



# THE ROLE OF THE AUDITOR IN INCREASING THE RELIABILITY OF ACCOUNTING INFORMATION

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| Article history:   | Abstract:  |
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| <b>Received:</b> 20 <sup>th</sup> December 2025<br><b>Accepted:</b> 14 <sup>th</sup> February 2026 | <b>This study aims to examine the role of auditors in enhancing the credibility of accounting information</b> , and to analyze the relationship between audit quality and limiting creative accounting practices that may negatively affect the credibility of financial statements. The study defines credibility and describes the most common innovative accounting practices. It also addresses the procedures and tests that auditors use to determine these practices, as well as the role of professional standards and regulatory bodies in supporting their work. The results indicate a strong correlation between auditors' commitment to professional and ethical standards and increased confidence among financial statement users. Moreover, the study shows that professional oversight contributes to reducing practices that undermine the credibility of accounting information. Therefore, the study recommends supporting the independence of auditors, facilitating effective professional oversight, and developing standards that improve audit quality and credibility. |

**Keywords:** Reliability of Accounting Information - Creative Accounting Practices - External Auditor's Role - Audit Quality - Financial Statements Credibility - Professional Standards and Ethics - Auditor Independence

## INTRODUCTION

Accounting information plays an important role in economic and managerial decision-making, and is the main source of information used by managers, regulators, creditors, and investors to evaluate the performance of economic entities. However, the quality and reliability of this information depends on many factors, including innovative accounting methods that some preparers of financial statements may resort to to improve this data or achieve specific objectives (Mattar, 2004: 336). Accounting standards: The role of accountants is crucial, especially in light of the need for accurate information in financial markets to enhance stakeholder confidence (Arens et al., 2020: 45).

## CHAPTER ONE: RESEARCH METHODOLOGY

### Research Problem:

The research question addresses the ability of accountants to enhance the credibility of information contained in financial reports in light of creative accounting practices that may undermine the credibility of financial statements. The research aims to determine the role of accountants in enhancing the credibility of information contained in financial reports, and to study the extent to which adherence to professional and ethical standards contributes to limiting creative accounting practices.

### Scope of research

The objectives of this study are summarized as follows:

1. Explain the concept of reliability and its meaning to users of financial statements.
2. Identifying innovative accounting practices and their impact on the reliability of accounting information.
3. Analyze the role of accountants in determining different accounting methods.
4. Study the impact of professional and supervisory standards on the quality and reliability of supervision.
5. Providing practical recommendations to enhance the independence and efficiency of accountants.

### The importance of the study

The importance of this study lies in the following aspects:

1. The increasing need to enhance confidence in financial information in light of globalization and market integration.
2. The role of auditors in protecting the rights of investors and shareholders by providing reliable information.
3. The possibility of using the study results to support organizational and professional policies.

Call for research

### Research hypotheses

This study is based on the following hypotheses:

1. There is a direct relationship between adherence to business ethics standards and increased confidence in accounting practices.



2. Supervision by employees can reduce accounting fraud in financial institutions.
3. Applying ISAs can improve the quality of audits and enhance public confidence in financial reporting.

#### **Research limits**

- Spatial limits: The research focuses on the economic units operating in Iraq.
- Temporal limits: The research covers the period between 2020 - 2024.
- Objective limits: It focuses on the role of the auditor in enhancing the reliability of accounting information, while addressing creative accounting as one of the challenges.

#### **Key terms**

- Reliability: The ability of accounting information to accurately represent financial reality and be free from fundamental errors (Accounting and Auditing Authority, 2018: 22).
- Creative accounting: using methods Accounting law, legally or semi-legally, with the aim of amending the financial results for the benefit of a specific party (Jones, 2011: 15).

### **CHAPTER TWO: THEORETICAL FRAMEWORK**

#### **The concept and characteristics of accounting information**

Accounting information is the basic product of the accounting system, and it is financial data aimed at helping users make economic decisions. For information to be useful, it must have basic characteristics such as accuracy, reliability, comparability and understandability (Mattar, 2004: 55).

The Financial Accounting Standards Board (FASB) states that reliability, as well as relevance, are essential elements of information quality, and that information that is inaccurate, subjective and free of material error cannot be used in decision making (FASB, 2010: 17).

