within the relative of importance, which indicates that the direction of the sample is towards (totally agree)

Table( 5) shows the response of the research sample members towards the paragraphs

Phrases	Informational content of financial reports					mean	std.d eviati on	%	Sample orientation
	1	2	3	4	5				
	Totally agree	Agr ee	neut ral	disagr ee	Totally disagree				
1- freq.	31	40	18	9	1	3.93	0.97	78.9	Agree
2- freq.	36	39	15	7	2	4.06	0.95	81.3	Agree
3- freq.	30	44	19	4	2	4.02	0.99	80.3	Agree
4- freq.	31	38	19	8	3	4.01	1.06	81	Agree
5- freq.	31	38	19	9	2	4.04	0.97	80.7	Agree
6- freq.	38	35	22	3	1	4.15	0.91	82.9	Agree
7- freq.	30	39	19	9	2	3.93	0.96	78.5	Agree
8- freq.	29	39	27	3	1	4.12	0.85	82.3	Agree
9- freq.	41	30	13	13	2	4.81	0.78	64.3	totally agree
10- freq.	42	31	18	6	2	4.34	1.06	80.4	totally agree
General Mean						4.13	0.82	82.1	Agree



source:- preparation of the researcher based on the results of the statistical analysis (spss).

From the answers contained in the forms that were retrieved from the research sample, the researcher reached the following analysis, which is related to the questions of the second axis, which obtained from the mean and standard deviation of the total questions of the axis(4.13). Std. deviation which obtained (0.82), Which indicates that the research sample responds with the movement of the scale.

The analysis of the paragraphs contained in the second axis as follows:

Q1:- The timing of presentation of accounting information is very important in making decisions by information users .The question got following answers:-

Totally agree	agree	netural	disagree	Totally disagree	mean	Std.deviation
31	40	18	9	1	3.93	0.97

Which shows mean (3.93) and a standard deviation (0.97), which indicates the response of the research sample to the movement of the scale and a weak dispersion in the answer , the research sample confirmed that is necessity of appropriate timing in presentation information because it will lose its value if it is not provided in a timely manner.

Q2:- The accounting information must be of high quality to the extent that it is possible to predict the future of the economic unit. The question got following answers:-

Totally agree	agree	netural	disagree	Totally disagree	mean	Std.deviation
36	39	15	7	2	4.06	0.95



Which shows mean (4.06) and a standard deviation (0.95), which indicates the response of the research sample to the movement of the scale and a weak dispersion in the answer, the research sample confirmed that accounting information is obtained with high quality, that is, the future of the economic unit is predicted.

Q3:- Accounting information has the ability to change the position of decision makers once it is obtained. The question got following answers:-

Totally agree	Agree	netural	disagree	Totally disagree	mean	Std.deviation
30	44	19	4	2	4.02	0.99

Which shows mean (4.02) and a standard deviation (0.99), which indicates the response of the research sample to the movement of the scale and a weak dispersion in the answer, the research sample confirmed that accounting information has the ability to change the position of decision makers, and this is done when the information is appropriate and has a true representation.

Q4:- The inconvenience the informational content is due to the lack of knowledge of those in charge of the accounting system with the qualitative characteristics of accounting information. The question got following answers:-

Totally agree	Agree	netural	disagree	Totally disagree	mean	Std.deviation
31	38	19	8	3	4.01	1.06

Which shows mean (4.01) and a standard deviation (1.06), which indicates the response of the research sample to the movement of the scale and a weak dispersion in the answer, the research sample confirmed that the accounting information does not contain inconvenience is evidence that those in charge of the accounting system are not familiar with the qualitative characteristics of the accounting information.

Q5:- Achieving neutrality, meaning that it is free from bias, as it does not serve one group over another. The question got following answers:-

Totally agree	Agree	netural	disagree	Totally disagree	mean	Std.deviation
31	38	19	9	2	4.04	0.97

Which shows mean (4.04) and a standard deviation (0.97), which indicates the response of the research sample to the movement of the scale and a weak dispersion in the answer, the research sample confirmed that the accounting information should be free from bias and be neutral and not serve one side over the other, but rather be for everyone.

Q6:- The information provided by financial reports can be used to evaluate previous events and to predict future events. The question got following answers:-

Totally agree	agree	netural	disagree	Totally disagree	mean	Std.deviation
38	35	22	3	1	4.15	0.91

Which shows mean (4.15) and a standard deviation (0.91), which indicates the response of the research sample to the movement of the scale and a weak dispersion in the answer, the research sample confirmed that the information content of financial reports evaluates previous events and predicts future events.



Q7:- Display and provide information in a manner far from repetition in order to avoid misunderstanding by users. The question got following answers:-

Totally agree	agree	netural	disagree	Totally disagree	mean	Std.deviation
30	39	19	9	2	3.93	0.96

Which shows mean (3.93) and a standard deviation (0.96), which indicates the response of the research sample to the movement of the scale and a weak dispersion in the answer, the research sample confirmed that is accounting information is presented in a way that is far from repetitive and clear to users.

Q8:- The auditor clearly indicates in his report whether the financial statements and the management report give a clear and fair result on the financial position and business results, which enhances the informational content of the financial report. The question got following answers:-

Totally agree	Agree	netural	disagree	Totally disagree	mean	Std.deviation
29	39	27	3	1	4.12	0.85

Which shows mean (4.12) and a standard deviation (0.85), which indicates the response of the research sample to the movement of the scale and a weak dispersion in the answer, the research sample confirmed that is the auditor's statement in his report whether the financial statements and the management report give a clear and fair result on the financial position and the results of the unit's business.

