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Integrating IFRS 7 And Digital Transformation Enhances Financial Instrument Risk Assessment

Istiqlal Jumaah Wajar, istiqlalrashid@uomustansiriyah.edu.iq (*)

Department of Accounting College of Administration and Economics Al-Mustansiriyah University , Iraq

(*) Corresponding author

Abstract

General Background: Transparent financial reporting is essential for assessing banking risks and ensuring reliable financial disclosures. **Specific Background:** IFRS 7 regulates disclosures of credit, liquidity, and market risks associated with financial instruments. **Knowledge Gap:** A structured approach to assessing material misstatement risks in Iraqi banking disclosures remains necessary. **Aims:** This study developed a risk assessment methodology for internal auditors and evaluated IFRS 7 compliance in an Iraqi private bank. **Results:** Using a descriptive-analytical case study, the research examined financial reports and governance information from 2020 to 2024. The findings revealed inconsistent disclosure compliance, particularly regarding measurement policies, credit and liquidity exposures, fair value valuation, and hedging arrangements. Market risk disclosures received greater attention but required additional quantitative sensitivity analysis. **Novelty:** The study integrates IFRS 7 compliance, misstatement risk classification, internal auditing, and digital transformation into a structured assessment framework. **Implications:** The findings support improved financial disclosures, regulatory compliance, and internal audit practices.

Highlights:

- Disclosure completeness and consistency varied across financial instrument categories.
- Fair value measurement and hedging arrangements required more detailed reporting.
- Market risk disclosures received relatively greater attention but lacked sufficient quantitative sensitivity analysis.

Keywords: IFRS 7, Financial instrument disclosure, Material misstatement risk, Internal auditing, Digital transformation

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I. Introduction

The financial and banking environment has witnessed rapid developments in recent years in the nature and volume of financial instruments traded, increasing the importance of providing transparent, reliable, and comparable financial information. Risks associated with financial instruments, particularly credit, liquidity, and market risks, are among the most significant factors affecting banks' financial position, operating results, and cash flows. Therefore, disclosing these risks has become essential to enable investors, depositors, regulators, and other users of financial statements to assess risk levels and make sound economic decisions..

In this context, IFRS 7 Financial Instruments: Disclosures: This standard specifies the qualitative and quantitative disclosure requirements regarding the importance of financial instruments to an entity's financial health and performance, character and magnitude of the potential dangers that may emerge from them and how these risks are managed. The importance of this standard is further amplified when linked to IFRS 9, which focuses on the measurement, classification, and recognition of expected credit losses, thus requiring reliable estimates, assumptions, and verifiable data that can be disclosed.

The importance of disclosure is not limited toIFRS 7 not only improves the quality of financial reporting but also supports the internal auditor's role in assessing material misstatement risks and planning appropriate audit procedures. Inadequate or unclear disclosure of financial instruments and their associated risks can withhold material information from users of financial statements and make it more difficult to assess the reasonableness of accounting measurements, particularly estimates of expected credit losses. The importance of this research in the Iraqi banking surrounding stems from the need to evaluate banks' compliance with financial risk disclosure requirements, given the transformations occurring in the financial sector and the increasing demands for governance, oversight, and compliance with international standards. Therefore, this research aims to analyze the role of IFRS 7 disclosure in enhancing the transparency of financial statements and its impact on reducing material misstatement risks, based on a case study of Iraqi banks during the period 2020–2024.

II. Research Methodology

2 .1 Research Problem

The application of IFRS a cornerstone for developing the accounting and banking environment, as a CBI instructed private banks to fully adopt these standards, according to its circular No. (9/12) dated 1/4/2016. IFRS7 The section titled "Financial Instruments: Disclosures" is at the forefront of these standards, given the complex nature of the financial risks facing the banking sector.

The research problem lies in the practical challenge faced by internal auditors in the absence of a specific and structured methodology for material risk assessment misstatements (Material MisstatementsRelated to financial instruments and their disclosures, and the lack of clear audit procedures. Therefore, there is a need to develop and design a methodology for assessing material misstatement risks that enables the internal auditor to measure and classify the risks associated with financial instruments and their related disclosures. The following queries can be used to formulate the research problem:

- How can a practical methodology be designed to estimate the possibility of significant errors in reportingments in financial instruments and disclosures, which can then guide audit processes?

