


IMPLICATIONS FOR ENHANCING THE FINANCIAL REPORTING QUALITY BROUGHT ON BY THE DIGITAL REVOLUTION OF INTERNAL CONTROL

Alaulddin Abdul Wahab Hassoon Al-Sabti^A



ARTICLE INFO	ABSTRACT
<p>Article history:</p> <p>Received 31 January 2023</p> <p>Accepted 27 March 2023</p> <p>Keywords:</p> <p>Quality of Internal Audits; External Audits; Internal Audit Attributes; Financial Reporting.</p> <div data-bbox="172 958 480 1205" style="text-align: center;">  </div>	<p>Purpose: The purpose of this study is to establish causal relationships between internal review quality, digital transformation, and the credibility of financial reports. Standardization, organizational reliance, independence, the advent of online transformation, and the function of internal auditing in risk assessment and the enhancement of financial reporting have all seen significant changes over time. Internal audit plays a critical role in ensuring the accuracy of a company's financial statements and performance reports. To boost the trustworthiness of financial accounts, it is crucial to invest in the research and development of more efficient techniques of internal auditing.</p> <p>Theoretical framework: Virtual Transformation Improves Internal Audits and Financial Reporting Quality In order to ensure people's safety during the digital revolution, the study's authors recommended setting up new rules and regulations to regulate the practice of internal audit. To cut expenses, the publication suggested digitizing all corporate procedures. To thrive in today's highly technical environment, the auditing sector will need to implement novel strategic work techniques and organizational structures. Otherwise, they'll have a hard time justifying their expenditures.</p> <p>Design, technique, and approach: Standardized surveys were used to acquire the primary data. There were 112 total questionnaires sent out, and only 79 were returned with the required information. Social science statistical package SPSS was used to evaluate the data and produce a 95% confidence interval for the estimation of digitalization's to the standard of quality of internal audits and financial-reporting.</p> <p>Findings: The results appears that there is no statistically meaningful connection between How well internal audits are conducted and how quickly digital transformations are implemented.; no digital transformation mechanisms elevate the standard of accounting reports. The quality of internal audits and the quality of financial reports do not appear to have any statistically significant relationship in light of the digital shift.</p> <p>Implication: This research might be a beneficial resource for anybody interested in the study of the rise of the digital age on the financial industry and the link between it and the internal review quality to enhance the company's internal auditing and reporting for better performance.</p> <p>Originality/ Value: The originality/value of changes in the way risks are evaluated and reported, the sophistication of online transformation and its impact on internal auditing standards, and Subject areas that would benefit from empirical research include the history of online transformation generally, and the evolution of online transformation specifically. Keeping investors and other stakeholders updated on the company's financial health and performance metrics is impossible without regular internal audits. In order to improve the accuracy of financial reports, it is essential to conduct more thorough internal audits. Since much of the research on this topic has been done in other countries or regions, this one is woefully underexplored.</p>

^A Assistant Professor. Accounting Department, Shatt Al-Arab University College, Basrah, Iraq.
E-mail: aalsabti1@gmail.com Orcid: <https://orcid.org/0000-0003-4416-2354>



Doi: <https://doi.org/10.26668/businessreview/2023.v8i4.1381>

IMPLICAÇÕES PARA MELHORAR A QUALIDADE DA INFORMAÇÃO FINANCEIRA PROPORCIONADAS PELA REVOLUÇÃO DIGITAL DO CONTROLO INTERNO

RESUMO

Objetivo: O objetivo deste estudo é estabelecer relações causais entre a qualidade da revisão interna, a transformação digital e a credibilidade dos relatórios financeiros. A padronização, a confiança organizacional, a independência, o advento da transformação on-line e a função de auditoria interna na avaliação de riscos e o aprimoramento dos relatórios financeiros têm visto mudanças significativas ao longo do tempo. A auditoria interna desempenha um papel fundamental ao garantir a precisão dos demonstrativos financeiros e dos relatórios de desempenho de uma empresa. Para aumentar a fiabilidade das contas financeiras, é crucial investir na investigação e desenvolvimento de técnicas de auditoria interna mais eficientes.

Estrutura teórica: A transformação virtual melhora a qualidade das auditorias internas e dos relatórios financeiros. A fim de garantir a segurança das pessoas durante a revolução digital, os autores do estudo recomendaram a criação de novas regras e regulamentos para regular a prática da auditoria interna. Para cortar gastos, a publicação sugeriu a digitalização de todos os procedimentos corporativos. Para prosperar no atual ambiente altamente técnico, o setor da auditoria terá de implementar novas técnicas de trabalho estratégico e estruturas organizacionais. Caso contrário, eles terão dificuldade em justificar seus gastos.

Design, técnica e abordagem: Pesquisas padronizadas foram usadas para adquirir os dados primários. Foram enviados 112 questionários no total e apenas 79 foram devolvidos com as informações necessárias. O pacote estatístico das ciências sociais SPSS foi utilizado para avaliar os dados e produzir um intervalo de confiança de 95% para a estimativa da digitalização ao padrão de qualidade das auditorias internas e da informação financeira. Constatações: Os resultados mostram que não há nenhuma conexão estatisticamente significativa entre o grau de realização das auditorias internas e a rapidez com que as transformações digitais são implementadas. Nenhum mecanismo de transformação digital eleva o padrão dos relatórios contábeis. A qualidade das auditorias internas e a qualidade dos relatórios financeiros não parecem ter qualquer relação estatisticamente significativa à luz da mudança digital.