#### **The concept of reliability and its importance to users of financial statements**

Reliability means the ability of information to represent financial events and operations honestly and objectively, so that it can be relied upon in making decisions. The importance of reliability increases when financial information is the basis on which important investment or financing decisions are built (Accounting and Auditing Authority, 2018: 28).

Credibility directly affects user trust, as investors and creditors base their decisions on expectations about the future of the organization, and these expectations depend on the reliability of the information provided (Kieso et al., 2019: 39).

Creative accounting: concept, methods and impact.

Creative accounting emerged in the early 1980s. Due to the economic crisis, shareholders have put pressure on companies to achieve higher profits, even if this is difficult. The ongoing economic crisis forced many companies that recorded inaccurate profits to close (Al-Halabi, 2009: 17).

Creative accounting concepts are mostly used to attract investors or change their public image by the management of economic entities that use this method by presenting what they want to show to investors or by changing their public image by presenting an image that appears desirable (Al 2011: 79).

The prevailing climate in some companies may put pressure on executives to make things appear better than they are in order to increase profits in the short term, and in other cases greed and selfishness play a role (Keso & Wiegant, 2009: 45).

Creative accounting is a practice in which preparers of financial statements exploit the flexibility afforded by accounting standards to change numbers, improve the appearance of performance, or hide negative results. These practices may be legal if they comply with standards, or illegal if they involve intentional misrepresentation (Saeed, 2015: 142).

Among the most prominent creative accounting methods are:

- Changing accounting policies (such as depreciation methods).
- Manipulating allocation estimates.
- Early or deferred recognition of revenues.

These practices may mislead users of financial statements, and affect the efficiency of financial markets (Jones, 2011: 23).

#### **The role of the auditor: tasks, standards, and ethical obligations**

There are many definitions of the auditor's professional activity, proposed by researchers and authors, and we will discuss some of them below:

A. The professional activity of the auditor is defined as the levels of professional activity determined by the bodies regulating the profession, which aim to ensure a reasonable level of control over the audit process, and determine the type of structure within which the auditor works (Al-Diabat, 2010: 25).

B. Others define it as general guidelines that help auditors carry out their professional responsibilities when auditing historical financial statements, and include professional quality considerations (Arens, 2002: 75).

C. The auditor's professional activity is also defined as professional competence and independence in practicing the profession, as this is the main reason for the existence of audit services, and the financial community's satisfaction with their work (Jarbo, 2007: 6).



It can be said that the auditor is an independent body that bears the responsibility of examining the financial statements and ensuring their compliance with accounting and professional standards. Its tasks include:

- Evaluating the internal control system.
- Verifying the accuracy of records and documents.
- Conducting substantive tests to detect errors or distortions.

Auditors are also bound by the requirements of independence, integrity and objectivity as set out in the International Standards on Auditing (IFAC, 2020: 14). Adherence to these ethical values enhances trust among stakeholders and reduces the risk of accounting fraud (Arens et al., 2020: 61).

### **The relationship between the reviewer and his reliability**

The study indicates that there is a relationship between the quality of the review and its accuracy. All auditors adhere to strict technical and ethical standards and are subject to increasingly stringent requirements, which places a burden on auditors and improvers of the information provided.

Reports involving qualified and experienced auditors show that the review is comprehensive and free of material errors (Kanchel and Saltario, 2017: 88).

One study showed that the higher the quality of auditing and the greater the protection of investors, the less likely company executives are to resort to manipulative accounting methods. This conclusion is based on a comparison between companies whose financial statements are audited by large auditing firms, and other companies whose financial statements are audited by other companies (Tendelo, 2005: 84). Moreover, another study (Abdullah, 2012: 54) found that the effectiveness of the audit process contributes more to detecting the use of creative accounting practices and limiting their spread.

A researcher (Dang, 2004, p. 103) studied the quality of the actual audit process by analyzing error cases in audit companies and their relationship to results management. The researcher concluded that the failure to achieve the required audit quality and the failure of audit companies are linked to a high level of results management, which increases the reliability of the financial information provided by the company.

