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**Evaluation of Auditors' roles in Fraud Detection and
Investigation**

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Evaluation of Auditors' roles in Fraud Detection and Investigation

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Summary

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Abstract

Globally observed economic embarrassments in the world during recent two decades expanded a significance of fraud control and respectively studies related to this issue. The damages caused by dishonest activities within the enterprises and business setting grow day by day.

In the report printed by ACFE in 2016, the whole loss of enterprises was calculated as \$ 6.3 billion, whereas it absolutely was found to be \$ 2.7 million for each case.

Considering that this number shows merely accorded and detectable frauds, the result is even scarier. Since in most of the cases frauds committed within the enterprises cannot be detected, it is troublesome to measure the exact amount of damage caused by such crimes. Thus, it is impractical to get reliable source or data.

For enterprises, fraud may be a terribly tough subject each in terms of its determination and its interference. In different cases, even once the fraud is detected, no action is taken legally and a decision is internally made. For all of the explanations as mentioned earlier, there is a requirement to ascertain fraud detection mechanism effectively operating within the enterprises.

For some, this mechanism should embody internal auditing activities. And internal auditors should be duty-bound to perform it. As a result, fraud auditing has been gaining prominence beneath the ever-increasing competitive surroundings.

In this study, types of frauds, factors that push a cheating act and auditors' responsibilities due to that were analyzed and steps to follow for prevention of tricks were examined. In addition to that, detailed information about opinions of Kapital Bank's employees on frauds observed in this entity was obtained with a survey. Research was established to address erroneous belief of people about whether auditors are really important factor in fraud investigation.

CHAPTER 1. Brief Outline

Introduction

The modern audit is a good financial control however it additionally plays a special role in strengthening the steadiness of entrepreneurship, by improving corporate governance, business development plans and exploring local, regional and global markets. An audit system effects to the management of business entities positively regulates its activities and evaluates the current status and prospects by expressing an opinion in this regard.

It is vital that there is a special oversight service - internal audit that encompasses a high level of expertness within the business environment, with in-depth information of existing legislation that has a profound understanding of structure within the enterprise. The international expertise shows that the interior audit system is widely used in developed countries rather than developing countries.

Domestic audit is an imperative and important part of management of enterprises in conditions of market relations. The demand for internal audit arises from the actual fact that owners of the companies and high management of the businesses cannot cope with the daily control of the activities of the corporation. Internal audit provides data regarding this activity and validates managers' reports. The inner audit is primarily intended to provide versatile information regarding risk management and business's financial position.

Audit as a special kind of financial control serves to confirm compliance with correct, cost-effective and efficient use of monetary resources and protection of property by establishing a basis for the tremendous implementation of the governmental policy which ends up in financial stability; serving to broadcast the foremost numerous violations, to notice illicitly spent funds.

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Entrepreneurs and stakeholders of the organization have an interest in guaranteeing that they are profitable reciprocally of the expansion of their capital and, in turn, unceasingly increasing dividends. In modern conditions, there's a requirement to the daily control over the proper arrangement of material and financial resources, the provision of taxes and alternative payments to the state, the reimbursement of debt to the seller organizations.

In general, the interior audit identifies the meant purpose, rationality, completeness and timeliness of use of the entity's resources to notice legitimacy and judge effectiveness in financial and economic operations, to outline the accuracy of funds settlements and to act as a formidable tool for evolving the performance of management. Taking into consideration the requirement for internal audit, the establishment of its divisions in varied enterprises and organizations of our country has begun.

The dearth of clear understanding of the essence of the interior auditor profession and its perception as inspection of monetary activity, do not allow us to build international standards on internal audit.

In our society wherever the business culture has been overridden in recent times with fraudulent practices penetrated by management and workers, the lack of clear understanding of the duties of an auditor regarding fraud detection has usually led to inexcusable criticisms of his role. Auditors are better-known to be competent, honest and independent professionals who express an unbiased opinion on the truth and fairness of the financial statement as presented by management to members of the company. This profession has over the years gained a reputation, which inspires others to rely on the opinions that auditors express. If these opinions are unclear or may be unreliable, serious consequences could have resulted.

By considering all these facts, there was a necessity to further analysis on that issue.

Background to the study

Auditing as it is thought nowadays is an independent examination and investigation to report whether or not a financial statement gives a true and fair view in auditors' opinion consistent with obtained data and clarification (Olashore, 1983). Thus, an auditor is an independent body to verify the acclaimed financial report submitted by the management team.

In furtherance of this, the principal responsibility of an auditor can be to hold out examination and investigation into the business and records to give an opinion concerning specific information, that the users of it will make assured selections knowing that the risk of the data being 'incorrect' is reduced.

The internal auditors are the workers of an organization who are appointed by the management to hold out an audit of the day-to-day affairs of the corporate as a part of the inner control system (Alabede, 2012).

It is imperative to state that the importance of auditing in organizations because fraud is probably harmful and results in loss of assets. Auditing has become a serious tool of recent in corporate organizations to cut back frauds, check and correct errors, and make sure the health of the organizations' financial statement. Jaffar (2008) sees auditing as getting reasonable assurance by guaranteeing material statement arising from fraud and error are detected. In his opinion, frauds are accounting records or documents that are purposely manipulated, falsified to change financial statements. Thus, it's so vital that auditors take serious honesty in their responsibility to think about fraud or error throughout the auditing process.

This study so attempts to take a further in-depth look at the importance and role of internal auditors by ensuring implementation of companies' objectives.

Literature Review

When we see misrepresentation related examinations, EY, KPMG, and Deloitte give solid reports and these reports carry new data into the field of review. Other than that various investigations have been done identified with misrepresentation control on the planet, and further research is in progress in our nation. There are a few investigations of workers and understudies on cheats' observations.

Fraud

Extortion, according to Adeniji (2004:354) and ICAN (2006:206), is a purposeful demonstration by at least one people among the executives, workers or outsiders, which results in a deception of fiscal reports. Extortion can likewise be viewed as the purposeful covering of reality for control of an association which incorporates any endeavor to take or unlawfully to acquire the advantage of an element (Adeduro, 1998 and, Bostley and Drover 1972). Misrepresentation has expanded significantly over the ongoing years and experts trust this pattern is probably going to proceed. As indicated by Brink and Witt (1982), extortion is an ever-present risk to the successful use of assets and it will dependably be a significant worry of the board. ISA 240 'The Auditor's Responsibilities to Consider Fraud in an Audit of Financial Statement' alludes to misrepresentation as "a purposeful demonstration by at least one people among the board, those accused of administration, workers or outsiders, including the utilization of trickery to get an out of line or illicit preferred standpoint". Aderibigbe and Dada (2007) characterize extortion as intentional misleading arranged and executed with the plan to deny someone else's rights legitimately or by implication. Weirich and Reinstein (2000 referred to in Allyne and Howard 2005), characterize extortion as "deliberate duplicity, deceiving, and taking". Some regular kinds of extortion incorporate making invented leasers, adulterating money deals, undeclared stock, influencing unapproved "to discounts", and guaranteeing exorbitant or never-caused costs. Pollick (2006) views extortion as a "conscious deception, which makes one endure harms, typically fiscal misfortunes". Albrecht et al (1995 referred to in Allyne and Howard, 2005:287) grouped extortion into representative

misappropriation, the executives misrepresentation, venture tricks, seller, client, and incidental fakes. Extortion likewise includes entangled money related exchanges led by cushy hoodlums, business experts with specific learning and criminal aim (Pollick 2006).

Auditors' responsibilities in fraud detection

The job of examiners has not been all around characterized from commencement (Alleyne and Howard 2005). Doorman (1997) surveys the authentic advancement of the examiners' obligation to identify and report misrepresentation throughout the hundreds of years. Her examination demonstrates that there is an assessment of evaluating practices and move in reviewing worldview through a few phases. Watchman ponder uncovers that the essential goal of a review in the pre-1920's stage was to reveal extortion. Be that as it may, by the 1930s, the essential goal of a review had changed to confirmation of records. This is doubtlessly because of the expansion in size and volume of organizations' exchanges which thusly made it improbable that evaluators could inspect all exchanges. Amid this period, the inspecting calling started to guarantee that the duties of misrepresentation recognition rested with the administration. In addition, the board ought to likewise have executed proper inward control frameworks to avert misrepresentation in their organizations. During the 1960s, the media and open were commonly despondent that evaluators were declining to acknowledge the obligations of misrepresentation location. The value of a review was often raised doubt about as they by and large neglected to reveal extortion. In any case, in spite of the analysis, inspectors kept on limiting their job in distinguishing misrepresentation by focusing on that such obligation rested with the administration. Because of the headway of innovation during the 1980s, the volume of misrepresentation occurrences have presented extreme issues for organizations. Doorman (1997) affirms that, despite the fact that the case law has established that in certain conditions examiners need to distinguish misrepresentation, the courts have endeavored to keep up the reviewers' obligations inside sensible cutoff points. Conversely, Boynton et al (2005) contend that since the fall of Enron, reviewing gauges have been redone to re-underline the examiners' obligations to distinguish misrepresentation. Their declaration

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depends on ISA 315 'Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement' and ISA 240 'The Auditor's Responsibilities to Consider Fraud in an Audit of Financial Statement (Revised)'. ISA 315 expects reviewers to assess the adequacy of a substance's hazard the board structure in avoiding errors, regardless of whether through misrepresentation or something else, throughout a review. Boynton et al (2005) stressed that this prerequisite was not beforehand important. They further clarify that such an assessment was possibly required beforehand when they put dependence on that system and to lessen the degree of the review examination. Likewise, all staff individuals connected on a review is currently required to discuss their discoveries with one another, to counteract circumstances where staff individuals, working autonomously on their segments of the review, have neglected to welcome the criticalness of clearly minor abnormalities that, whenever consolidated, take on a progressively evil significance. Moreover, Boynton et al (2005) and Oremade (1988) guarantee that evaluators are required to be progressively proactive in looking for extortion throughout a review under ISA 240 (Revised). Their obligations currently incorporate considering motivating forces and an open door displayed to potential fraudsters, just as legitimizations that the false demonstration is advocated. Examiners are likewise expected to ask all the more intently into explanations for such issues as, blunders in bookkeeping gauges, abnormal exchanges that seem to need business reason, and a hesitance to address irrelevant mistakes found by the review.