Implicação: Esta pesquisa pode ser um recurso benéfico para qualquer pessoa interessada no estudo do aumento da era digital no setor financeiro e a ligação entre ele e a qualidade da revisão interna para melhorar a auditoria interna e relatórios da empresa para um melhor desempenho.

Originalidade/valor: a originalidade/valor das alterações na forma como os riscos são avaliados e relatados, a sofisticação da transformação on-line e seu impacto nos padrões de auditoria interna e áreas de interesse que se beneficiariam da pesquisa empírica incluem a história da transformação on-line em geral e a evolução da transformação on-line especificamente. Manter os investidores e outras partes interessadas atualizados sobre as métricas financeiras de saúde e desempenho da empresa é impossível sem auditorias internas regulares. A fim de melhorar a exatidão dos relatórios financeiros, é essencial realizar auditorias internas mais exaustivas. Uma vez que grande parte da investigação sobre este tema foi feita noutros países ou regiões, esta é lamentavelmente subexplorada.

Palavras-chave: Qualidade de Auditorias Internas, Auditorias Externas, Atributos de Auditoria Interna, Relatórios Financeiros.

IMPLICACIONES PARA MEJORAR LA CALIDAD DE LA INFORMACIÓN FINANCIERA GENERADA POR LA REVOLUCIÓN DIGITAL DEL CONTROL INTERNO

RESUMEN

Objetivo: El propósito de este estudio es establecer relaciones causales entre la calidad de la revisión interna, la transformación digital y la credibilidad de los informes financieros. La normalización, la dependencia institucional, la independencia, la llegada de la transformación en línea y la función de la auditoría interna en la evaluación de riesgos y la mejora de la presentación de informes financieros han experimentado cambios significativos a lo largo del tiempo. La auditoría interna desempeña un papel fundamental para garantizar la exactitud de los estados financieros y los informes de ejecución de una empresa. Para aumentar la fiabilidad de las cuentas financieras, es fundamental invertir en la investigación y el desarrollo de técnicas más eficientes de auditoría interna.

Marco teórico: La transformación virtual mejora las auditorías internas y la calidad de la información financiera. Con el fin de garantizar la seguridad de las personas durante la revolución digital, los autores del estudio

recomendaron establecer nuevas normas y reglamentos para regular la práctica de la auditoría interna. Para recortar gastos, la publicación sugirió digitalizar todos los procedimientos corporativos. Para prosperar en el entorno altamente técnico actual, el sector de la auditoría tendrá que implementar nuevas técnicas estratégicas de trabajo y estructuras organizativas. De lo contrario, les será difícil justificar sus gastos.

Diseño, técnica y enfoque: Se utilizaron encuestas estandarizadas para adquirir los datos primarios. Se enviaron un total de 112 cuestionarios, y sólo se devolvieron 79 con la información requerida. Se utilizó el paquete estadístico de ciencias sociales SPSS para evaluar los datos y producir un intervalo de confianza del 95% para la estimación de la relación de la digitalización con el estándar de calidad de las auditorías internas y de los informes financieros.

Hallazgos: Los resultados parecen indicar que no existe una conexión estadísticamente significativa entre la forma en que se realizan las auditorías internas y la rapidez con que se implementan las transformaciones digitales. La calidad de las auditorías internas y la calidad de los informes financieros no parecen tener ninguna relación estadísticamente significativa a la luz del cambio digital.

Implicación: Esta investigación podría ser un recurso beneficioso para cualquier persona interesada en el estudio del aumento de la era digital en la industria financiera y el vínculo entre ella y la calidad de la revisión interna para mejorar la auditoría interna de la empresa y la presentación de informes para un mejor rendimiento.

Originalidad/ Valor: La originalidad/valor de los cambios en la forma en que se evalúan y notifican los riesgos, la sofisticación de la transformación en línea y su impacto en las normas de auditoría interna, y las áreas temáticas que se beneficiarían de la investigación empírica incluyen la historia de la transformación en línea en general, y la evolución de la transformación en línea en particular. Mantener a los inversores y otras partes interesadas al día sobre la salud financiera de la empresa y las métricas de rendimiento es imposible sin auditorías internas regulares. A fin de mejorar la exactitud de los informes financieros, es esencial realizar auditorías internas más exhaustivas. Dado que gran parte de la investigación sobre este tema se ha hecho en otros países o regiones, ésta está lamentablemente subexplorada.

Palabras clave: Calidad de las Auditorías Internas, Auditorías Externas, Atributos de Auditoría Interna, Informes Financieros.

INTRODUCTION

Profitability, cash flow sources, and net capital change can all be gleaned from a company's financial statements, which are the end product of financial accounting. Inaccurate financial reporting has been a leading cause of business failure for decades. Internal control issues, resistance to digital transformation, and a backlog in financial report production led to the misinforming of customers and other consumers of financial information. A company's success in today's market depends on its adeptness in leveraging digital tools (Mohamed et al. 2018).

The enhanced competitiveness and compelling need for innovation are both a result of the fast growth and change in digital technology. The risks associated with neglecting digital technology's benefits for organizations are higher than ever. Internet, Big Data, database management, AI, and cloud services are all examples of "modern technology" being put to use in the business world (Ritter, T., & Pedersen, C. L 180-190). As things stand now, adopting technology is obviously not optional, but rather an essential business strategy that needs to be adopted across the board.

