

The Role of Smart Auditing in Detecting Fraudulent Practices in the Financial Statements: A Suggested Model

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The research aims to clarify the role of smart applications and their benefits and benefits aimed at supporting and developing auditors' performance in uncovering various fraudulent practices that are difficult to discover by traditional methods due to developing fraud methods practiced by management in the financial statements and benefit from gaps and flexibility in applying accounting principles and rules as well as the importance of auditor using the application Alone Forms Smart in the currency and transfer of method and means to the smart review method, to which Yemen aspires to reveal modern deception techniques that enhance the role of the audit profession in enhancing confidence among the various beneficiaries of the neutral technical opinion in the financial statements.

Key words: *Smart Auditing, Fraudulent Practices, Financial Statements*

Introduction

With the development of economic life and the increase in financial crises, economic problems, and the major collapses that occurred in the trap of data of major economic entities, many of which overthrew these collapses and problems in their index of the role of the audit and the responsibility of the audit. In these financial and financial crises, the parties concerned pushed the review profession to search for the causes of these crises and the role auditors should play in identifying those economic crises and crises, as well as looking at modern methods and means that contribute to achieving this goal. One of those modern methods and methods is the use of methods and techniques of artificial intelligence and employing them in the field of audit because of the advantages and characteristics of those methods that make their use in the field of audit an important and effective tool to keep abreast of development in some companies by using some fraudulent practices that may be difficult to discover in the financial statements Using traditional audit methods, which weakens confidence in these statements and the

effectiveness of the auditor's opinion in them, which leads to increasing confidence among auditors who benefit from his professional opinion in the honesty and fairness of the financial statements through the use of modern methods, including applications of artificial intelligence.

Research problem

In order to advance the reality of the auditing profession and meet the requirements of the beneficiaries of the professional reports it provides, and to develop and diversify the various business organizations, as well as to develop methods of fraud and fraud that may be practiced by some departments that require research in modern methods and methods to enhance the role of the audit and uncover fraudulent practices and fraud that can be conducted with the administration By developing means and methods for reviewing and entering smart applications, and research, the problem can be formulated with the following question:

Are you unable to auditors using smart apps to detect fraudulent practices?

The research

The research aims to achieve the following:

- A. Explaining the role of artificial intelligence applications in exposing fraudulent practices in the financial statements.
- B. Explain the role of artificial intelligence applications in supporting the professional auditor's opinion on the financial statements and increase the confidence of the beneficiaries of that opinion.
- C. Statement of the role of the application of data of artificial intelligence in the achievement for any of the required professional auditors.

The importance of research

The importance of research by highlighting the growing role of the auditing profession in light of the development of large commercial establishments, the increase in fraudulent practices, diversity, the difficulty of discovery, and the search for advanced and evolving techniques equivalent to deception methods. And fraud that can be practiced by some of these organizations, and in order to discuss the offers available for the smart application, auditors can use it to contribute to the prediction and disclosure of these practices.

Research hypotheses

The research is based on the following main hypothesis:

The use of artificial intelligence applications in the audit helps to expose fraudulent practices in the financial statements

Approach Search

The researcher relied on the inductive approach through presenting and analyzing studies, books and research that have been conducted in relation to the research, as well as presenting the elements and requirements to design a smart model that can be used to detect fraudulent practices in the financial field. Formulations. .

Previous studies:

Below are a number of previous studies that dealt with the applications of artificial intelligence in auditing, as follows:

1 - A study (Bakht and Bin Qadri, 2016) entitled (Prediction of artificial neural networks as support for the analytical review in the review process)

The purpose of this study is to determine the extent to which the cores of the prophetic cores are predictively contagious by their analytical method in the additive and their predictability of the company's sales volume for a period of five years and to know the deviations in it, and the study found the possibility of applying artificial neural networks in improving the quality of the additive.

2 - Khalil 2015 study entitled (Using artificial neural networks in Tate and seeing the auditor's role in discovering fundamental errors)

This study aimed to provide a model for an artificial neural network in detecting and predicting fraud and material errors in the financial statements and supporting the opinion of the external auditor, and the study reached the importance of applying artificial neural networks in discovering fundamental errors as well as their importance in supporting the opinion of the external auditor and the speed and flexibility in operation.

3 - Study (Friday 2012) entitled (Using artificial neural networks to discover fundamental errors in the financial statements)

The study aimed to sister B with the effect of the application of artificial neural networks in the detection of fundamental errors in the financial statements and the possibility of using them in the audit process. The study found the possibility of applying artificial neural networks in the audit in a year and in the discovery of basic errors in particular.

4 -A study (Arsanyos, 2012) entitled (a pilot study of the use of neural networks to develop the role of the auditor in the misleading financial data report)

The study aimed at the sister of smart applications, which are artificial neural networks, in developing the role of external auditor research for misleading financial statements and the extent of this network's contribution to the accuracy of the auditor. Opinion and forecasting of financial statements are misleading, and the study found the need of the William Supervisory Organization, a professional in the ZTE profession, for accounting and auditing methods to activate the use of artificial intelligence in the audit because of its features that enhance the ability of the auditor to make important decisions in the audit process.