Empirical studies on fraud detection

Broad investigations have been directed in numerous nations into the view of money related report clients of reviewers' duties in misrepresentation counteractive action and location. Monroe and Woodliff (1994) in Australia; Epstein and Geiger (1994) in the US; Humphrey et al (1993) in the UK; and Low (1980) in Singapore etc might be an examples. These examinations found that numerous monetary report clients trust that the discovery of inconsistencies is an essential review objective and that the inspectors have obligation regarding identifying all anomalies. This is a misinterpretation and demonstrates the

presence of a review desire hole among inspectors and monetary report clients concerning the real obligations of evaluators. In spite of the broad universal research on extortion, not many examinations have been led on the issue of misrepresentation in Azerbaijan. The broad worldwide discoveries may not be relevant in Azerbaijan as research strategies and results are impacted by and more often than not reflect financial, social or lawful variables interesting to those nations in which the investigations occurred. It is trusted that the discoveries of this investigation will give understanding into the budgetary report clients' observations on the degree of extortion in Azerbaijan and their impression of reviewers' obligations regarding and methods in distinguishing misrepresentation.

Statement of the problem

It is informational to realize that numerous organizations' staff and board individuals have various explanations behind joining different associations. Many have the expectation of working for a brief period in the business (get whatever they could and secure another position that is not so much requesting but rather more worthwhile), some are in the business as a result of their motivation and what the organization rely on, while others are there to advance themselves by fake methods. Likewise organizations are constantly inclined to blunders that might be sad and lead to enormous monetary misfortune which hence conveys to fore the significance or significance of evaluators (AICPA, 1997).

Inner reviewers are relied upon to do their undertaking without support and guarantee that the budget summary displayed to them mirrors the genuine and reasonable data. A few cases, for example, breakdown of the vitality company ENRON in 2001, bookkeeping embarrassments worth 8 billion Euros of Parmalat in Italy, money related revealing disappointments of Afriland First Bank Nigeria and so on have scrutinized the possibility of inside evaluating in accomplishing the executives goals particularly in the zone of long haul survival of the business and benefit boost.

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This examination is hence gone for exploring in which degree inward inspecting has been utilized to checkmate extortion and what job inside reviewers have played and their difficulties too.

Objectives of Research Study

The goals of the examination include:

- To decide the job of the reviewers in Fraud Detection.
- To address the incorrect conviction that the reviewer's job is to identify misrepresentation rather than the review of the fiscal reports.
- To add to the current information in the topic.

Significance of the study

The investigation has the accompanying hugeness:

- First of all, this investigation is gone for illuminating the general public on the capacity and exercises of interior reviewers just as their one of a kind contrast from outer inspectors.
- It will edify corporate association on the significance of evaluating and inner examiners in lessening the instances of misrepresentation, blunders and controls.
- It will edify corporate association on the systems expected to improve the environment for inside inspectors to do their capacity appropriately dependent on the discoveries.
- Finally, discoveries made in the investigation will illuminate the different government experts on approaches to give more power and duty to reviewers to guarantee reasonable money related reports to the different divisions are introduced to lessen cost of administration.

Limitations of the study

The investigation was in any case, looked with certain imperatives which fills in as constraints and the incorporate;

a. *Cost*: Cost related with social event materials expected to improve the work fills in as imperatives to the investigation.

b. *Time Factor*: Limited time was accessible to effectively complete the exploration examine which is done in one of the money related foundations of Azerbaijan. The investigation turned out inside a semester or a time period typically not exactly a year.

c. *Anonymity of the Issue*: Most of the cases that are connected with the misrepresentation are mysterious and not shared openly. It makes things hard for an understudy to get to every single vital datum without abnormal state assent.

Definition of Main Terms

Fraud is a double dealing fraud or break of certainty utilized (by one individual) to increase unreasonable and unscrupulous preferred standpoint (over another).

Auditor is somebody in charge of assessing the legitimacy and dependability of an organization or association's budget reports.

Professional Skepticism is a disposition that incorporates a scrutinizing mind, being aware of conditions which may demonstrate conceivable misquote because of blunder or extortion, and a basic appraisal of review proof.

Whistle blowing is passing up representatives of suspected unfortunate behavior, illicit acts or inability to act.

Staff referral is an organized program that organizations and associations use to discover gifted individuals by requesting that their current representatives suggest applicants from their current systems.

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External referrals is tied in with alluding a companion, associate or neighbor for the organization and getting a one-time referral installment. It isn't obliged to be a laborer of association.

Data Mining is consequently scan the information for oddities and potential connections, in this manner recognizing issues that have not yet been distinguished.

Objectives of the study

The fundamental target of this investigation is to look at the job of review appraisal in extortion recognition and control. Different destinations of this examination are to:

- ✓ Assess the pertinence of interior examiners in execution of associations.
- ✓ Determine the degree interior inspecting can be utilized to improve nature of firms.
- ✓ Find out if interior inspecting can be altogether utilized in controlling framework.
- ✓ Highlight some related issues confronting an inside evaluating.
- ✓ Make proposals dependent on discoveries from the investigation.

CHAPTER 2. Theoretical analysis of the problem

Who is an auditor?

An evaluator is in charge of making a decision about the legitimacy and unwavering quality of an association's budget summaries. They are experts who aggregate and assess bits of proof to provide details regarding the level of an organization's declarations that they conform to a set up set of methodology or guidelines (criteria). There are 2 fundamental sorts of inspectors:

Inner Auditors are organization's in-house specialists to keep up inside control and review the organization's exercises. Interior appraisals incorporate the surveys of review exercises completed by the element's representatives. They are increasingly in charge of extortion identification and examination instead of autonomous evaluators. Taking into account that, inward review will be talked about additional in this exploration paper.

Inward inspectors bolster the board's endeavors to build up a culture that grasps morals, genuineness, and uprightness (ISA 240 para P6). They help the board with the assessment of a control framework used to recognize or moderate extortion. Other than that, they are assuming an exceptional job in estimating the association's extortion chance, and are engaged with any examinations. Despite the fact that it is the board's obligation to plan interior controls to distinguish, anticipate, and alleviate extortion, the inner reviewers are utilized for surveying the adequacy of what the board has executed. The target of inside examining is to help how the administration of the association is successful accountable for its obligations.

For what reason should an organization have an inward review?

Expanding enthusiasm for inner review is identified with a few components. Above all else, it is a standout amongst the most basic assets that can be utilized to expand the productivity of the business element. Furthermore, the presence of incredible corporate administration expands the speculation engaging quality of its association. Thirdly, the interior review empowers proprietors of the business element to have target data about current circumstance in the business. Then again, the need of building up an inner review

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in an undertaking is gotten from the way that an extraordinary methods for controlling capacities is required to assess officials' execution.

To comprehend the idea of the interior review, it is imperative to distinguish its objectives and obligations. The reason for the inner review is to help individuals from the association and the executives itself to play out their capacities all the more effectively and to distinguish vulnerabilities in their work. Inner examiners fill this need with appraisals, suggestions and other vital and investigative data, which is an aftereffect of the inspecting action they attempt in the element they speak to.

Job and Responsibilities of Audit in Enterprise Performance

To work the undertaking and association effectively, there is a requirement for an inside review instrument. In a more extensive sense, inward review is a framework which is built up in the point of reliably observing the business, assessing the legitimacy and adequacy of decided, revelation of unsuitable conditions and opportune game plan of gatherings with the executives for checking hazard related cases. As such, an inner review is a type of criticism whereby the administering body of the substance and association gets the vital data about the genuine state of the office being worked and the execution of the board choices. In this sense, the inside review can be assessed as a complex of safety efforts set by the approved bodies to guarantee consistence with precision and unwavering quality of the bookkeeping records, the organized and viable execution of the exchanges.

In the meantime, the inward review is bit by bit concentrated on getting data to settle on choices on the most proficient method to assess the viability of business and association's exercises, instead of basically releasing control capacities. As such, the inward review incorporates a survey of money related and bookkeeping reports and data given by the administration of the element, gives a sentiment on them with the assistance of powerful collaboration with outside inspectors, charge and different specialists. It isn't astonishing that in the fourth Article of the Law of the Republic of Azerbaijan on "Inside Audit" the accompanying capacities have been referenced as its principle duties:

- To check the consistence of the exercises of the business substance's auxiliary subdivisions to the regulating legitimate acts and affirmed activity plan
- Identify the viability and sufficiency of the inside control framework which is planned to react to any adjustment in the movement of the undertaking
- To check the exactness and unwavering quality of the bookkeeping and fiscal reports
- Evaluating the spending of an association
- Evaluate the viability, exactness of the utilization of assets

As indicated by ACCA capabilities, while reviewers playing out their obligations ought to consider every one of the focuses recorded beneath:

Consistence with legislation	Whether the budget summaries have been set up as per the applicable enactment
Truth and reasonableness of accounts	Whether the announcement of monetary position demonstrates a genuine and reasonable perspective on the organization's issues toward the finish of the period and the announcement of benefit or misfortune and other thorough pay (and proclamation of money streams) demonstrate a genuine and reasonable perspective on the outcomes for that period
Satisfactory bookkeeping records and returns	Whether sufficient bookkeeping records have been kept and returns sufficient for the review got from branches not visited by the evaluator
Agreement of accounts to records	Whether the records are in concurrence with the bookkeeping records and returns
Consistency of other data	Whether the data in the chiefs' report is predictable with the fiscal summaries
Chiefs' benefits	Whether revelation of executives' advantages has been made as per the Companies Act 2006

Source: ACCA F8 (Audit and Assurance 2016)

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As it is observed, an inward review manufactures a reasonable ground for a progressively successful and careful examination of an association's exhibition by making a straightforward data condition.

The quantity of examiners' undertakings relies upon the size and nature of the exercises of every element and association. Consequently, a particular business element openly sorts out the obligations of interior review administrations, controls the specialist and duty of them.