All of these factors— enhanced capacity for both internal and external communication; enhanced personalization for customers; enhanced Productivity and New Ideas among staff; and more precise insights gleaned from data —are enabled by a company's dedication to and investment in business transformation. It is required that both individual internal auditors and their organizations possess a high degree of technical knowledge and experience. According to IIA Standard 1210.A3, internal auditors "must have a working awareness of critical IT risks and controls and accessible technology-based auditing methods" in order to do their responsibilities effectively. The Internal Audit Competency Model of the IIA includes not just the absolute minimum qualifications for performing internal auditing jobs, but also a vast array of technical competency levels. A solid grasp of the hardware and software platforms utilized for auditing and data analysis is one of these skills. The year is 2021/22, and Lake Mary, Florida is the location.

Among the many governance practices, the internal audit is particularly important (Hazaea, S. A., Tabash, M. I., Khatib, S. F., Zhu, J., & Al-Kuhali, A. A. 867-875). There is consensus that this is a crucial move that has far-reaching effects on how governments work (Vadasi, C., Bekiaris, M., & Andri Ko Poulos, A. 175-190). Its role is to ensure a company's success by offering guidance and control services (IIA 2017). Internal auditing has been heralded as a game-changer in the evolution of contemporary government because of its ability to assess the worth of the entire control system (Bruwer, J. P., Smit, Y., Roux, S. L., & Siwangaza, L 503-519).

An increasing number of countries are enacting corporate governance changes that emphasize the need of an effective internal audit function in guaranteeing reliable financial reporting (Kotb, A., Elbardan, H., & Halabi, H 1969-1996)

In addition to boosting stakeholder confidence, cutting down on reporting errors, and preventing violations of financial reporting regulations, an effective internal audit department can do all these things. putting one's faith in the reliability of the company's financial reports and the effectiveness of its internal controls (Eulerich, A., & Eulerich, M 83-93). The internal audit function takes a firm stance on the importance of bolstering legal and accounting processes in order to increase the accuracy of particularly in regards to financial reporting and management oversight procedures (ALBAWWAT, I. E., AL-HAJAIA, M. E., & AL FRIJAT, Y. S 797-808)

Today's environment, which is through a digital shift and necessitating these services, necessitates the expertise of professionals in disciplines such as internal audits, accounting, and auditing.

To adapt to the ever-shifting needs of a market, businesses must through a process of digital transformation, which involves the use of digital technologies to build or enhance business processes, organizational cultures, and the customer experience. The term "digital transformation" is used to describe this type of organizational realignment in the digital era (Peter, M. K., Kraft, C., & Lindeque, J 160-180).

The ultimate aim of digital transformation is to make an organization into a digital corporation that leverages technology to improve all facets of its business model, including customer interaction and service (Bazuhair, N. A. S. 2023). In spite of the fact that each effort to implement digital transformation has its own unique objectives, optimizing current processes is always a priority. Companies need digital transformation to expand and remain competitive in the modern market (Vial, G. 118-144).

Strategically using technology and data to boost revenue, people, efficiency, and the capacity to respond rapidly to changing conditions is at the heart of digital transformation. To foresee, react to, and prioritizing the changes and opportunities brought about by the convergence of digital technologies and their fast impact on society requires a radical revamping of business and organizational activities, processes, skills, and designs. Spreading customized resources, online content, and group projects, organizations have grown extremely reliant on information technology. There has been a recent uptick in the number of these companies that have begun conducting their activities online. This is why Egypt is spending so much money and effort digitizing all government processes, including auditing services within the government.

To adapt to the ever-shifting needs of consumers and businesses, organizations are undergoing a "digital transformation," which involves the strategic adoption and implementation of digital technologies across all aspects of corporate strategy, culture, and customer experience. To be competitive, organizations must adjust how they employ resources like technology, staff, and procedures to meet the changing demands of their customers. Companies' tendency for and capacity to generate social and economic instability, as found in research (Peter, M. K., Kraft, C., & Lindeque, J. 2020). Companies now regard digital business strategies as a method to modernize their internal operations, reduce redundancies in

procedures, and better communicate with their customers and employees via the use of cutting-edge information and communication technologies.

For continued success in today's competitive business environment, companies must constantly adapt. The phrase "digital transformation" is used to refer to the deliberate and well-planned acceleration of a company's operations, methods, skills, and models in order to fully capitalize on the changes and possibilities presented by digital technology (PHORNLAPHATRACHAKORN, K., & NA KALASINDHU, K 2021).

The term "digitization" refers to a technical process in which communications technology is used to adapt to alterations caused by fast technological advancement (Bettim Nathanael and Gerrit Sarens 197-216). In computing, "digitization" describes the procedure process of transforming analog signals into digital representations and then binary code.

Government agencies and other public entities have been prompted by the advent of digitization to reevaluate laws, restrictions, and policies in a wide variety of areas, encompassing financial management and equality expansion of local and regional economies through incubator and accelerator programs, data privacy and safeguarding laws pertaining to IP and consumer rights, worker education and training, and educational opportunities for the workforce.

There will be much less opportunity for criminals and management to take advantage of situations if auditing and verification of prediction data can move closer to real-time, as suggested by research on the topic. By increasing the transparency of the yearly financial accounts, digital auditing is helping the board of directors make better decisions. In conclusion, as technology advances, the Audit Committee may be able to enhance internal systems and procedures to offer accounting information in line with auditors advise. An Enhancement to Corporate Governance, and the possibility of directors manipulating their pay would be mitigated.