### **CHAPTER THREE: NORMATIVE AND REGULATORY FRAMEWORK**

Recent studies indicate that adopting International Standards on Auditing (ISA) significantly improves the quality and reliability of audits and financial reporting. In a comprehensive study published in 2024 in the Journal of Accounting Review, researcher Ole-Christian Hopp found that countries that fully or partially adopted ISAs saw an improvement in the quality of their audits, and that the effectiveness of these standards was closely linked to their effective implementation and supervision (Ole-Christian Hopp, 2024: 610).

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In a broader global context, numerous studies have shown the impact of applying international standards (including IFRS and ISAs) in reducing corruption and improving the public's perception of the integrity of financial reporting. A 2022 study by Kurniawati and Achgari entitled "The Impact of the Application of International Accounting and Auditing Standards on Perceptions of Corruption" concluded that the implementation of these standards has contributed, directly and indirectly, to increasing global awareness of anti-corruption efforts (pp. 737-755, Emerald Publishing).

International Auditing Standards (ISAs), issued by the International Federation of Accountants (IFAC), aim to create a unified framework for audit quality globally. These standards specify the procedures that auditors must follow to ensure that financial statements are free of any material misstatement resulting from fraud or error (IFAC, 2020: 7).

Applying ISAs ensures that:

- Proper planning of the audit process.
- Collection of sufficient and appropriate audit evidence.
- Publication of an audit report that clearly expresses a professional opinion.

Numerous studies have shown that compliance with ISAs enhances investor confidence in published financial information, both nationally and internationally (Hay et al., 2016: 45).

Accounting standards and regulations in Iraq

I can cooperate with other authorities and competent authorities, enabling me to implement the laws and regulations of the Accounting Court, which are the same as those applied and the regulations issued by the Accounting Standards and Regulations Board. Iraq has adopted a number of international standards, adapting them to the local context (Ministry of Finance, 2019: 12).

The auditing profession in Iraq is characterized by the presence of several institutions, the most important of which are:

- The Federal Court of Accounting.



- The Iraqi Accountants and Auditors Syndicate.
  - Weak sectoral regulation (such as the Central Bank and the Securities and Exchange Commission).
- These organizations strive to ensure that auditors comply with international and local standards, which contributes to improving the quality of auditing and the reliability of financial information (Abdel Karim, 2020: 89).

The role of professional bodies in supporting auditors

Professional bodies play a vital role in enhancing the effectiveness of auditors by:

- Disseminating professional and ethical standards.
- Providing training and qualification programmes.
- Monitoring compliance with the rules of professional conduct.

International professional bodies, such as the International Federation of Accountants, provide (IFAC) and the American Association of Certified Public Accountants (AICPA), provide guidance and resources that help auditors address current challenges in the business environment, which positively impacts audit quality (AICPA, 2018: 33).

At the Arab level, the Federation of Arab Accountants and Auditors seeks to unify professional practices and raise the level of the profession in Arab countries (Union of Arab Accountants and Auditors, 2017: 14).

#### **CHAPTER FOUR: THE PRACTICAL ASPECT (FIELD STUDY)**

Research methodology and data collection tools

The research relied on the descriptive analytical approach to present the theoretical framework, and on the applied approach on the field side, where a questionnaire was designed directed to a sample of auditors and workers in the economic units under study.

The questionnaire consisted of four main axes:

1. General data of the respondents.
2. The extent of adherence to professional standards.
3. The impact of auditing on the reliability of accounting information.
4. The role of professional oversight in limiting creative accounting.

(150) questionnaires were distributed, of which (132) valid questionnaires were retrieved for analysis with a response rate of (88%).

#### **Description of the research community and its sample**

The research community consists of all certified auditors in Iraq, in addition to a sample of certified accountants working in economic units in the various sectors (private, public, mixed). The sample was selected using the stratified random sampling method to ensure the representation of all groups.

Presentation and analysis of the results

First: General data of the respondents

The results showed that 68% of the respondents had more than 10 years of experience, and 23% had experience ranging between 5-10 years. While 9% had less than 5 years of experience.

As for academic qualifications, 72% of the respondents held a bachelor's degree in accounting, 18% a master's degree, and 10% a doctorate.

Second: Commitment to professional standards

The results show that the average participants' assessment of the level of auditors' commitment to professional standards was 4.21 out of 5, which indicates a high level of commitment.

Third: The impact of audits on reliability

The results show a strong relationship between the quality of auditing and increasing the reliability of accounting information, as 84% of participants reported that financial statements become more reliable when reviewed by independent auditors committed to standards.