The inward review obligations can likewise be characterized as far as evaluating consistence with the business coherence rule. Inward inspectors during the time spent playing out this undertaking;

- Conduct monetary and financial examination of the undertaking and association
- Evaluates the negative flags and surveys their conceivable effect on the substance and its future exercises
- Collect data about the purposes behind these indications
- Prepare proposals for dispensing with negative manifestations and their results
- Deliver data to the executives and proprietors of the endeavor and association
- Monitor the execution of the given suggestions

Goals of Internal Audit Activities

The essential goal of the interior review is to guarantee the effectiveness of a wide range of business' exercises of the venture at various dimensions of the board and to secure the interests of the element's proprietors. Inside review understands the accompanying issues:

- Control of benefit status and evasion of misfortunes
- Approval of control framework methodology
- Analysis of the viability of the interior control framework

- Evaluation of the nature of the data got from the oversight

The next might be considered as a total rundown of the targets of the interior review framework (V.T.Novruzov "Inner Audit" page 12):

- Regularity and productivity of current monetary and financial action
- Maintain the association's property and systemized data for its utilization
- Ensure the fulfillment and precision of beginning documentation for fruitful and viable administration choices, and give the required dimension of data quality
- Compliance of the exercises of the undertaking with the technique received
- Sustainability of an undertaking and association from a monetary, financial and legitimate perspective
- Compliance with the necessities of methods of auxiliary subdivisions which are set by the organization
- Compliance with lawful regularizing acts
- Achievement of effectiveness markers, for example, accessibility, fulfillment, the precision of bookkeeping records
- Increasing work efficiency, decreasing working expenses and developing money related and financial execution
- Economical utilization all things considered

Audit Committee

The Audit Committee is one of the significant pieces of an organization's governing body and actualizes the accompanying assignments:

- Identifies inside review approaches and techniques in the business substance
- Approves review designs and supervises its exercises

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- Makes proposals to the significant administration body for the execution and improvement of interior control and hazard the executives framework
- Approves the suggestions of the Internal Audit Service Manager and staff on improving the supervision arrangement of projects and interior review reports
- Makes proposals to the applicable administering body with respect to the outer review arrangement
- Receives data on the status of usage of suggestions on the interior control arrangement of business elements
- Identifies the territories where monetary dangers are high and addition trust in their effective administration by official bodies.
- Discusses fakes, weaknesses, and insufficiencies found throughout outer and inward reviews and makes suggestions for their evacuation.
- Review legitimate issues that may materially affect the fiscal summaries and give guidance
- Oversees the procedure and consequences of yearly and current fiscal summaries of the element
- Provides a diagram of the proposals made by interior reviewers because of the review procedure.
- Involves the important official specialists of the business substance

The law builds up that the interior review administration is free in the arranging and arrangement of related reports. In the meantime, the inward review may give counseling administrations in the framing of the control arrangement of subordinate undertakings and associations. (ACCA F8, Audit and Assurance 2016)

Disadvantages of audit committees

We examined the potential advantages of the review board above. Adversaries of review boards contend that:

- (a) The official chiefs may not comprehend the motivation behind a review board and may see that it brings down their power.
- (b) It might be hard to choose adequate non-official chiefs with the fundamental capability in reviewing matters for the board to be viable.
- (c) The foundation of such a formalized announcing methodology may discourage the reviewers from raising issues of judgment and limit them to detailing just on issues of truth.
- (d) Costs might be expanded. (ACCA F8, Audit and Assurance 2016)

The ACCA’s fundamental principles of professional ethics

Other than that by considering the inclusion of inward examiners' reports to help outer review, there is a need to decide the nature of them. In such manner, specific consideration must be paid to the consistence with moral and expert measures of examining. These components guarantee a high caliber of inner review. Starting here of view, the Code of Ethics of the Institute of Internal Auditors characterizes standards and standards of conduct in that claim to fame and gives pertinent suggestions.

The National Principles mirror the essential standards of evaluating. To accomplish the targets of the examiner, individuals must consent to the crucial standards set out in the Code of morals (honesty, objectivity, proficient fitness and due consideration, privacy, and expert conduct). The five central standards are abridged in the table beneath:

Integrity	Members will be clear and legit in all expert and business connections.
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Objectivity	Members will not permit predisposition, irreconcilable circumstances or undue impact of others to abrogate proficient or business decisions.
Professional competence and due care	Members have a proceeding with obligation to keep up proficient learning and aptitude at the dimension required to guarantee that a customer or boss gets equipped expert administrations dependent on current advancements by and by, enactment and methods. Individuals will act persistently and as per pertinent specialized and proficient guidelines.
Confidentiality	Members will regard the privacy of data gained because of expert and business connections and, thusly, not unveil any such data to outsiders without appropriate and explicit specialist, or except if there is a lawful or expert right or obligation to uncover. Secret data procured because of expert and business connections must not be utilized for the individual preferred standpoint of individuals or outsiders.
Professional behavior	Members will agree to important laws and guidelines and maintain a strategic distance from any activity that ruins the calling.

Source: ACCA F8 (Audit and Assurance 2016)

Confidentiality

Even though evaluators have an expert obligation of privacy, they may uncover subtleties of customers' undertakings to outsiders by law or on account of open intrigue.

Secrecy expects individuals to shun uncovering data procured throughout expert work except for where:

- Disclosure is allowed by law and is approved by the customer or the business;
- Disclosure is legally necessary, the arrangement of proof throughout lawful procedures;

There are a few variables to think about when choosing whether to unveil secret data and the accompanying components are distinguished in the ACCA Code:

- Whether the interests everything being equal (counting influenced outsiders) could be hurt if the customer or boss agrees to the divulgence of data by the expert bookkeeper
- Whether all the applicable data is known and substantiated, to the degree it is practicable
- The kind of correspondence that is required and to whom it is tended to
- Whether the gatherings to whom the correspondence is tended to are suitable beneficiaries.

Individuals procuring data over the span of expert work should neither use nor seem to utilize that data for their favorable position or the advantage of an outsider. When all is said in done, where there is a right (rather than obligation) to reveal data, individuals should just unveil the quest for an open obligation or expert commitment. Individuals must clarify to a customer that they may represent them if the customer consents to unveil in full to all data applicable to the commitment. Where a member consents to serve a customer in an expert limit both the part and the customer ought to know that it is an inferred term of that understanding that the part won't unveil the customer's undertakings to some other individual aside from with the customer's assent or inside the terms of certain perceived exemptions, which fall under compulsory and intentional exposures.

Integrity, objectivity and independence

The essential standards necessitate that individuals carry on with respectability in all expert and business connections and take a stab at objectivity in the entirety of their expert and business decisions. Objectivity is a perspective yet in specific jobs, the conservation of objectivity must be appeared by the support of autonomy from those impacts which could weaken objectivity. What is required to be, and be believed to be, free?

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Independence of mind: The perspective that allows the arrangement of assessment without being influenced by impacts that bargain proficient judgment, enabling a person to act with trustworthiness, and exercise objectivity and expert doubt.

Independence in appearance: The shirking of actualities and conditions that are significant to the point that a sensible and educated outsider, knowing all applicable data, including shields connected, would sensibly finish up a firm's, or an individual from the confirmation team's, honesty, objectivity or expert wariness had been undermined.

It is significant that inspectors are unprejudiced and autonomous of the executives so they can give a target perspective on the budget summaries of a substance. The onus is dependable on the inspector not exclusively to be moral yet, besides, to be believed to be moral. Autonomy and objectivity matter as a result of:

(a) *The expectations of those directly affected*, especially the individuals from the organization. The review should probably give target confirmation on reality and decency of the budget summaries that the chiefs can never give.

(b) *The public interest*. Organizations are open elements, administered by standards requiring the revelation of data.

What can the inspector do to save objectivity? The straightforward answer is pull back from any commitment where there is the smallest risk to objectivity. Nonetheless, there are weaknesses to this exacting methodology.

- Clients may lose an evaluator who knows their business.
- It denies customers the opportunity to be informed by the bookkeeper concerning their decision.

A superior methodology is thought about whether the reviewers' objectivity and the general shields working in the expert condition are adequate to balance the danger and to think about whether shields are required, for instance, determined accomplices or staff not taking a shot at a task. Having said that, it may not be attractive to pull back from a

commitment or to decline to represent a customer; at times, this might be the main alternative if the risk to freedom is excessively extraordinary.

Professional behavior

Reviewers ought to play out the necessities of the Law on Audit Services of the Republic of Azerbaijan and rules embraced by the Chamber of Auditors so the administrations furnished don't struggle with the prerequisites of respectability, objectivity, and freedom. It ought to be considered that the reviewer can't manage some other kind of action which can't be joined with the arrangement of review administrations.

The reason for the measures which is a vital piece of the theoretical system is as per the following;

- To characterize the fundamental standards of inside review practice
- Identify the theoretical structure that shapes the premise of administrations
- Creating a reason for evaluating interior review movement
- Assist in the improvement of frameworks and procedures inside big business and association

Professional Competence and Due Care

Another prerequisite for a viable interior review is the aptitudes important to play out their obligations. In this manner, the interior evaluator ought to have adequate learning of existing review strategies in the field of data advancements to distinguish deceitful tracks and successfully play out the allocated assignments. Moreover, the interior evaluator is required to have an expert way to deal with the activity and to be mindful and able.

With regards to the expert advancement of inward reviewers, they have to improve their insight and aptitudes in the process persistently. In monetarily created nations, the inner reviewer, generally speaking, must have at any rate the "bookkeeper" authentication. As it is self-evident, bookkeeping is considered as a business language all through the world.

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That is the reason today, the fundamentals of bookkeeping are more favored more than any other time in recent memory.

Worldwide Standards for Internal Audit Practice are separated into three sections; Quality Characteristics, Action and Implementation Standards.

In the quality guidelines, attributes of undertakings and associations, just as those occupied with inward review are considered. Here, the reason, obligations, and forces of the inner review action and autonomous, target and expert methodology of inward evaluators, and so on issues are reflected.