5 - (Small study 2011) entitled (Using artificial neural networks in developing the audit model to activate the role of the auditor etc.) External in revealing fraudulent practices of the study that aims to develop a multi-layered neural network model that supports the auditor's role in detecting fraudulent practices in preparing financial reports, The study found that there is an evolution in the methods of fraud, finding the auditor and the difficulty of discovering such practices in traditional ways that require the use of modern detection techniques.

The second topic

Using smart auditing to expose fraudulent practices

First : smart auditing:

Smart auditing can be defined by looking at the concepts of (audit) and (smart) or intelligence, where the audit is defined as the work of an independent, neutral, scientifically and professionally qualified person to ensure the honesty and integrity of the financial statements prepared by the company in accordance with the established accounting principles and give an opinion Neutral technician (Tamimi, 2003: 23), also known as the American Accountants Association as a systematic process for assessing evidence on economic event outcomes to match knowledge of these findings with specific and improved standards and informing stakeholders with these outcomes from (18: 1972, AAA), and the review can be defined as Professional and specialized work performed by a person who is scientifically and practically a- legal to express their professional opinion about the financial statements and to determine the credibility and compatibility of the justice lists. With accounting principles, recognized standards, and reporting included in this opinion. Then the concerned authorities take several important decisions in light of the neutral technical opinion presented by the auditor. What is meant by the concept of (intelligence) or (smart) for modern smart applications, or the so-called artificial intelligence applications, the most important of which are applications of neural network data, artificial expert systems, genetic algorithms, fuzzy logic and other applications that can be included in several areas including accounting and auditing fields, and can To be a smart auditing process defined as practicing the audit process using artificial intelligence applications and employing its advantages and characteristics in detecting and reporting any violations or practices made by companies in their financial statements.

And the applications of artificial intelligence began to spread in various fields because of its characteristics, which made it receive the attention and care of many researchers, and depends on the use of a number of specialized programs and knowledge bases, and imitation of the human mind in its work, which led to achieving optimal solutions and their application in a practical way (Ramish & Rampal , 2001: 46), also known as a recent trend in computer applications rather than traditional programming methods, which faced a large number of problems (Luizaosmar & Loman, 2001: 94-101), and is similar to the human mind in which TCT ob trains knowledge and stores knowledge (good and Elias 2009: 11)

And modern smart applications have a number of advantages (Al-Otaibi 2003: 13).

1. It depends on solid mathematical foundations
2. The human mental mimic.
3. The ability to accept a large number of data.
4. It stores knowledge through operating cases on it.
5. It can be used in various scientific fields, including auditing.
6. High speed in data handling.
7. Flexibility in the operation of the data.
8. Continuity in the work even if an element of disruption of artificial neural network elements.

There are many types of smart applications, each of which has specific features, one of which can be used depending on the type of problem to be solved.

Second :the concept and the most important form of fraudulent practices:

Identify fraudulent practices in financial pattern lists that depend on the T-man who sees financial values, intentionally omission, or non-redress of financial values in order to mislead users of financial statements (Mulford & Comisky, 2002: 3), and there are several names for fraud practices, including that:

1. Accounting arbitrary :They use accounting methods to improve the financial position of the company at the time that does not refer to him the rules of accounting to these methods are and the Sacrifice(Filips, 1999: 167.)
2. Profit management :a deliberate distortion of the profits of which Joel d j to the accounting figures of dramatically different from what are Ali H .in fact carried out by the administration in order to achieve their interests (Partha, 2003: 13-19.)
3. booting income : is part of the style of earnings management means income without showing fluctuations and try to install it on over periods of successive financial (Obeid 2004: 53.)

From the foregoing, it is possible to define fraudulent practices as a process of misleading in the financial statements in order to deceive and mislead the users of those lists to achieve

specific goals in favor of the company's management by manipulating profit numbers. There are a number of forms of fraudulent practices to achieve profit management by the management through the following approaches:

1 - Flexibility in the entrance to the accounting principles :the administration can carry out such practices through flexibility in the accounting principles accepted generally accepted, including:

- A- Selecting or changing the method for calculating the depreciation of fixed assets
- B- Choose or change inventory pricing method.
- C- Choose or change its way address fu R Almtert pric on the change in the prices of currency exchange.
- D- Selection or change of the revenue recognition policy.

2- The entrance to accounting estimates :Among the provisions of accounting estimates that can affect profits are the following:

- A- Estimates related to the completion of the works and the cost of this completion in long-term construction contracts.
 - B- Estimate the useful life and scrap value of the depreciable assets.
 - C- Estimating the collectible value from customers.
 - D- Classification of costs into production costs and periodic costs, and according to the purpose that serves the administration .
 - E- The manipulation time selling assets both securities and financial fixed assets.
- And- Manipulation of expenses processing Plain of , and is unusual

3 -Disclosure entrance : The administration can exercise profit management through:

- A- Show some investment activities within the operational activities.
- B- Show some of the activities which m and night within the cash flows within the operational activities.