- Analyzing the relationship between the requirements of financial instruments and disclosures and the auditor's response to estimated material misstatement risks.

2 .2 Research Objective

This study aims to design a methodology for material risk assessment misstatements in financial instruments and related disclosures, based on the instructions and regulations issued by CBI, which serves as the primary regulatory framework governing the handling of these instruments. It also measures the level of compliance of the Iraqi banks under study with CBI instructions regarding financial instruments and their disclosure, and analyzes the extent to which this compliance reduces the possibility of significant errors in reportingments in financial statements..

Highlighting the impact of applying the proposed methodology in enhancing the transparency of financial instrument disclosure and improving the management of associated risks, thereby contributing to supporting the reliability of financial information provided to users and regulatory authorities..

2 .3 Importance of the research

The importance of this research lies in developing and designing a practical methodology for material risk assessment misstatements in financial instruments and related disclosures, based on the instructions of CBI, which serves as the regulatory framework governing these instruments. The research's practical significance stems from analyzing and measuring the level of compliance of the banks under study with the instructions and regulatory controls governing financial instruments. This enables the identification of appropriate audit standards and guidelines that can be employed in building a comprehensive audit program and detailed procedures for assessing and disclosing the risks associated with material misstatements. This is particularly important given the pivotal role of transparent disclosure of financial instruments in enhancing risk management and supporting the reliability of financial information provided to users of financial statements

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and regulatory authorities..

2 .4 Research Hypothesis

- Iraqi private banks are fundamentally committed to the requirements of the International Financial Reporting Standard (IFRS) Financial Instruments: Disclosures, and to the relevant instructions issued by CBI, which positively impacts the accuracy and fairness of the presentation of financial reports related to financial instruments..

The level of compliance of private banks with the requirements of the International Financial Reporting Standard (IFRS) on Financial Instruments: Disclosures and the instructions of CBI contributes to reducing the risk of material misstatements in the items of financial instruments and related disclosures in the financial statements..

Applying the proposed methodology for assessing the risk of material misstatements in financial instruments and disclosures will improve the efficiency and effectiveness of auditing financial instruments and increase the ability to detect potential material misstatements..

2 .5 Research Population and Sample

1. The research community.The Iraqi banking sector as a whole was chosen for the research because it is one of the sectors that has relied on International Financial Reporting Standards since 2016 in preparing its financial reports.

2. Research sample.The sample consisted of one of the Iraqi private banks, which in recent years adopted the International Financial Reporting Standards for Financial Instruments and Disclosures, making it a suitable model for studying the level of application and analyzing the possibility of significant errors in reportingments.

2 .6 Research Methodology

To put the research concepts into practical application, the researcher adopted a descriptive-analytical approach through a banking case study. The policies and technical procedures authorized by the central bank and their impact on banking data governance were analyzed, along with financial reports for the period (2020–2024) and published governance reports, with the aim of identifying and analyzing actual governance requirements. Based on this, a checklist was designed that included (7) Requirements for evaluating the application level and its relationship to digital transformation. The practical application was conducted at a private bank, whose name was not disclosed, to protect data and ensure that the information was not used outside the scope of scientific research. The bank's approval was obtained to conduct the study and use the data for scientific research purposes only.

The researcher identified a methodology for evaluating the application of the requirementsInternational Financial Reporting Standard: Financial Instruments: DisclosuresIn a bank. When evaluating the auditor, a set of steps is followed within the scope of the seven requirements specified in the standard.IFRS 7. These are systematic steps, some of which were found to be implemented in the bank under study, while others were not. Failure to implement a requirement represents a weakness, which the researcher classifies into one of three levels based on the extent of the weakness's impact on banking data and its violation of instructions, rules, and events. The degree of the weakness also depends on the internal auditor's assessment based on their experience. The weakness is assigned a numerical rating according to the classification level. Table (1) shows the weakness classifications and their corresponding scores.