While the quality attributes and execution guidelines apply to the interior review benefits, all in all, the application benchmarks allude to the various sorts of review commitment. In this manner, both earlier standards are accessible in a solitary variation, however, application models have a different alternative for each kind of review. Application gauges have been created to give counsel to inspectors on execution as a subordinate.

These gauges require the usage of the inner review work without separation and with no obstruction of an outsider in the report to the administration. Principles characterize the utilitarian obligations of the element's inward review division and incorporate the accompanying:

- The inward review division isn't subject to any zones
- The demonstrable skill that inner examiners ought to give
- The extent of the inside review work
- Implementation of inside review errands
- Internal review organization

The auditor's operating standards in the entity's financial control system

The inward review has been broadly utilized in many created nations since the late ninetieth century, in any case, it is another idea for Azerbaijan. Considering the need, at

present, it has started to set up inner review benefits in different endeavors and associations. Benchmarks of interior review have a crucial job in setting up this new encouraging field and in gaining the important information and aptitudes.

It is prudent to set up an uncommon unit to give inward review benefits in huge and medium undertakings and to include the examiner in private ventures, in light of the extent of creation and different elements. In this way, the inside review can be done by both of the re-appropriated administrators, just as workers of the element which may be diverse as far as a convention, size, unpredictability, and structure. Even though the distinctions existing in financial, social, lawful and social conditions influence the inner review action, the International Standards on Internal Audit which has been endorsed by the International Institute of Internal Auditors, situated in Florida, US, is basic for inward inspectors to play out their obligations. These benchmarks are the consequence of a complete examination of the fundamentals of inner review administrations, pertinent meetings, and exchanges. They characterize the essential guidelines which guarantee the effective result of inner examiner's execution and build up administrative prerequisites for its quality and dependability. Benchmarks of inspector action are isolated into four gatherings:

1. Universal examiner principles arranged by the International Committee on Auditing Practice
2. National measures are accessible in created nations.
3. Guidelines in the expert examiners' units - One of their capacities is the association of review dependent on basic standards and methodologies. For this reason, single guidelines (models) for examining exercises can be characterized for its individuals dependent on national norms.
4. Association's models.

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Amid the action, three models: universally perceived, inner quality affirmation and evaluating gauges are utilized.

Rules and other documentation that portray systems for inspecting exercises and are required to apply might be alluded to as associations' interior review guidelines.

The evaluator's models figure a solitary arrangement of worldwide rules for deciding the quality and dependability of the review.

Evaluation of arbitrariness in the business activity

Evaluators need to recognize what misrepresentation is and about the presence of different ideas, for example, misuse and illicit action to have the capacity to assess it. Moreover, it is critical to realize the refinement between speculated misrepresentation and demonstrated extortion.

What is an inconsistency?

Inconsistency will mean any encroachment of an arrangement of the law coming about because of;

- a demonstration or oversight which has or would have the impact of prejudicing the general spending plan by a monetary administrator;
- either by lessening income or by an unjustified thing of use.

What is an error?

An error is defined as being an unintentional misstatement in financial statements including the omission of an amount or disclosure in ISA 240.

What is a fraud?

“Fraud influencing money related premiums of an element comprises of:

(a)in regard to consumption, any deliberate demonstration or oversight identifying with:

- the introduction of off base or fragmented proclamations
- non-revelation of data infringing upon a particular commitment
- the misapplication of such assets for different purposes;

(b)in regard to income, any deliberate demonstration or oversight identifying with:

- the utilization of false, inadequate archives, which has as its impact the illicit reduction of the assets of the general spending plan
- non-divulgence of data infringing upon a particular commitment
- the misapplication of a lawfully acquired advantage"

What is the difference between fraud and irregularity /error?

The key distinctive factor among misrepresentation and blunder is whether the hidden activity those outcomes in the error of the budget summaries are purposeful or inadvertent. While abnormalities or blunders are accidental, fakes have been submitted purposefully.

What is the contrast among suspected and demonstrated misrepresentation?

Misrepresentation and debasement are legitimate terms which are connected to specific certainties which have been affirmed by a Court of law. Inspectors should, in this way, apply the term of associated misrepresentation to any set with conditions which propose false movement yet have not yet been affirmed by the mindful national legal experts.

Types of Frauds

Kinds of Frauds are characterized in numerous various ways. These are an abuse of benefits, defilement, and fiscal reports fake as per the order called "Fraud Tree" of ACFE 2010.

(1) Abuse of Assets (Employee Cheats)

Maltreatment of advantages is characterized as stealing of the benefits by big business' worker or giving advantages by utilizing it to themselves (Bozkurt, 2011).

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Representative cheats are the most widely recognized sort of bamboozling in organizations. Be that as it may, the misfortunes brought about by these traps are the most recent as far as different kinds of duping. These traps can be done by more than one individual in a composed manner (Özkul and Akkaya, 2013). For the most part, beguiling individuals rise out of long haul workers of business the board and the general population they trust. Representatives participating in the long haul task are deprived of the controls by exploiting the trust they have in them and they can proceed with their activities without being taken note. Nobody presumes them since they have recently substantiated themselves to the entrepreneur and supervisors, and keep on harming the business until they are perceived (Goldmann and Kaufman, 2009).

The abuse of advantages comprises of two fundamental headings: money traps and non-money traps. Money traps are the kind of misrepresentation in which the element's money resources are stolen, and are separated into three as immediate money traps, fake installments and a bit of the money. Non-money traps are characterized as close to home utilization of them (Bozkurt, 2011).

(2) Corruption

As indicated by the definition in the second Article of the Council of Europe's Anti-Corruption Private Law Convention (2009), debasement is characterized as the maltreatment of depended control for a private increase. In its report distributed in ACFE 2016, defilement, which comprises 35.4% of all-out cases, is isolated into four primary headings: pay off, illicit endowments, irreconcilable circumstances, and tribute.

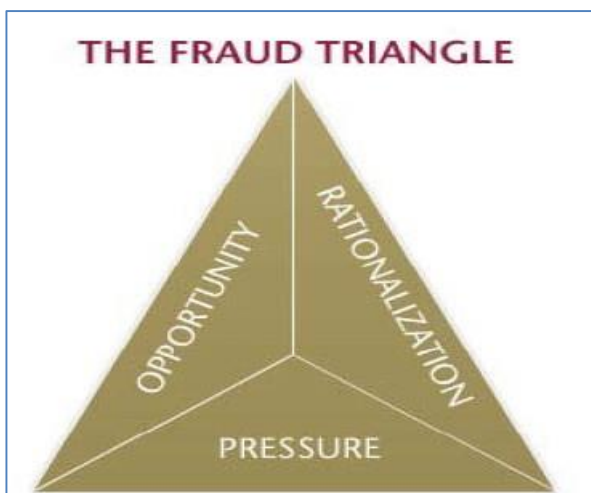
(3) Cheats on Financial Statements (Management Cheats)

Budget summary Cheats is characterized as "Deliberately misshaping as well as overlooking the figures or potentially clarifications in the tables to misdirect clients of the fiscal reports not fitting to consistency and materiality criteria of the GAAP " in as per the American Institute of Independent Accountants and Financial Advisors (AICPA). In

the report distributed, the proportion of budget summaries fakes to the aggregate sum of cheats was 9.6%, while the complete misfortune was the most charming sort with 975.000 dollars.

Money related cheats are regularly dedicated by chiefs, therefore, it is likewise called administration fakes. Elements that urge chiefs to do as such are a reward, premiums, advancements, rewards, etc (Özkul and Özdemir, 2011). Fiscal reports cheat may be named monetary and non-money related false reports. This misrepresentation is performed through demonstrating the business in a superior or more terrible condition than it is as per the point (Bozkurt, 2011).

Why do people commit fraud?



Source: Theory of American criminologist Donald Cressey (AICPA 2002)

Three basic elements can regularly be recognized when extortion happens (the “fraud triangle”). Initially, committers of extortion have a motivating force or strain to take part in unfortunate behavior. Second, there is a chance to submit misrepresentation, and third, culprits can defend or legitimize their activities. For instance:

- **Incentive or pressure** - to submit misrepresentation may exist when the board is experiencing strain, from sources outside or inside the substance, to accomplish a normal

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(and maybe unreasonable) profit target or monetary result. Also, people may have a motivating force to misuse resources.

In the open area, workers are frequently compelled to convey top-notch administrations with restricted assets and to meet spending desires. This may result in motivators to exaggerate incomes and downplay consumptions.

- An apparent **opportunity** to submit misrepresentation may exist when an individual accepts interior control can be superseded, for instance, because the individual is in a place of trust or knows about explicit insufficiencies in inner control. In the open segment, an absence of adequate qualified staff may result in lacks in interior control, making the open door for extortion.

- Individuals might most likely **rationalize** a fake demonstration. A few people have a frame of mind, character or set of moral qualities that permit them purposely and purposefully to submit a deceptive demonstration.

By and large, lower compensation levels in the open segment contrasted with the private area may persuade that they can legitimize the abuse of assets.

OBLIGATIONS DUE TO PREVENTION AND DETECTION OF FRAUD CASES

From the governance of the entity and management's sides

Essential duty related to anticipation and discovery of misrepresentation is identified with both those accused of administration and the management. It is significant that administration, with the oversight of those accused of administration, place a solid accentuation on extortion avoidance, which may diminish open doors for misrepresentation to occur, and misrepresentation discouragement, which could influence people not to submit extortion due to the probability of discovery and discipline.

Auditor's perspective

While misrepresentation isn't the principle focal point of a review, the inspecting measures do expect evaluators to do explicit extortion related systems. Without a doubt, an examiner directing a review following ISAs is in charge of getting sensible confirmation that the fiscal summaries all in all are free from material misquote, regardless of whether brought about by extortion or mistake. In this manner the examiner must have a sensible reason for expecting that his work will recognize material extortion. Even though ISSAI 1240 and ISA 240 just spotlight on the parts of the record, the arrangement requires to give an announcement of confirmation both on the unwavering quality, the legitimacy, and normality of the basic exchanges. The Treaty, also, requires to analyze whether money related administration has been sound. Thus, when it is alluded to as "material error", this ought to apply to the unwavering quality of records, legitimacy and consistency and sound budgetary administration reviews.