Currently, auditing firms are embracing digitization, creating internal procedures, and exploring the possibilities of big data and cutting-edge digital technology to enhance their services to clients. By making the audit more applicable to investors and other stakeholders, digitization stands to boost audit quality. First, with the use of digital methods Similar to how big data analytics is used, an audit may include a thorough examination of all relevant information pertaining to the entity under scrutiny. not just a random sample. In actuality, the digitization of audit procedures may help detect any irregularities, which can lead to better risk assessment and more precise results.

By catering to the preferences of today's customers, businesses that undergo digital transformation have a better chance of remaining in operation. This aids businesses in securing a place in a competitive market that is always shifting as a result of technological development. The CFO-IHR (finance, internal audit, and human resources) has a great chance to automate crucial processes like payroll, freeing up management's time to concentrate on growing the business. (Hilali, W. E., Manouar, A. E., & Idrissi, M. A. J. 52-79).

Since the value of internal audit to a company's prosperity has been demonstrated (Roussy, M., Barbe, O., and Raimbault, S. 322-342), questions regarding the efficiency of internal audit departments have received considerable attention. The results of an internal audit may be compared to those of a company's rivals, allowing for the discovery of gaps and the implementation of best practices. (Mahyoro, A. K., & Kasoga, P. S.).

According to the IIA (Institute of Internal Auditors), the internal audit role is described as "method of providing objective assurance and advice designed to improve an existing organizational structure. It helps a firm succeed by instituting a methodical, disciplined strategy for assessing and bettering its risk management, security, and governance practices ".

She sheds light on deals and risks that might affect the company's reputation, bottom line, the environment, or her management style, among other things. When it comes to a company's bottom line and long-term viability, the internal auditor is in charge of addressing crucial concerns (ALBAWWAT, I. E., AL-HAJAIA, M. E., & AL FRIJAT, Y. S 2021).

Internal audit is an impartial managerial role that reviews the business's operations on a continual basis, critiquing and suggesting improvements to the company's entire organisation structure, including Considering the effectiveness of its strategic risk management and internal control systems (Nwaobia, A. N., Ogundajo, G. O., & Theogene, N 55-77)

According to the definition of "audit quality," this term describes the probability of an auditor would discover anomalies in the financial information and report them to the relevant parties (Manita, R., Elommal, N., Baudier, P., & Hikkerova, L). Superior auditing improves the reliability of financial reports, prompts tighter management oversight, and helps investors make wiser investments. Evidence from a variety of studies shows that There has been a recent uptick in the need for quality audits with the goal of lowering knowledge gaps and improving yield management. It has been shown, for instance, that yield management is correlated negatively with audit quality (Manita, R., Elommal, N., Baudier, P., & Hikkerova, L 2020).

Other studies show that improved audit quality and governance are necessary for firms to attract investors, especially those from other countries.

Multiple models have been proposed to improve audit quality, with a focus on the auditors themselves, the auditing procedure, and the results. Quality audit performance indicators have also been proposed. Some proposed quality indicators for measuring audit experts include technical proficiency, professional care, ineffective engagement evaluations, people with specialised skills and knowledge, audit staff in sector, expertise of audit staff, and explanation or application of legal requirements and guidelines. According to research (Petridis, G. Drogalas, and E. Zografidou 2019),

Good reporting provides useful insight into the financial health of a firm and how it performed over the budget cycle and at the conclusion of the reporting period (Shuraki, M. G., Pourheidari, O., & Azizkhani, M 42-60). Transparency is increased when financial data can be compared and evaluated on a global scale with greater precision. Additionally, it improves economic efficiency by assisting investors in identifying global opportunities and threats, increases accountability by bridging the information gap between the board and stakeholders, and decreases information asymmetry and uncertainty between businesses and external capital sources. In addition, it helps firms keep better tabs on their performance so they may take less unwarranted chances (Rahman, M. M., & Masum, M. H 563-570). Companies with a high level of accounting sophistication may cut costs in several areas, including revenue management, transparency in information, and decision making. Similarly, the quality of financial reporting refers to how well the numbers in the books match up with the reality of a business's operations, finances, and standing. Digital accounting has been shown to improve the quality of financial reporting. It also hinders companies' ability to make sound strategic decisions. To this end, it is proposed that financial reporting quality be utilised to convey connections between digital accounting and the efficacy of strategic decisions.

The study's author argues that, in today's digital era, paper records simply cannot be used to retain vital business data. Annual reports are an essential part of every business's ability to understand its financial health. By standardizing on a digital format, businesses may be more open with their data and make it easier for stakeholders both inside and outside the company to review and analyse financial statements. In light of this digital transformation, regulators are beginning to make adjustments.

The usage of electronic forms of reporting will improve data governance. Thanks to the widespread adoption of XBRL as the language for financial statements, there is no longer any need for laborious human examination of enormous swaths of company financial data. The process is usually time-consuming and prone to mistakes.

There is no way for a company to survive in today's economy without some sort of digital presence and capability.

Because of rivalry and the need to always improve, firms nowadays are forced to have both risen as a result of the rapid development of digital technology. Businesses have never been at greater danger for underestimating the importance of digital technology. Cloud computing, big data, analytics, and the Internet of Things are all examples of digital technologies that find widespread usage in business today.