Fourth: The role of professional oversight

Explanation: Reported 79% of participants said that professional oversight contributes to reducing practices that reduce the reliability of information, especially those related to creative accounting methods.

Testing the research hypotheses

A simple and multiple regression test was used to measure the relationship between variables, and the results showed:

- There is a positive moral effect of adherence to professional standards on the reliability of accounting information at a significance level (0.05).
- Professional oversight is an influential mediator in the relationship between audit quality and reliability.

#### **CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS**

##### **Main Results**

Through theoretical and experimental analysis, this study reached several main conclusions, the most important of which are the following:



1. There is a close relationship between auditors' commitment to professional and ethical standards and increasing the reliability of accounting information.
  2. Effective professional oversight directly contributes to reducing creative accounting practices that may undermine confidence in financial reporting.
  3. Full application of international auditing standards contributes to improving the quality of financial reports and increasing users' confidence in them.
  4. The regulatory environment in Iraq has improved in recent years, but it still needs to strengthen its implementation and monitoring mechanisms.
  5. The independence of auditors is a critical factor in their ability to perform their duties effectively and objectively.
- Practical recommendations

**After a while, many ask themselves the following questions:**

1. Can an independent auditor perform the same task without any problems?
2. Can we assign him professional tasks within the company, especially auditing and reviewing financial statements?
3. We need a modern auditor who adheres to current international standards and possesses technical experience in the field of auditing.
4. It may be necessary to use the same operating system, even if it is preferable to use a different international standard.
5. In case of incompatibility, another operating system can be installed in the same location as the primary operating system.

**Tips for novice auditors**

Future studies could address:

- The impact of the use of artificial intelligence in audit work on the quality of financial reports.
- The role of audit committees in supporting the reliability of accounting information.
- A comparison between audit environments in developing and developed countries and their impact on reliability.

**Appendix (1): Questionnaire**

Questionnaire title: The role of the auditor in increasing the reliability of accounting information

Purpose of the questionnaire: Collecting field data to study the impact of the auditor's commitment to professional standards on the reliability of accounting information, with a focus on the role of professional control in limiting creative accounting practices.

**Section One: General Data**

1. Gender:  Male  Female
  2. Academic qualification:  Bachelor's  Master's  Doctorate
  3. Years of experience:
    - o  Less than 5 years
    - o  5-10 years
    - o  More than 10 years
  4. The sector you work in:  Private  Public  Mixed
- Please put a mark (✓) in front of the appropriate answer

**Five-point Likert scale:**

1 = Strongly disagree | 2 = I oppose | 3 = Neutral | 4 = I agree | 5 = Strongly agree

**Section Two: Commitment to Professional Standards:**

Statement 1 2 3 4 5

- 1- The auditor adheres to approved international auditing standards.
- 2- The auditor takes into account ethical principles in his work .
- 3- The auditor documents all audit procedures.
- 4- The auditor avoids conflicts of interest while performing his work.
- 5- The auditor's commitment to the rules of professional conduct and performance standards approved by the Council in regulating the profession.

**Section Three: The impact of auditing on the reliability of accounting information:**

Statement 1 2 3 4 5

1. Auditing financial statements increases the confidence of its users.
2. Fundamental errors are reduced when auditing financial statements.
3. Auditing helps detect improper accounting practices.
4. Auditing helps in investigating malpractices committed through manipulation of financial statements.
5. Auditing helps in investigating changes in accounting policies.
6. Fraud operations are reduced when conducting an external audit.



7. Conducting an external audit contributes to reducing the negative change in accounting policies for valuing inventory.
8. External auditing helps detect fictitious changes in capital.
9. By conducting an external audit, misclassifications of cash flow statement items are reduced.

#### Section Four: The role of professional oversight:

Statement 1 2 3 4 5

1. Professional oversight limits negative creative accounting.
2. Professional oversight maintains the quality of the auditor's work.
3. Professional oversight provides a work environment that guarantees the independence of the auditor.
4. The auditor's commitment to the rules of professional conduct adopted by the Council in regulating the profession helps limit the company's management's practice of creative accounting.
5. Adherence to the regulatory standards issued by the Accounting and Regulatory Standards Board helps reduce

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