The destinations of the evaluator concerning Fraud are as following:

- To recognize and survey the danger of material error because of misrepresentation;
- To get adequate suitable review proof concerning the surveyed hazard, through planning and actualizing proper reactions;
- To react suitably to misrepresentation or suspected extortion recognized amid the review.

The reviewer ought to likewise:

- Maintain proficient distrust all through the review.
- Discuss with the review group the powerlessness of the substance to extortion, including how misrepresentation may happen.
- Document the reviewer's thought of misrepresentation.
- Raising the inquiry for what degree of misrepresentation hazard the association is set up to endure.
- Input and counsel upon the recognizable proof and evaluation of extortion chance.
- Input and counsel upon the improvement of extortion examination procedures.
- Assurance upon the adequacy of extortion hazard the executives' forms.

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- Assurance upon the viability of controls and different reactions that decrease misrepresentation dangers.
- Reviewing the adequacy of whistleblowing forms.

The evaluator, in any case, should know that:

- The danger of not distinguishing a material misquote is higher than that blunder. Since extortion may include modern and painstakingly sorted out plans intended to disguise it or deliberate distortions made to the examiner. Such endeavors at camouflage might be significantly progressively hard to recognize when joined by agreement, which may make the examiner have confidence in false review proof;
- The risk of an auditor not distinguishing a material error coming about because of the board misrepresentation is to forestall comparative cheats by different workers.

By what means should examiners manage extortion in their everyday work?

All the important advances that should be pursued and all the work that should be completed amid the various periods of a review task are put somewhere near The FCAM and PAM. It gives well-ordered direction on the best way to manage suspected misrepresentation cases found while inspecting exercises.

There are 4 main steps with 2 crucial phases in Fraud Detection Process during the audit;

1. Planning Phase

- a) Identification and surveying huge dangers because of misrepresentation
- b) Obtaining adequate review proof concerning recognized misrepresentation dangers, through structuring suitable methods

2. Execution Phase

- c) Obtaining adequate fitting review proof concerning distinguished misrepresentation dangers, through actualizing proper systems
- d) Responding properly to occurrences of suspected misrepresentation amid the reviews

a) Planning phase - Identification and surveying huge dangers because of misrepresentation

I. Obtaining the data expected to distinguish extortion dangers

As set down in the FCAM and PAM13, the inspector should do chance evaluation systems comprising of investigations, examinations, perceptions and request in the arranging stage. This data assembled ought to likewise incorporate the gathering of misrepresentation related data.

What sources of information could be used for that?

Wellsprings of interior and outer data might be any misrepresentation and defilement before, aftereffects of past Court's activities, criticisms gotten by the Court or reports by any local and national review experts.

The examiners ought to likewise get data through the administration specialists concerning whether they know any genuine, suspected or claimed extortion influencing the element.

It is far-fetched that examiners can acquire all the extortion-related data and address request to all dimensions of the executives amid the principal stage because of its temperament. By the by, the reviewer still should:

- Ask for reports ahead of time of the mission
- Consider requesting that the administration experts incorporate any extortion related data on a case by case premise
- Check the early cautioning framework banners of the legitimate elements

Because of the idea of the Statement of Assurance and execution reviews, the review arranging stage is regularly two-crease: the inspectors right off the bat accumulate and break down general data.

II. Discussing how and where the area may be helpless to misrepresentation

In light of the data assembled, the review group should meet to talk about and survey the general data about an element and to share thoughts on which regions may be helpless to

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misrepresentation. It might be important to incorporate reviewers outside the review group in these discourses. This discussion should:

- Occur with a scrutinizing mind putting aside any convictions of the review group that administration is straightforward.
- Include thought of known outside and inner variables which may influence or may make a motivating force, give a chance or show a culture that builds the danger of misrepresentation.

There may anyway be a need another exchange among the review group when increasingly explicit data is required.

III. Identifying and surveying potential extortion dangers (and eventually spotting – if any - high fraud risk areas)

It is relied upon from the evaluator to make a hazard appraisal for each review task at the arranging stage where the inspector should concentrate on those inborn and control changes that affect the review goals. Misrepresentation is a component of both inborn and control hazard.

By utilizing all accumulated data, inspectors ought to have the capacity to assess whether the data got from the hazard appraisal methodology demonstrates that at least one extortion chance elements are available. Extortion chance components are occasions or conditions that may show a motivating force or strain to submit misrepresentation or give a chance to submit extortion (it was referenced in "Fraud Triangle" above). In any case, they don't demonstrate the presence of misrepresentation.

Auditors should thus be able to:

- (a) Identify potential misrepresentation dangers.
- (b) Assess whether the zone/element's projects identified with the recognizing extortion dangers have been legitimately structured and actualized.

(c) Eventually, recognize whether there are any high extortion chance zones

The evaluator's expert incredulity is especially significant while considering the misrepresentation dangers.

The examiners should record their business related to the recognizable proof and evaluation of the misrepresentation dangers (incl. the talk among the review group and the choices made) into explicit working papers.

b) Planning phase - Obtaining adequate review proof concerning recognized misrepresentation dangers, through structuring suitable methods

I. Configuration further review techniques whose nature, timing and degree are receptive to the evaluated dangers

The reviewer ought to decide a suitable reaction to the recognized dangers of material errors because of extortion. This incorporates planning review methodology which nature, timing, and degree are receptive to the evaluated dangers.

With regards to the Statement of Assurance, examiners could consider:

- including a particular stratum on the theme;
- doing extra review work if time permits;
- expanding the general example measure.

This ought to be done in consistency with the present Statement of Assurance approach. In down to earth terms, it might shift and inspectors will dependably need to think about the time limitations and prioritization.

II. Consider the task and supervision of the review workforce

Reviewers ought to likewise consider the task and supervision of the review work force, for example, the examiner may react to recognized high dangers of extortion by doling

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out increasingly experienced people or extra masters to expand the dimension of supervision.

III. *Incorporate a component of eccentricities in the determination of nature, degree, and timing of review methods to be performed*

Evaluators could likewise consolidate a component of flightiness in the determination of the nature, degree, and timing of review techniques to be performed for example evaluators may need to change the idea of the examining methods to acquire progressively solid or extra authenticating proof, or need to build the example sizes or performing scientific methodology at an increasingly point by point level. This likewise infers some "extra" time ought to be put aside for these flighty occasions.

IV. *Adapt the audit programs*

When evaluators have recognized explicit or high misrepresentation chances because of an appraisal, they ought to embrace the review programs in an accompanying manner:

- First of all, inspectors ought to have the capacity to distinguish warnings in a specific or explicit high-chance zone. Warnings are markers indicating conceivable extortion. These warnings ought to be installed into the applicable review programs. Instances of it may be any washes to time bed covers. A contractual worker can submit misrepresentation by deliberately charging costs which are not sensible, or which can't be allotted, straightforwardly or in a roundabout way. Work costs are more powerless to mischarging than material expenses since representative work can, in principle, be charged to any agreement. Work expenses can be controlled by modifying time sheets.

- It is likewise suggested that evaluators incorporate a particular inquiry in every one of their review programs thinking about discoveries and likelihood of misrepresentation.

Every one of the reactions to the dangers of extortion and the review methodology (nature, timing, and degree) identified with them ought to be recorded by the inspectors.

c) Execution phase – Obtaining adequate fitting review proof concerning distinguished misrepresentation dangers, through actualizing proper systems

I. Perform further review methodology whose nature, timing and degree are receptive to the surveyed dangers.

The inspector should, amid the execution period of the (review visits), actualize the review systems whose nature, timing and degree are receptive to the evaluated dangers.

II. Critical evaluation of the discoveries to see whether it could be characteristic of misrepresentation

At the point when the evaluator distinguishes a blunder, he/she ought to think about whether such finding might be demonstrative of extortion by either bringing about lost income or in over the top use. To survey whether typical mistakes are probably going to be false, the accompanying key components ought to be considered:

- Are there signs of 1) use or the introduction of false, off base or deficient proclamations or records, 2) non-divulgence of data infringing upon a particular commitment, 3) misapplication of assets for purposes other than those for which they were initially conceded?
- Are there signs that the mistake was made "deliberately"?
- Are there signs that somebody depended on the erroneous data given and acted by it?
- Did the reviewer discover various blunders at one explicit auditee; or is the mistake huge (for example for Statement of Assurance mistakes > 40%)?
- Does the doubt emerge from a "warning" (for example misrepresentation marker)?
- Did the data assemble amid the hazard appraisal stage uncover a particular misrepresentation chance in the program or at the recipient/substance level?

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On the off chance that a couple of components are available, the examiners are free to have an exchange with qualified staff to get further direction. On the off chance that three components are satisfied, the doubt of extortion ought to be considered as genuine and imparted by the principles which will be referenced in the fourth step set out beneath.

In all issues:

- Assessing discoveries remains an issue of expert judgment.
- The standard is that inspectors ought to preferably convey a lot over close to nothing.

III. Evaluation of the implications for the audit

If the review work demonstrates the conceivable presence of misrepresentation, the inspector ought to think about the ramifications of the doubt on all zones of the review, as an occurrence of extortion. The aftereffect of these review methodology ought to be reported in the working papers.

d) Execution phase - Responding properly to occurrences of suspected misrepresentation amid the reviews

I. Communicating on misrepresentation inside the Court: the "need to know" guideline

Inside the Court, all data concerning instances of misrepresentation must be taken care of on an exacting "need to know premise": It implies that the data ought to be imparted just to the Court Members concerned and to those individuals for whom it is significant to do their obligations.

Likewise, data and documentation identifying with an instance of suspected extortion ought to be dealt with specific consideration and secrecy. Messages about speculated fakes ought to dependably be scrambled and the number of people getting duplicates ought to be carefully restricted.

II. Particular care ought to be taken in securing the personality of sources and particularly informants

At certain events, the data concerning instances of extortion has been acquired from an informant– see additionally Chapter 4, Figure 4 (IIA overview on Fraud location and examination). Examiners should take specific consideration in treating the data and guarantee the assurance of the personality of these witnesses.