Qhal, E. M. A. (2023) the adoption of digital transformation processes in operational audits improves the effectiveness and efficiency of internal operations. The quality of financial reporting is improved as a result of effective internal monitoring in light of digital transformation, which provides value to the business and provides recommendations, counsel, and assistance to strengthen governance systems on an ongoing basis. With the rise of digital tools, the internal auditing department is placing a greater focus on validation. Compliance with governing rules and regulations improves the quality of financial reporting. In the context of digital transformation, the internal audit function is crucial in aiding departments in performing their governance-related obligations, further improving the quality of financial statements. Predictability of economic events is improved by the application of digital transformation approaches by those who rely on financial reporting. Employing digital technology and utilizing digital transformation processes in internal auditing leads to accurate financial reporting and the right presentation of the information in financial statements.

Independent auditors' participation in the scandals and the collapses, as well as opportunistic behavior, have been blamed for this. East Asia, Latin America, and Russia have all been struck by a series of crises and catastrophes, and several significant corporations have gone bankrupt as a result, including energy provider Enron and communications firm World Com. Management of a company is covered by internal auditing, which is a key component of internal control. Internal auditors were able to gain traction due to gaps in accounting processes and controls over financial activity.

A reliable and efficient method of providing the administration with the data it requires, especially with regards to the efficiency and dependability of the company's internal control system.

The study demonstrates that problems in the quality of financial reporting exist due to the emergence of fraud cases in multiple institutions, which reduced public trust in financial reporting generally and damaged investors' financing in the securities market.

The role of internal audit in limiting revenue management was also examined to see how extensive the associated problems are. Since its role in financial regulation has grown, and since its vital support of internal control efforts was a major contributor to the financial collapse of multinational firms, this is seen as an important problem.

Given the above discussion, the main issue is as follows:

There are flaws in the financial reporting quality that may have misled investors and other audience for financial data when making choices due to inadequacies in internal audit, a lack of information technology, and a delay in issuing financial reports. The study problem might be characterized by the following queries:

- Does the quality of internal auditing change as a result of the processes of digital-transformation?
- Does the financial reporting quality change as a result of digital transformation processes?
- In light of the digital revolution, is there a correlation between the caliber of internal-auditing and the caliber of financial-reporting?

The following theories will be evaluated in order to meet the study's objectives:

- The first claim is that there is no statistically significant correlation between the effectiveness of internal audits and the processes of digital transformation.
- The second realization is that the quality of financial reporting is not correlated with digital transformation strategies.
- Given the advent of digitalization, there is no longer a statistically meaningful correlation between the frequency of internal audits and the accuracy of financial statements.

The study's principal goal is to learn how the rise of digitalization modifies the internal-auditing quality and the norms for financial-reporting.

LITERATURE REVIEW

Information Technology Audit's Role in an Era of Digital Revolution has been the subject of research (Aditya, B. R., Hartanto, R., & Nugroho, L. E. 2018). This research focused on the interplay between internal audit, financial reporting quality, and digital transformation. Findings indicated that IT audit is affected by the digital revolution. The study has the potential to advance the discipline of contemporary IT auditing by laying the groundwork for the importance of IT auditing in the present era of information technology. In order to determine

the extent to which government accountability, openness, and efficiency may be improved by implementing internal audit operations for digital transformation initiatives, Mohamed Mousa used data acquired in Egypt in 2020 to do study on the topic.

The research states that internal-auditing plays an important advisory role in raising the volubility of digital within the organization by pointing out particular risks and giving strategic advice and services, and by encouraging the usage of digital technology. The government's digital transformation (DT) strategy, technological progress, and the varied applications of digital technologies should all be reviewed as part of a comprehensive internal audit plan. Finally, the study found that there are robust links between the various parts of the activation process and the breadth and depth of internal-audit-activities and exams that can be conducted to test the efficiency and effectiveness of the DT's tactics in action. Misalignment exists between the internal audit function's tasks and the needs of current professional standards and articles, as well as the nature of the problems and hazards connected with implementing DT techniques in the Egyptian context.

(Agarwal, 2020) explained that any business should have begun its digital transformation yesterday, not today and especially not tomorrow. Understanding how to utilize the potential of digital capabilities is a strategic necessity that no leader can afford to ignore in today's hypercompetitive market, when innovators and rivals emerge from the most unexpected places. It is evident from the downfall of prominent firms such as Kodak and Blockbuster that technical innovation may swiftly destroy competitive advantage.

(Yousef Shahwan et al. 2021) The purpose of this study was to assess how flexible business- reporting-language affected the quality of internal audits. One hundred and fifteen high-ranking business leaders and internal auditors were surveyed. To examine whether or not the hypotheses were correct, several regression analyses were run in SPSS. The study concluded that external component pressure, system user, and cost-benefit overload all positively impacted internal audit performance, but staff training and successful model execution had little influence on internal audit deployment.

One study by Nathanael Betti and colleagues in 2021 examines the role of internal audit in the context of a company's digitally created environment. The study uncovered three ways in which internal auditing is being impacted by the rise of digitalization in the business world. The primary effect is a reduction in its usefulness. While cybersecurity concerns and other IT-related threats are predicted to grow, the rate at which internal audits are prepared and the breadth of their understanding are projected to improve. Third, the arrival of digitization has

changed the method in which internal auditors go about their everyday activity, and fourth, the need for internal auditors' advisory services has expanded.

(Tangut, B 51-62) investigated government's use of big data and cloud computing. The findings showcase the myriad services the government provides by leveraging big data and cloud computing. As the infrastructure for big data and cloud computing matures, the government is likely to make increased use of these tools. The government is anticipated to boost its usage of big data and cloud computing due to the multiple benefits they give in terms of cost, efficiency, and speed. According to the findings, the government might benefit from using big data and cloud computing more extensively.