Q9:- The auditor prepares a written report that clarifies the conclusions and observations in a permanent, easy-to-understand, and free of doubt, and thus enhances the informational content of the financial reports. The question got following answers:-

Totally agree	agree	netural	disagree	Totally disagree	mean	Std.deviation
41	30	13	13	2	4.81	0.78

Which shows mean (4.81) and a standard deviation (0.78), which indicates the response of the research sample to the movement of the scale and a weak dispersion in the answer, the research sample confirmed that is confirmation the importance of the auditor providing a report clarifying the comments and conclusions in appropriately and easy understanding and free of doubt.

Q10:- The contents of the auditor's report shall be presented accurately, objectively, honestly, integrated and concise as possible to enhance the informational content of the financial reports. The question got following answers:-

Totally agree	agree	netural	disagree	Totally disagree	Mean	Std.deviation
42	31	18	6	2	4.34	1.06

Which shows mean (4.34) and a standard deviation (1.06), which indicates the response of the research sample to the movement of the scale and a weak dispersion in the answer, the research sample confirmed that is display the contents of the auditor's report in a more accurate, objective, honest, integrated and concise manner.

**3-3 :- Test the effect hypothesis between variables.**



The main hypothesis :- is that there is a significant effect of audit risk dimensions on enhancing the informational content of financial reports. To study the impact of risk-based auditing, an appropriate hypothesis must be set, as risk-based auditing is an independent variable. As for enhancing the informational content of financial reports, it is considered a dependent variable. In order to study the hypothesis, it is necessary to make the appropriate model for the data, which represents the problem of the study, in an accurate representation Through Table No. (6), and after measuring the impact of the audit risk dimensions on enhancing the informational content of the financial reports (y) and choosing the best model for the data, it was found that its value is (R2 = 0.995 ) which means (the coefficient for determining the best model), that is, the independent variables are interpreted by (93%) affecting the dependent variable (y), meaning that the remainder is considered random errors in choosing the specific answer or due to unknown errors, as its value reached (6%), as for measuring the role of the relationship between the variables, the value of( R = 0.973) has reached, and this indicates that the relationship is strong, and for the value of the test( F = 551.997), which studies the appropriateness of the data slope line and the non-hypothesis of the regression model, the level of significance reached( 0.000), which is less than( 0.05) this indicates that there are no significant differences and that the model accurately represents the studied phenomenon and that the regression line fits the given data, that is, accepting the null hypothesis. As for the coefficients(  $\beta$  ), which represents the effect of each of the risk s of checking the information content of financial reports at a significant level (0.05) after passing the t-test, which was (0.582) for implicit risks. As for control risks, the effect reached (0.076) ,as for impact of discovery risks ,it reached (0.343) which mean the relationship is positive and has a significant effect.

Table (6) shows the criteria for the best regression model

Model Summary

Model	R	R square	Adjusted R square	Std. error of the estimate	Change Statistics				
					R square change	F Change	df 1	df 2	Sig.F change
1	0.973	0.995	0.943	1.00143	0.995	551.997	3	98	0
Model	Unstandardized coefficient		Standardized coefficient	t	sig.				
	B	Std. error	Beta						
Implicit risks	0.582	0.097	0.576	5.923	0				
Control risks	0.076	0.097	0.073	0.771	0.443				
Discovery risks	0.343	0.093	0.337	3.712	0				



Source :- preparation of the researcher based on the results of the statistical analysis (spss).

a . Dependent variable :- Informational content for financial reporting.

b. Linear regression through the origin.

4- Conclusions and Recommendations

#### **4 -1 :- Conclusions:-**

1-The issue of audit risks receives increasing attention from the concerned professional bodies because it has become a realistic matter that threatens the auditor, and the process of identifying them and evaluating their degrees helps him to plan and implement the audit process in a more efficient and effective manner, which leads to more logical results to achieve the goal of auditing the financial statements in a way that meets the needs of users Financial statements.

2- The risk-based audit by the auditor enhances the informational content of the financial reports.

3- The implicit audit risks and the control and discovery risks facing the auditor can be avoided by using risk-based auditing and the implementation of the audit process.

4- The auditor's use of non-traditional audit programs Flexible and not updated so that it suits the nature of the economic unit subject of the audit and facilitates the detection of deviations and reduces audit risks.

5- The academic and practical qualification of the auditor and the experience inherent in it is light in developing an audit plan based on risks and avoiding audit risks.

#### **4-2 Recommendations**

1- The need to pay attention to the issue of audit risks by professional bodies and researchers because it has become a reality that threatens the auditor.

2- The need to use risk-based audit because it enhances the informative content of the reports .

3- The auditor should plan and implement the audit process using risk-based audit because it The auditor can bring about the implicit audit risks and the risks of control and discovery.



4- The auditor can use traditional audit programs that are not flexible and not updated, but they are appropriate to the nature of the economic unit subject of the audit and make it easier for him to detect deviations and reduce audit risks.

5-Selection of highly qualified persons to carry out the auditor process and to be of technical and academic skill, and to work on setting up developmental courses periodically to help them identify new developments pertaining to the profession and to keep them informed of the latest changes that occur firsthand.

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