III. Auditors are not in charge of "proving" extortion

Examiners are not in charge of proving extortion, yet only for detailing instances of suspected misrepresentation. It is, in reality, the examiner's assignment to demonstrate whether the doubt of extortion is well-established.

Doubts of misrepresentation ought to be disregarded immediately to concerned gatherings to execute commonplace "examination" exercises, for example, stretched out methods to decide if extortion has happened. Specifically, evaluators could duplicate any pertinent documentation that demonstrates the misrepresentation was revealed or suspected and that is accessible to them.

On the off chance that doubt of false action emerges amid the review, the issue should, at the earliest opportunity, be imparted to concerned gatherings like administration and those accused of administration on a convenient premise.

All correspondences about misrepresentation made to the board ought to be incorporated into the review documentation.

Chapter 3. Empirical Research Methodology

Research Design

The role of auditors is analyzed in this study within the prevention of fraud. This examination investigates the job of reviewers in the counteractive action of misrepresentation. The examination configuration utilized is both informative and engaging in nature including the accumulation, investigation, and elucidations of information with a view assessing the jobs of a reviewer in misrepresentation location and avoidance in the chose firm of Azerbaijan: According to Ngagi, a populace is a whole gathering whose attributes are to be evaluated. The populace is at times alluded to as the universe. In this investigation, a group that represented different sections of an organization gathered to ensure unbiased data; appropriate and close gauges of the qualities of the inspected populace.

The sample group for this study represents 5 departments of Kapital bank selected. They are Methodology, Quality Assurance, Monitoring, Project Management Office and Credit Underwriting.

The examination was built up with the cooperation of Kapital bank's representatives. A sum of 153 individuals enlisted to headquarter got the study to connect, of which 93 finished it, bringing about a response rate of 60.78 percent. This rate surpasses the response percentages in other examining reviews (e.g., 16 percent reaction rate by Nelson et al. [2002]; 29.7 percent reaction rate by Dowling [2009]); nonetheless, it is lower than the uncommonly high 70.5 percent accomplished by Gibbins et al. (2001).

When the survey is created, scholastic investigations and productions identified with the theme have been used. The examination incorporates the sentiments of the laborers performing in 5 distinct divisions. Various inquiries are posed to the members. The

utilization of the poll was directed in an online structure. The inquiries were made with the use of Google Docs platform since it was favored for the members to achieve the review all the more effectively and to abbreviate the reaction time. The online structure that was sent to the email addresses was distributed on 10.03.2019 and the reaction time frame was resolved as 35 days by shutting it on 15.04.2019.

Research Hypotheses

The accompanying speculations try to respond to the exploration questions:

1. H0: There is no critical connection between the job of the examiner and extortion location in Azerbaijan
2. H0: There is no connection between the capability and experience of the examiners and extortion lingual authority in a picked association of Azerbaijan
3. H0: There is no huge connection between extortion discovery and review of the financial report in a chose firm of Azerbaijan

Reviewing is an autonomous examination process regularly represented by resolution for analyzing, researching and confirming the fiscal summaries of any association or substance by a certified individual designated to give a built-up sentiment concerning reality, exactness, legitimacy, dependability, and decency of budget reports.

For somewhere in the range of, a review is a lot of standards and strategy by which budgetary financial information is gathered, handled and abridged into reports that can be utilized in deciding. To make inspecting conceivable, the interior control measures ought to be satisfactory and impeccable. The bookkeeping framework must be sound and the hierarchical structure must not be covering.

The two definitions affirm that it is an instrument for choices making. Choices could be gained on the ground of work, progression or retraction of specific approaches or technique bone-dry alterations where vital. Bookkeeping frameworks mirror the

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soundness of an association. It is the resemblance and characterization of factual information coming about because of the exercises of a substance. Association's structure ought to be planned to demonstrate the exercises and budgetary obligations of every division and areas where the range of control is unmistakably stipulated. Obligation bookkeeping, as per Simpson (1979: 118) is worried about an expansive degree with the interface between information inputs and the directors who use information. It is the classification of accounting and statistical data resulting from the activities of an agency in such a way that so directly relates them to the control. Reviewing and bookkeeping are synonymous as one can't work in seclusion of the other. Henceforth, there is a need to relate the bookkeeping obligations of a substance with the different exercises inside the framework and the united balanced governance of reviewing.

Source of data

Planning an exploration plan calls for proper choices on information sources to empower the reaching of inference on the topic inquired about. The information utilized in the examination was extricated from an online review held in these divisions.

The fundamental study utilized for this exploration was bolstered by some oral inside and out meetings since a portion of the inquiries was more extensive and respondents were exceptionally occupied. Answers to face-to-face inquiries were surveyed in the important zones of this investigation.

Data investigation strategies

Essential information gathered through an online survey was broke down utilizing straightforward Chi-square technique which was reasonable to test the speculation. To meet the required goals of this examination and its effortlessness, the specialist utilized this system. The analysis of data for the pose comprehension included simple tabulation, percentages, and averages. Chi-square (X^2) where $X^2 = \sum(O-E)^2$ was tested at 0.05 alpha

levels / 0.95 confidence level. The purpose of this test is to determine how well an observed set of data E fits an expected set.

When $X^2 = \text{Chi-square}$

O = Observed frequency

E = Expected frequency

Chapter 4. Empirical Research Results

Findings of the Research

As found in Table 1, 65% of the respondents were male and 35% were female. In the conveyance of the members as per sex, men were watched the most. Of the respondents, 23 were between 18-24 years, 50 were between 25-34 years, 12 were between 35-44 years, 8 were somewhere in the range of 45 and 55 years of age. It is seen that most of the respondents were between 25-34 years old with a rate of 54%.

Table 1.

Distribution of Respondents regarding to their age and sex

Gender	Male	60	65%
	Female	33	35%
	Total	93	100%
Age	18-24	23	25%
	25-34	50	54%
	35-44	12	13%
	45-55	8	9%
	Total	93	100%

Note: the table has been created by the author, based on the data from the survey created and used in this research.

As indicated by the consequences of the overview led to decide the misrepresentation by reviewers, when the periods of members are analyzed, the greater part of them are somewhere in the range of 25 and 34 years of age. This outcome demonstrates that they had somewhere around 5 years' work involvement. Administration times of the members are vital factor adding to the essentialness of the information acquired and are legitimately identified with their adequate learning about posed inquiries. That expands the unwavering quality of the appropriate responses.

Table 2.

Number of Respondents from each Department

Departments	Respond percentage	Number of responses
Monitoring	19.35%	18
Methodology	6.45%	6
Project Management Office	9.68%	9
Credit Underwriting	52.69%	49
Quality Assurance	11.83%	11
Total	100.00%	93

Note: the table has been created by the author, based on the data from the survey created and used in this research.

As it appears from Table 2 and 3, a large portion of the respondents of the overview was from the Credit Underwriting Department. By thinking about what they are managing giving credits which is one of the misrepresentation unsafe exercises in a bank, their answers ought to commit to a superior choice on research questions.

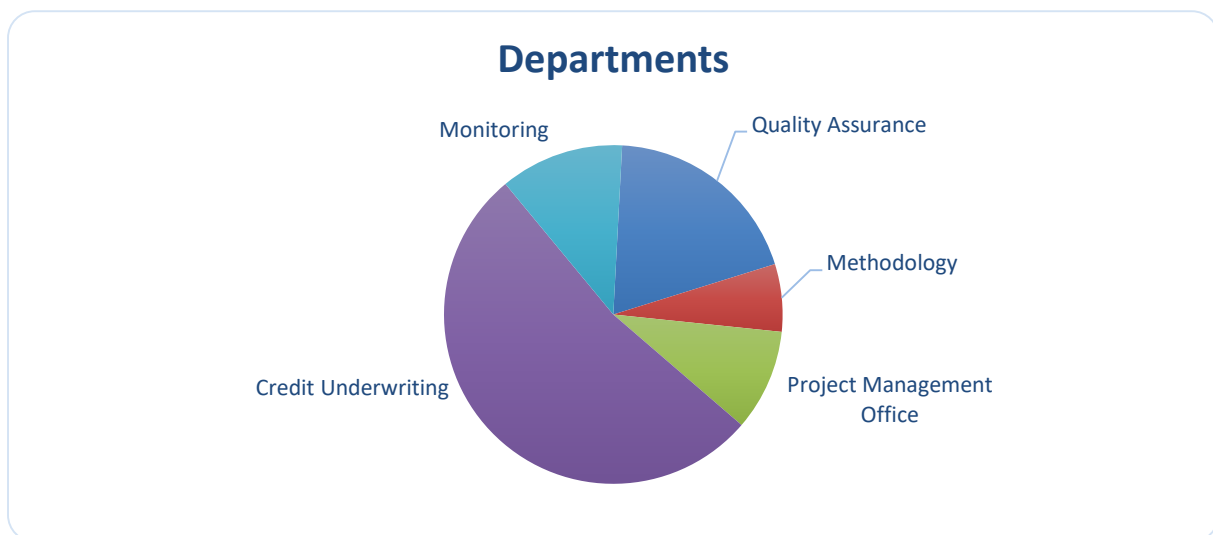


Figure 1: Share of each Department on survey (2019)

Source: Derived from table 2

Presentation and analysis of data

HYPOTHESIS TESTING

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Subsequent to investigating the responses of the study, we contrasted the examination theory and the endorsed test measurements. The measurements is chi-square.

$$X^2 = \sum (O-E)^2 / E$$

Where X^2 = Chi-square O = Observed frequency or data E = Expected frequency.

Decision rule: we acknowledge H_0 when determined X^2 is less than Table value of X^2 , else we dismiss H_0 .

HYPOTHESIS I

There is no noteworthy connection between the job of Auditors and misrepresentation discovery and examination in the chose firm of Azerbaijan.

Q1: How do you think about the relationship between the role of Auditors and Fraud Detection?

As it is found in Table 3, 64 of the 93 respondents expressed that "It is so strong, while 29 individuals stated, "There is no association".