(ALBAWWAT, I. E., AL-HAJAIA, M. E., & AL FRIJAT, Y. S 797-808) Used the information gathered in Jordan, analyze how individual differences in internal auditors affect the quality of audits, the efficiency with which they are conducted, and the accuracy with which financial statements are reported. Additionally, the findings demonstrate that internal auditing, which has an impact on the quality of financial reporting, is impacted by individual differences in personality. Results suggest that internal auditors with desirable traits including emotional stability, openness to new experiences, and conscientiousness may be among the most crucial elements in ensuring the success of the internal auditing process. According to the results, internal auditors' personality might be considered a valuable intangible resource.

The researcher concluded the following after reading all the published works:

- They are relevant to the study issue and cover subjects like internal audit, digital transformation, and the quality of financial reporting in different nations. This research was groundbreaking since it examined the impact of digitalization on internal audits and their bearing on the reliability of financial reporting.
- Research on the effects of disruptive technology on the quality of internal audits and, by extension, the quality of accounting reporting is scant in developing nations.
- Based on previous research, the author concludes that inadequate internal audit, a lack of digital transformation, and a delay in publishing financial reports lead to financial statement inaccuracies that mislead investors and other consumers of financial data.

MATERIALS AND METHODOLOGY

Analytic research for virtual transformation, internal auditing maturity, and financial reporting maturity may be aided by reading materials that interact with analytical indicators and provide appropriate knowledge and proof.

We distributed a questionnaire as part of a scientific study to glean such anecdotes. Only 79% of the initial 112 queries were satisfied with appropriate responses.

- Data was gathered primarily through the administration of a questionnaire and the analysis of the resulting replies. Participants included those in charge of internal auditing, external auditing, consulting, teaching, and financial management.
- Identify the population size and choose a sampling
- Due to the high number of potential participants (internal-auditors, external-auditors, accountants, professors, and financial-planners), it was decided to limit the sample size to 100 people and use the following equations to determine how many people would be needed to reliably project results and determine an acceptable margin of error:

$$n = (z^2 * (p(1-p))) / (e^2) = ((1.96)^2 * (0.5)(0.5)) / (0.01) = 100$$

- N: Relates to The Size of the Sample
- E: stands for the permitted amount of error, Z for a degree of certainty equal to or greater than 95%, etc.
- P: Indicates Availability 50% of the population is the underlying assumption.
- According to the researcher's formula,

The sample size of 100 respondents allowed for accurate estimations that are comparable with community rates at a 95% level of confidence, with a 10% margin of error.

- Examining Sample Characteristics

Researcher knows what kind of people make up the sample by looking at their job titles, years of experience in the workforce, and education and training. This may aid in better categorizing the based on representative responses in the realm of statistics. Additional proof may be found in the following tables and graphs:

Table 1 developed by the author using SPSS results (2022).

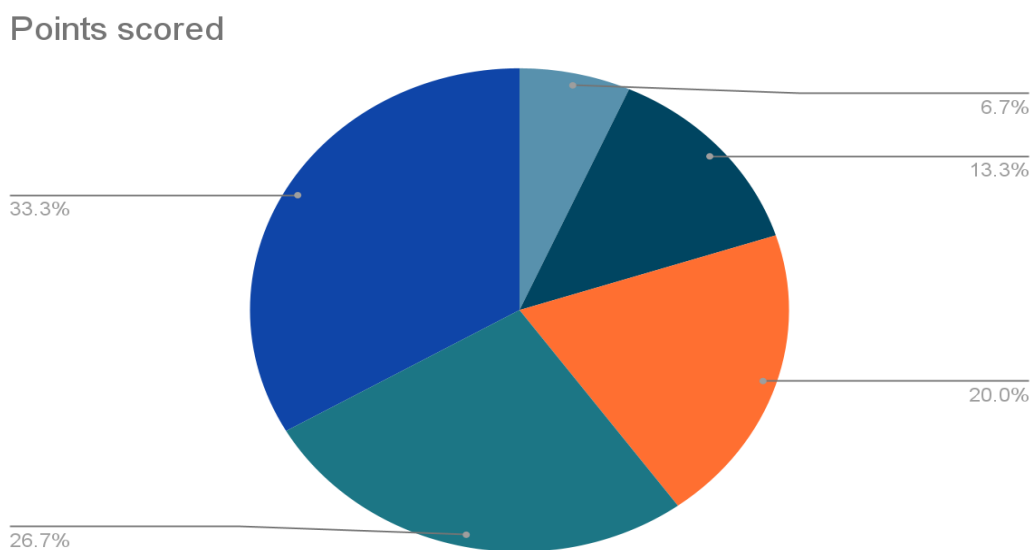
Statement	Validation Rate of Questionnaires Distributed	Calculating the proportion of complete and accurate questionnaires
[Internal-auditors]	13	16.5%
[External-auditors]	7	8.9%
[Accountants]	14	17.7%
[Professors]	37	46.8%
[F- Managers]	3	10.1%
Summation	79	100%

(This table explains the validation rate and the calculation of the questionnaire according to the titles of the responders).

RESULTS AND DISCUSSION

The theoretical foundations of the investigation were explored in the preceding sections, with references to the relevant literature. This section discusses the empirical study, detailing its methodology, demographics, and sample, as well as its data collection and analysis procedures and validity and reliability instrument. In this section, we describe the researcher's process from drafting the study protocol to carrying it out to analyzing the data and presenting the results.