4- Some modern practices for managing profits : There are a number of recent practices that management can use to achieve profit management, including:

- Leasing : means the existence of an agreement between the lessor and the lessee gives the lessee the right to exploit the asset over a given period for an amount specified , and gating leases on the risks and benefits borne by both the lessor and the lessee , and considers such practices among contingent liabilities)satisfaction 2008: 12. (
- securitization operations : means the sale of financial assets to companies with high liquidity can be traded in the financial markets) Ibrahim 2004: 16. (

It is clear from the previous entries that fraudulent practices affect the informational content of the financial statements , and that there are two aspects to this effect :

1- Walt A .thier technically , which is the presentation and classification and a compilation and integration of accounting figures.

2- Influence the essence or content of the accounting information in the financial statements , and this effect is truly reflected on the financial position of the company , and this effect is the most dangerous in fraudulent practices that will be reflected on the deception and misleading of the beneficiaries of the financial statements.

The third topic

Suggested model for smart auditing

First : the mechanism to use smart applications to detect p n fraudulent practices and report them:

We will address the mechanism and how smart applications are used in the process of auditing and detecting potential fraudulent practices in the financial statements and reporting on those practices , as follows:

1- Smart App Usage Tools:

The implementation of smart applications involves checking a set of tools, namely:

1- Multiple data analysis : Multiple data analysis provides a good insight into what is happening ,not by dividing and storing data in a data warehouse , and linking them with each other , which enables you to see that data from different angles.

2- Data mining : Artificial intelligence applications are among the best techniques used for data mining through automatic detection of information hidden in databases , and data mining means research to extract valuable information within a large-size database) Rain & Turban, 2009: 268) . (

3- Data warehouses : It is represented in a group of historical data , and represents large quantities of data collected from different sources . Building them requires a set of steps as follows:

❖ Create a data space and build a data warehouse

❖ المتاجر Retail stores split into data

❖ purification statements T

❖ Upload data to the data warehouse

❖ Data analysis and application of decision support systems

❖ Storage in a warehouse Data)Han & Kamber, 2006: 128(

D - Analytical Processing instant : defined as a set of analytical processes rapidly numbers Altaqari t and different budgets and forecasts) Hamad 2 456 :012 ,(

. 2Smart application design requirements : It includes a set of requirements for smart application design that can be used in the audit process, namely:



A . Determine what is the smart application to address and identify it , and what is the problem to be solved.

B . Identify the various fraudulent practices and images that management can perform in the financial statements.

T .Identify key information and harm the confidentiality required by the intelligent application , and that application by addressing them and sort out the correct information and will be the x mechanism of manipulation of such misleading information.

W .Express an opinion on the financial statements after they have been identified and the treatment of the financial statements , to express an opinion process and require by the auditor in the financial statements of the two e two bases are:

The first aspect : scientific , and relates to his understanding and awareness of the principles, foundations and accounting assumptions that govern the operations of registration , classification of financial statements and their impact on the results of the financial position.

The second aspect : my work relates to the skill, experience, competence and professional practice and how to apply accounting principles and assumptions , and of the ability to detect errors and fraud in the financial statements.

H . Full knowledge of electronic calculator and its various languages.

C . Choose the necessary programs to support the smart application interfaces.

X . Training the audit team on the smart application, how it works, and how to implement it.

D . Availability of the necessary devices and equipment, or so-called computer hardware.

And except for the necessary tools and requirements and create an audit team and the training of its knowledge of the importance and the method of implementation of intelligent application can be formulated intelligent model contributes effectively to the development of the role of the auditor and improve.

His efficiency in detecting fraudulent practices in the financial statements , and increasing confidence in the professional's banner in these financial statements by the beneficiaries, who will take important and varied decisions in light of that professional opinion.

The fourth topic:

Conclusions and recommendations

First :Conclusions:

1. The development of fraudulent management methods and practices that is difficult to discover by methods, the traditional methods of auditing.
2. There are many applications of artificial intelligence intervention in different uses.
3. Artificial intelligence applications can be used in the audit process, specifically in exposing fraudulent practices.
4. Exploitation of management flexibility in accounting principles and rules for the exercise of disinformation operations in the financial statements .
5. Smart applications help support and develop the auditor's role by predicting the presence of fraudulent practices ,which pushes the auditor to make greater efforts in searching for those practices and thus provide his neutral professional opinion.
6. Increase the confidence of the beneficiaries of the auditor 's report on the financial statements in the event of the use of its modern means of intelligent in applications of

Second :Recommendations

1. The auditors should use modern methods such as smart applications in the audit process, especially in detecting fraudulent practices.
2. Consider auditors' use of smart applications in their work as a component of quality.
3. The auditor's report included modern and advanced means such as smart applications that he used in his work to increase confidence in his professional opinion .
4. Development and training of assistants on the use of smart applications.
5. Reducing flexibility in accounting principles and rules.
6. Teaching smart technologies in universities and institutes d.
7. Professional organizations educate the role of smart applications in developing the auditing profession.
8. Opening courses and workshops on how to use smart applications in auditing and its advantages.

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