Table 3

Percentages of each given answer

Answer Choices	Number of respondents	Percentage
It is so strong	64	69%
There is no connection	29	31%
Total	93	100%

Note: the table has been created by the author, based on the data from the survey created and used in this research.

The number of individuals who accept the solid relationship surpasses the other with 69%. It may be seen plainly in Figure 2 which is given underneath;

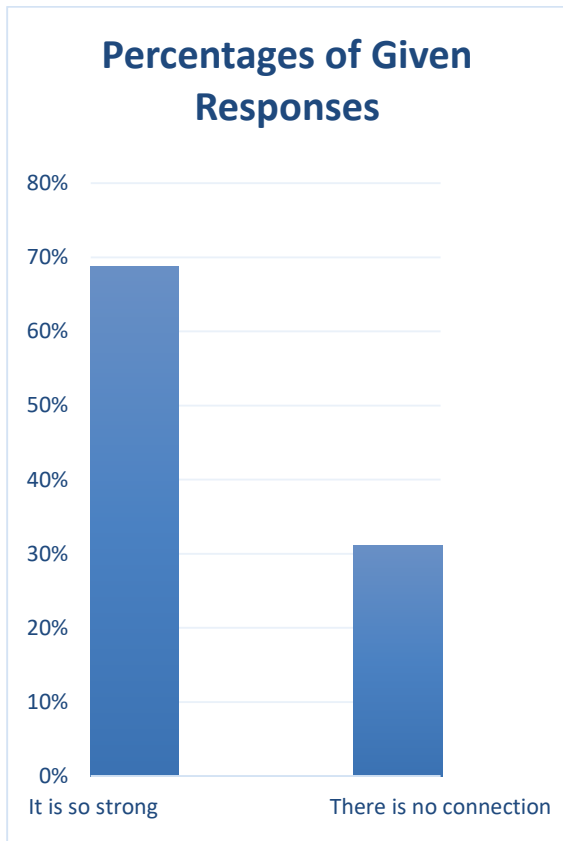


Figure 2: Percentages of Given Responses in the survey (2019)
Source: Derived from table 3

Table 4.

Computation of chi-square

Responses	O	E	O-E	(O-E) ²	(O-E) ² /E
It is so strong	64	46.5	-17.5	306.25	6.59
There is no connection	29	46.5	17.5	306.25	6.59
Total	93	93		612.5	13.17

Note: the table has been created by the author, based on the data from the table 3 created and used in this research.

$$H_0: P_1=P_2$$

H_a : At least one of the equations does not hold.

$$E = 93/2=46.5$$

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According to the given data the calculated $X^2=13.17$.

Before we can continue we have to know what degrees of freedom we have. We need to compute it with the help of a basic guideline:

Degree of Freedom = (number of columns minus one) x (number of rows minus one).

For our data, this gives $(2-1) \times (2-1)=1$.

At the point when significance level is 5% and the degree of freedom is 1, table value of X^2 is 3.84 while Calculated $X^2=13.17$.

Table 5.

Chi Square distribution table

Degree of Freedom	0.5	0.1	0.05	0.02	0.01
1	0.45	2.71	3.84	5.41	6.63
2	1.38	4.61	5.99	7.82	9.21
3	2.36	6.25	7.815	9.83	11.34
4	3.35	7.77	9.488	11.66	13.27
5	4.35	9.23	11.07	13.38	15.08

Note: the table has been created by author, based on distribution function of $F_{X_n}(x) = P(X_n \leq x)$

Decision Rule

Since from the above mentioned, Calculated X^2 of 13.17 surpasses the table estimation of X^2 of 3.84 we will, in this way, dismiss the invalid theory and acknowledge the elective speculation.

Clarification of Test of Hypothesis One

This implies there is an exceptionally huge role of auditors in fraud identification and examination of the association.

HYPOTHESIS 2

Statement 1: Qualification and experience of the reviewer is a decent proportion of his/her capacity to recognize misrepresentation.

As it is found in Table 6, 72.04% of respondents expressed that is "True", while 27.96% of individuals said "False".

Table 6

Percentages of each given answer

Answer Choices	Number of respondents	Percentage
True	67	72.04%
False	26	27.96%
Total	93	100.00%

Note: the table has been created by the author, based on the data from the survey created and used in this research.

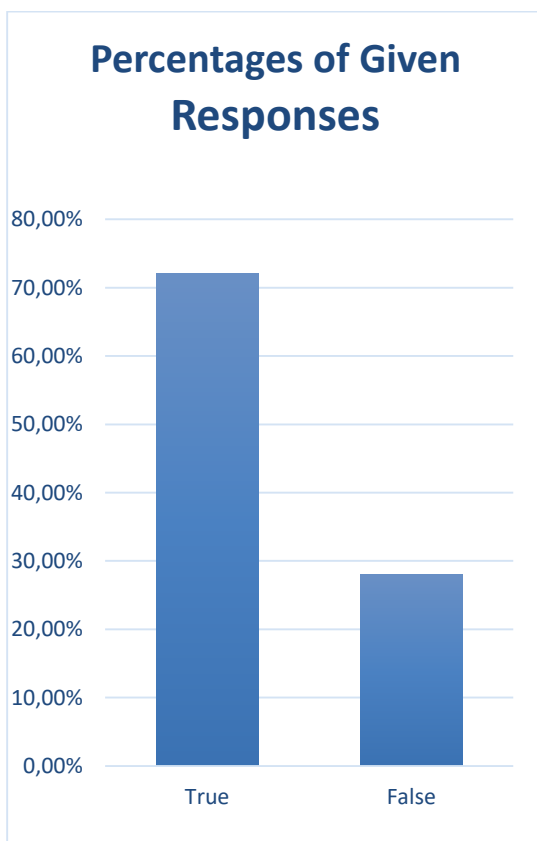


Figure 3: Percentages of Given Responses in the survey (2019)

Source: Derived from table 6

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As it is clear from Figure 3, the quantity of individuals who believe that the announcement is genuine surpasses the other with over 70%.

Table 7.

Computation of chi-square

Responses	O	E	O-E	(O-E) ²	(O-E) ² /E
True	67	46.5	-20.5	420.25	9.04
False	26	46.5	20.5	420.25	9.04
total	93	93		840.5	18.08

Note: the table has been created by the author, based on the data from the table 6 created and used in this research.

$H_0: P_1=P_2$

H_a : At least one of the conditions does not hold.

$E = 93/2 = 46.5$ According to the given data the calculated $X^2 = 18.08$.

Before we can continue we have to know what degrees of freedom we have. We need to compute it with the help of a basic guideline:

Degree of Freedom = (number of columns minus one) x (number of rows minus one).

For our data, this gives $(2-1) \times (2-1) = 1$.

When significance level is 5% and the degree of freedom is 1, According to Chi-square Distribution table value of X^2 equal to 3.84 while Calculated $X^2 = 18.08$.

Decision Rule

Since from the above mentioned, Calculated X^2 of 18.08 surpasses the table estimation of X^2 of 3.84 we will, in this way, dismiss the invalid theory and acknowledge the elective speculation.

Clarification of Test of Hypothesis Two

This implies there is a noteworthy connection between the experience of an auditor and his capacity to recognize misrepresentation in the association.

HYPOTHESIS 3

There is no critical connection between extortion identification and review of the budget summaries in chose firm of Azerbaijan.

Q2: Audit of Financial Statements is significant in examination process. Do you concur with that?

As it is observed from Table 8, 71 respondents speaking to 76.34% said "Concur" while 22 with 23.66% was against this idea.

Table 8.

Percentages of each given answer

Answer Choices	Number of respondents	Percentage
Agree	71	76.34%
Disagree	22	23.66%
Total	93	100.00%

Note: the table has been created by the author, based on the data from the survey created and used in this research.

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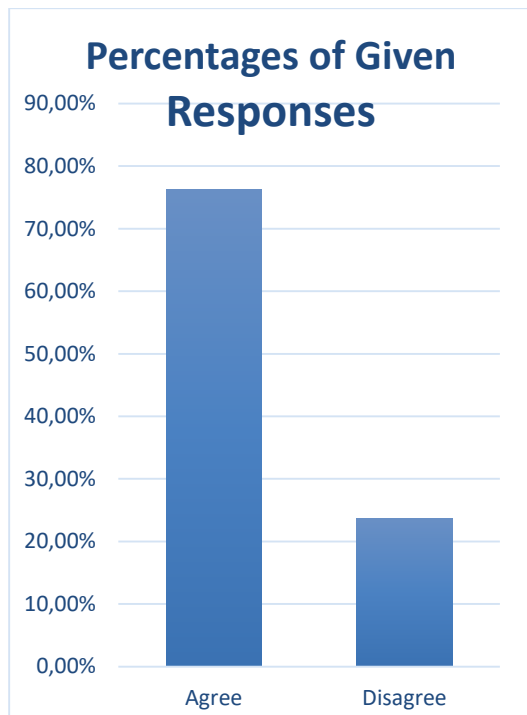


Figure 4: Percentages of Given Responses in the survey (2019)

Source: Derived from table 8

As it is appeared in Figure 4, the quantity of individuals who concur surpasses the other with practically 80%.

Table 9.

Computation of chi-square

Responses	O	E	O-E	(O-E) ²	(O-E) ² /E
Agree	71	46.5	24.5	600.25	12.91
Disagree	22	46.5	-24.5	600.25	12.91
total	93	93		1200.5	25.82

Note: the table has been created by the author, based on the data from the table 8 created and used in this research.

$$H_0: P_1=P_2$$

H_a : At least one of the equations does not hold.

$E = 93/2 = 46.5$ According to the given data the calculated $X^2 = 25.82$.

Before we can continue we have to know what degrees of freedom we have. We need to compute it with the help of a basic guideline:

Degree of Freedom = (number of columns minus one) x (number of rows minus one).

For our data, this gives $(2-1) \times (2-1)=1$.

At the point when significance level is 5% and the degree of freedom is 1, table value of X^2 is 3.84 while Calculated $X^2=25.82$.

Decision Rule

Since from the above mentioned, Calculated X^2 of 25.82 surpasses table estimation of X^2 of 3.84 (which is appeared table 5) we will hence, dismiss the invalid theory and acknowledge the elective speculation.