Figure 1 prepared by the author 2022



Representing the scoring points of the responses in the realm of statistics

The following graph depicts the research sample, which consisted of 112 individuals who filled out the questionnaires supplied to them. Unfortunately, we were only able to get 79 of the original surveys (or around 70% of the total questions). Research was completed by manipulating, analyzing, and entering data from the research sample into a statistical software. The acceptable rate for excellent Ranks the for descriptive statistics of all the different study sessions, whereby the study theories can be tested, is also depicted above.

Stability

Cronbach's alpha was used to determine the validity and dependability of the research methods (Reliability Analysis).

The researcher who cares about the reliability of the respondents' perceptions of the uniformity of the responses might utilize Cronbach's alpha as one of the basic Statistics approaches for doing so:

Table 2 Source: developed by the author using SPSS results (2022), the dimensions of the inquires with the total quantity and its coefficient reliability

Dimensions	Total Quantity of Inquiries	The reliability coefficient (Cronbach's Alpha)
The first component involves claims regarding how digital transformation has affected the caliber of internal audits.	12	.922
As for the second, it consists of claims concerning how the digital revolution has altered the credibility of financial reports.	12	.934
The third section contains some words on how the ongoing digital revolution affects the dependability of fiscal reporting and how the level of internal auditing affects that.	11	.947
The overall	35	.969

As a consequence, the study finds that the majority of responses to the lab-use hypothesis have an average validity of around (.969), with an increase up to approximately (.947) in some hypotheses.

After discussing the [analytical and practical] aspects of the study, the researcher arrived at the following significant findings that have important consequences for both theoretical and practical domains:

- 1- Internal audits need to be built on digital transformation since manual methods can't keep up with the ever-increasing company environment.
- 2- Operational audits that make use of digital technology provide value to an organization by yielding insights that can be used in decision making.
- 3-The internal auditor can perform a comprehensive evaluation with the help of digital transformation mechanisms, produce periodic reports that highlight the most significant findings, present these to the Board of Directors for discussion, and recommend suitable the right steps to take to increase the reliability of financial-reporting.
- 4 - The value-added ideas, recommendations, and direction for improving governance systems on a continuous basis that are provided by efficient internal audits in light of Alteration of the Digital World help firms enhance the financial reporting quality.
- 5- Better quality internal-auditing is on the rise as digital-transformation processes are put into place.
- 6- The ways in which digital innovation is improving the credibility of financial reports.

CONCLUSION

Both the theoretical study and the empirical study agree that financial statement and internal audit quality may be improved through digital transformation channels. One study found that "having an efficient internal audit position increases organizational efficiency and effectiveness and ensures the credibility of reports" (Loum, H., & Biçer, A. A., 62-74). Like the study's authors, I agree with their findings:

1. To insure and protect users, new rules and regulations are required to oversee digital transformation.
2. Internal audit has been significantly impacted by digital transformation.
3. The cost is being decreased through the digital transformation.

The study's conclusions, that internal quality is linked to factors including corporate size, internal auditors' salaries, and the level of those auditors' technical skills, should be accepted by the profession as well. As a final step, the industry as a whole should influence the strategic techniques and approaches to work that it employs in order to adapt to the new technological advancements.

Digital accounting has been demonstrated to have a major impact on financial reporting precision, accounting's worth, and the efficacy of strategic decision-making (PHORNLAPHATRACHAKORN, K., & NA KALASINDHU, K 2021). Not only does the

accuracy of financial reporting greatly affect the success of strategic choices, but accounting information's relevance is also crucial to achieving these outcomes. The use of a null hypothesis as a counterexample is permitted for any research hypotheses.

The author suggests the following in light of the findings of the study:

- 1- Remote audit is a digital transformation tool used to save money and time while also providing more information to users of financial statements.
2. Having academics go further into the topic of financial reporting quality by comparing and contrasting different ways of measuring it and looking for new indices to use as yardsticks.
- 3- More scholarly investigation into the mechanics of digital transformation and its impact on users' judgements while reviewing financial information is needed.
- 4- Using remote internal audits to make adjustments to digital transformation methods when new pandemic threats emerge.

The researcher offers the following next research based on the findings and suggestions of this study:

- 1- Corporate governance implications of digital disruption to external auditing.
- 2- Implications for Remote Auditing of the Digital Revolution and the Spread of Epidemics.
- 3- Perspectives on digital transformation from internal and external auditing
- 4- Internal auditing as a tool for improving financial reporting in the era of big data.
- 5- Establishing norms for internal auditing with the aim of enhancing the accuracy of financial reporting.

REFERENCES

1. Aditya, B. R., Hartanto, R., & Nugroho, L. E. (2018, August). The role of IT audit in the era of digital transformation. In *IOP Conference Series: Materials Science and Engineering* (Vol. 407, No. 1, p. 012164). IOP Publishing.
2. Agarwal, R. (2020). Digital Transformation: A Path to Economic and Societal Value. <https://www.redalyc.org/journal/6381/638167728001/>
3. Albawwat, I. E., AL-HAJAIA, M. E., & AL FRIJAT, Y. S. (2021). The Relationship Between Internal Auditors' Personality Traits, Internal Audit Effectiveness, and Financial Reporting Quality: Empirical Evidence from Jordan. *The Journal of Asian Finance, Economics and Business*, 8(4), 797-808.

4. Basuony, M. A., Mohamed, E. K., & Samaha, K. (2018). Board structure and corporate disclosure via social media: An empirical study in the UK. *Online Information Review*, 42(5), 595-614.
5. Bazuhair, N. A. S. (2023). Awareness of business administration students of the role of digital marketing in the growth of e-commerce. *International Journal of Professional Business Review*, 8(2), e01123. <https://doi.org/10.26668/businessreview/2023.v8i2.1123>
6. Betti, N., & Sarens, G. (2020). Understanding the internal audit function in a digitalised business environment. *Journal of Accounting & Organizational Change*, 17(2), 197-216.
7. Bruwer, J. P., Smit, Y., Roux, S. L., & Siwangaza, L. (2020). Conceptualising the modern proactive internal auditor amidst the 4th industrial revolution: A literature review. *International Journal of Critical Accounting*, 11(6), 503-519.
8. El Hilali, W., El Manouar, A., & Idrissi, M. A. J. (2020). Reaching sustainability during a digital transformation: a PLS approach. *International Journal of Innovation Science*, 12(1), 52-79.
9. Eulerich, A. K., & Eulerich, M. (2020). What is the value of internal auditing? –A literature review on qualitative and quantitative perspectives. *A Literature Review on Qualitative and Quantitative Perspectives (April 22, 2020)*. *Maandblad Voor Accountancy en Bedrijfseconomie*, 94, 83-92.
10. Hazaea, S. A., Tabash, M. I., Khatib, S. F., Zhu, J., & Al-Kuhali, A. A. (2020). The impact of internal audit quality on financial performance of Yemeni commercial banks: an empirical investigation. *The Journal of Asian Finance, Economics and Business*, 7(11), 867-875.
11. IIA. (2017). International professional practices framework (IPPF).
12. Khattab, c. S., Gamal Saad, Muhammad, Munther Muhammad Ali, Abdullah, & Amr Salah Muhammad. (2022). The Impact of Digital Transformation on the Internal Audit Quality and its Reflection on Enhancing the Quality of Financial Reporting. *Scientific Journal of Financial and Administrative Studies and Research*. 437-397, (2)13.
13. Kotb, A., Elbardan, H., & Halabi, H. (2020). Mapping of internal audit research: a post-Enron structured literature review. *Accounting, Auditing & Accountability Journal*, 33(8), 1969-1996.
14. Mahyoro, A. K., & Kasoga, P. S. (2021). Attributes of the internal audit function and effectiveness of internal audit services: Evidence from local government authorities in Tanzania. *Managerial Auditing Journal*, 36(7), 999-1023.
15. Manita, R., Elommal, N., Baudier, P., & Hikkerova, L. (2020). The digital transformation of external audit and its impact on corporate governance. *Technological Forecasting and Social Change*, 150, 119751.
16. Nambisan, S., Wright, M., & Feldman, M. (2019). The digital transformation of innovation and entrepreneurship: Progress, challenges and key themes. *Research Policy*, 48(8), 103773.

17. Nwaobia, A. N., Ogundajo, G. O., & Theogene, N. (2016). Internal audit practices and public financial Management in Rwanda and Nigeria: bridging the Transparency gap in public sector financial Reporting. *International Journal of Advanced Academic Research Social & Management Sciences*, 2(10), 55-77.
18. Peter, M. K., Kraft, C., & Lindeque, J. (2020). Strategic action fields of digital transformation: An exploration of the strategic action fields of Swiss SMEs and large enterprises. *Journal of Strategy and Management*, 13(1), 160-180.
19. Petridis, K., Drogalas, G., & Zografidou, E. (2021). Internal auditor selection using a TOPSIS/non-linear programming model. *Annals of Operations Research*, 296, 513-539.
20. PHORNLAPHATRACHAKORN, K., & KALASINDHU, K. N. (2021). Digital accounting, financial reporting quality and digital transformation: Evidence from Thai listed firms. *The Journal of Asian Finance, Economics and Business (JAFEB)*, 8, 409-419.
21. Qhal, E. M. A. (2023). The Role of Smart Systems in Enhancing the Performance of Knowledge Management in Libraries Based on the Adoption of Using Expert System and Robots. *International Journal of Professional Business Review*, 8(2), e01353. <https://doi.org/10.26668/businessreview/2023.v8i2.1353>
22. RAHMAN, M. M., & MASUM, M. H. (2021). Extent of corporate social responsibility disclosure: evidence from Bangladesh. *The Journal of Asian Finance, Economics and Business*, 8(4), 563-570.
23. Ritter, T., & Pedersen, C. L. (2020). Digitization capability and the digitalization of business models in business-to-business firms: Past, present, and future. *Industrial Marketing Management*, 86, 180-190.
24. Roussy, M., Barbe, O., & Raimbault, S. (2020). Internal audit: from effectiveness to organizational significance. *Managerial Auditing Journal*.
25. Shahwan, Y., & Jodeh, I. (2021). The effect of extensible business reporting language on the performance of the internal audi. *Accounting*, 7(5), 1167-1172.
26. Shuraki, M. G., Pourheidari, O., & Azizkhani, M. (2020). Accounting comparability, financial reporting quality and audit opinions: evidence from Iran. *Asian Review of Accounting*, 29(1), 42-60.
27. Tangut, B. (2021). Cloud Technology Management in Public and Big Data Mining. *Journal of Industrial Policy and Technology Management*, 4(1), 51-62.
28. Vadasi, C., Bekiaris, M., & Andrikopoulos, A. (2019). Corporate governance and internal audit: an institutional theory perspective. *Corporate Governance: The International Journal of Business in Society*, 20(1), 175-190.
29. Vial, G. (2021). Understanding digital transformation: A review and a research agenda. *Managing Digital Transformation*, 13-66.