Clarification of Test of Hypothesis Three

This implies there is an exceptionally huge connection between the role of auditors and examination of the association.

Misrepresentation versus Audit

Inner review exercises can bolster the advancement of procedures and systems identified with misrepresentation discovery through their consultancy job.

Most associations don't redistribute (77%) misrepresentation examination. This reality originates from the IIA overview of Fraud identification and examination. Another outcome from it is that a large portion of them (64%) don't make separate divisions for this issue. It would show up the large portion of this obligation identified with these issues watches out for interior review. Over 97% of the associations studied have an inner review action. 77% of them perform examinations even identified with budgetary wrongdoing.

The examination demonstrates that extortion may not be a high need chance for certain associations. For example, a few elements have encountered no extortion in the most recent decade, while for other people (ones which give monetary administrations), it is a

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consistent and genuine danger. This blended arrangement of results prompts various ways to deal with misrepresentation chance administration.

Distinguishing misrepresentation

A variety of sources have been used for fraud identification. 96% of all the organizations partaking in the study have a whistle blowing strategy as one of significant sources to recognize extortion. In any case, as the bar graph beneath shows, staff referral is the most well-known approach to reveal cheats. Contrasting with that, interior review is a less helpful source on a similar dimension to outside referrals for the recognizable proof of misrepresentation.

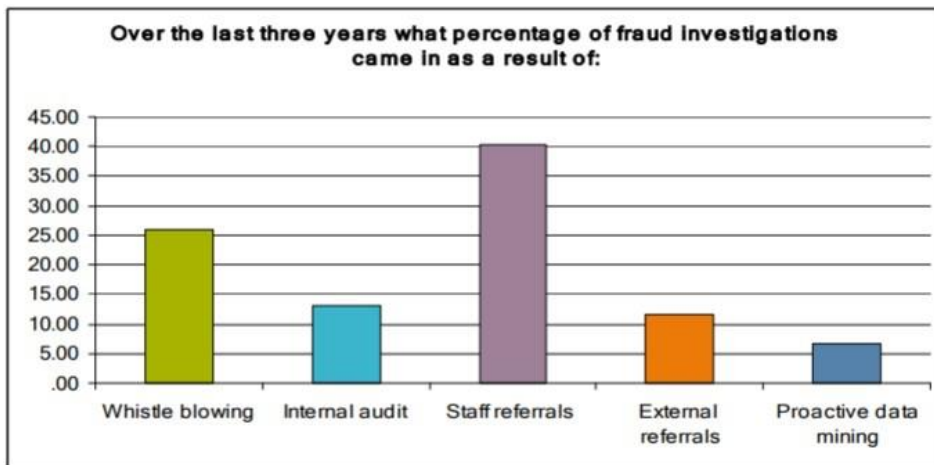


Figure 4: 5 different approaches in fraud investigation over the last 3 years (2008-2010)

Source: IIA survey on Fraud detection and investigation

Internal audit and fraud

There were different inquiries posed in this review which is given beneath;

Table 10

Survey Questions

Given Statements	Agree	Disagree
1. While creating review program, inward examiners ought to consider the likelihood of fraud.	100%	0%

2. Auditors' aim to look for indicators of extortion is a powerful method to distinguish it.	72%	28%
3. Internal audit is a piece of misrepresentation investigation.	83%	17%
4. Deficiencies which make probability of misrepresentation higher are recognized viably by our organization's interior auditors.	82%	18%
5. The job of internal auditors regarding extortion identification is obviously comprehended by workers.	69%	31%
6. Internal inspectors must have balanced training and experience to survey misrepresentation risks.	92%	8%
7. Staff in our interior review council has fitting foundation so as to play out their duties.	85%	15%
8. Internal inspectors are not expected to be master on extortion investigation.	77%	23%
9. The association which I work for, attempt extortion examination by treating all dimensions of staff the same.	63%	37%

Note: the table has been created by the author, based on the data from the survey created and used in this research.

The review gives a fascinating understanding of the job of inner auditor concerning misrepresentation hazard and examination, which is abridged in the table toward the finish of this area. All respondents partaking in the study feel that inside examiners ought to consider the likelihood of extortion when leading review commitment. In their perspective, a hazard based methodology is the most suitable and viable route for examiners. It isn't astounding that 83% of respondents imagine that inward reviewers ought to be a member of misrepresentation examinations. A comparative rate affirms that the hypothesis is without a doubt converted into training. As it is observed from the table, the job of inner review isn't completely characterized by laborers yet. In any case, the larger parts (92% and 85%) trust that interior evaluators of a bank which they work in,

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have an adequate foundation, required capabilities, and experience to play out their obligations. Albeit a large portion of them concurred that interior inspectors are not extortion pros, a capacity to survey misrepresentation dangers is still an idea to be a significant prerequisite for reviewers.

While 77% of individuals concurred that interior reviewers are not expected to be an authority on identifying misrepresentation, 83% of them notice that inner review ought to be a piece of extortion examinations. As an intriguing truth that ought to likewise be noted, an inner review is definitely not a prime wellspring of misrepresentation distinguishing proof.

Chapter 5. The result of a research

Conclusion and Recommendations

These outcomes demonstrate that associations with an interior review work are bound to distinguish and report extortion contrasting with those undertakings without this division. Other than that, associations with poor controls will be ignorant of misrepresentation contrasted with substances with great controls, since they don't have a successful instrument to recognize it. The greater part of the cheats is as anyone might expect been related with poor corporate administration on the grounds that the event of misrepresentation inside an element would be identified with a disappointment of the controls.

At the point when the board can supersede controls, directors can submit extortion paying little mind to its quality. In any case, supervisors may pick powerless controls to "conceal" extortion. Furthermore, it has appeared there is a space for contradiction with respect to the exchange offs of a specific control actualized. Easygoing proof proposes examiners and supervisors regularly differ about the money-saving advantage examination of the evaluator's inner control proposals. Inspectors are a support of solid controls since when they are solid, odds of discovering cheats increment. Be that as it may, it isn't financially savvy from a chief's perspective. Subsequently, within the sight of data asymmetry concerning directors' motivations to submit misrepresentation, it isn't evident whether these control proposals are useful to the organization overall. Other than that, approaches to determine these contradictions ought to likewise be examined by senior administration and proprietors.

It is likewise demonstrated that having in-house examiner is a more effective path than totally redistributing the inside review work. These outcomes are significant for some gatherings, for example, financial specialists, controllers, and corporate chiefs and executives since it stresses the advantage and estimation of the inward review work.

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The interior review is significant as a counselor since it advances the organization's execution, to guarantee that the administration can satisfy its duties. The inward review gives data about this action and affirms the precision and unwavering quality of the directors' report. Utilizing inward review data, the executives can roll out important improvements inside the substance and association every now and then.

Anticipation: As a piece of their exercises, inner evaluators watch for potential extortion dangers, survey the sufficiency of related controls, and make proposals for development.

Recognition: Because of the open lines of correspondence with the official board and staff, they can assume a significant job in extortion discovery. In numerous associations, the central review official (CAE) is in charge of reacting to issues raised on the morals hotline or through another procedure that may prompt the recognition of extortion.

Examination: Internal reviewers may either have an immediate job in exploring misrepresentation occurrences, they, for the most part, are not expected to have the aptitude to research extortion.

The principle aftereffect of the examination is as given beneath;

- The essential duty regarding the anticipation and discovery of extortion is identified with both those accused of administration and the executives.
- An inspector directing a review is in charge of getting sensible confirmation that the fiscal summaries all in all are free from material misquote, regardless of whether brought about by blunder or extortion.

Basically stated, if the board and administration have solid inner controls, it makes a solid domain that deflects extortion.

This research investigates the auditors' obligations in recognizing misrepresentation. It likewise examines the apparent degree of the related review methods. The investigation additionally plans to learn whether the report clients' view of the reviewers' duties on

misrepresentation discovery is steady with the universally distributed measures. The examination found that respondents' impression of the official target of a review is mistaken, as they set an exclusive standard on inspectors' obligations on misrepresentation avoidance and identification. This recognition is in sharp diverge from the expressed essential goal of a review, as stipulated in ISA 200, which just expected evaluators to shape a feeling on the budget report, yet not of misrepresentation counteractive action and discovery endeavors of the organization. The examination additionally found an absence of comprehension among respondents of the statutory obligations of reviewers. The absence of comprehension is on the grounds that the clients might not have perused the statutory arrangements for examiners, or have overlooked or overlook them. The current circumstance might be improved through a few procedures, the two well on the way to succeed being:

- i) educating the clients on the job and the genuine obligations of inspectors, through better correspondence by evaluators;
- ii) by growing the extent of the review to meet market desires.

Doorman (1997) trusts that instruction may help in tackling the misinterpretation issue as it might lessen the "misconception hole" brought about by numbness. Then again, extending the extent of a review may alleviate the "desire hole" issue as examiners would then play out extra obligations not recently required. It is trusted that by actualizing the two methodologies, the open's desire and reviewer's obligations will be brought into nearer accord.

The work was anyway restricted by certain variables, for example, time allotment to broadly do it. Another issue is that different elements increment the inclination to recognize extortion as opposed to an inside review. Our discoveries go some approach to address this worry yet it is a troublesome issue to unravel and warrants further research.

Evaluation of Auditors' roles in Fraud Detection and Investigation

There are numerous different regions of future research from the issues investigated in this examination. To start with, the adequacy and significance of inward review inside associations ought to be analyzed further in various ways. The greater part of the earlier research has just centered around recognitions from outer examiners here without concentrating on an in-house one. Second, inspectors' duties regarding misrepresentation location have expanded as of late. There ought to be more research on approaches to improve examiners' capacities around there.

More significant than distinguishing cheats is to avoid the event of them. Hence, when misrepresentation control, which is formed with a proactive review approach, isn't utilized legitimately, it makes hard to adapt to the extortion cases. The issue, which has been led in this examination, has been additionally analyzed in past explores. Subsequently, new methodologies ought to be acquainted to avoiding cheats later on.

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