Table (1) Digital Grading of Weakness Levels

big	Middle	small
8-10	5-7	0 – 4

Source: Prepared by the researcher

Tables (3) show (10), requirementsIFRS 7. Furthermore, the classification of weaknesses in fulfilling the requirement was based on respondents' answers to the questions and inquiries posed. The assessment scores were within the maximum range (4, 7, 10). For example, the weakness assessment for the first requirement was 21 out of 48 points, comprising one high, one medium, and one low [(1 x 10) + (1 x 7) + (1 x 4)]. As for the financial instruments categories, the weakness assessment for the second requirement was 27 out of 47 points, comprising two high and one medium [(2 x 10) + (1 x 7)]. The same applies to the remaining tables.

III. The theoretical aspect of the research

3 .1 Overview of the concept and scope of IFRS (Financial Instruments and Disclosures)

First: The emergence and development of IFRS on financial instruments and disclosuresIFRS 7

The International Accounting Standards Committee (IASC) issuedThe IASC (International Financial Reporting Standard) is a standard for disclosures in the financial statements of banks and similar financial institutions, and is considered an important starting point for disclosing financial instruments in the banking sector (Mendoza:2025). and schedule.(2) It shows the origin and development of the intestines (IFRS 7)

Table (2) Origin and Development of the Standard IFRS 7

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Evolution of the standard	Year
IASB adopted IAS 30 on "Disclosures in the Financial Statements of Banks and Similar Financial Institutions", The International Accounting Standards Committee initially issued this document in 1990	2001
The Council issued the International Financial Reporting Standard (IFRS)IFRS 7 on "Financial Instruments" replaced International Accounting Standard (IAS) 30 and incorporated the disclosure requirements of International Accounting Standard 32 on "Financial Instruments: Disclosure and Presentation." The name of IAS 32 was subsequently changed to "Financial Instruments: Presentation." The Board also amended International Financial Reporting Standard (IFRS) 1 on "Presentation of Financial Statements" (as revised in 2007) by modifying the terminology used in IFRS standards, including IFRS 7.	2005
The International Accounting Standards Board (IASB) has strengthened the disclosure requirements relating to fair value and liquidity risk in the standard.IFRS 7. Additionally, the Board implemented modifications International Financial Reporting Standard No. 7 (IFRS 7) to reflect the issuance of a new standard for financial instruments, namely the International Financial Reporting Standard (IFRS 9) "Financial Instruments" — With regard to the categorization of monetary assets and liabilities.	2009
The standard was modifiedIFRS 7 also requires entities to provide additional disclosures regarding all transferred financial assets that have not been removed from the balance sheet (i.e., not derecognized) in cases where the entity retains a continuing interest in the transferred asset.	2010
The council amended the standardIFRS 7 to improve disclosures relating to clearing arrangements for financial assets and financial liabilities.	2011
Upon the issuance of the International Financial Reporting Standard (IFRS)IFRS 17) "Insurance Contracts", disclosure requirements were added for cases where themThe creation of an exemption relating to specific treasury shares or to financial obligations of the same entity that were repurchased under certain circumstances.	2017
The council amended the two standardsIFRS 9 and IAS 39, through the issuance of the "Interest Rate Standard Reform" amendments, provide specific exceptions to the accounting requirements for hedging contained in these two standards. The "Interest Rate Standard Reform" amendment also led to the modification of International Financial Reporting Standard (IFRS 7) to add specific disclosure requirements for hedging relationships to which they apply, contained in IFRS 9 Exceptions or International Accounting Standard No. 39 (IAS 39).	2019
The Council issued "Reform of Benchmark Interest Rate Standards - Phase Two," which amended the requirements contained in the standards (IFRS 9), (IAS 39), (IFRS 7), (IFRS 4) and (IFRS 16)	2020
The Council issued the International Financial Reporting Standard (IFRS)IFRS 18) on "Presentation and Disclosure in Financial Statements", and the transfer of disclosure requirements - which were previously included in IAS 1 and IFRS 7 - relating to redeemable financial assets that are deemed equity instruments under IAS 32, and the disclosure criteria for assets that have been reclassified as either equity or financial liabilities. The Council also issued "amendments to the classification and measurement of financial instruments," which modified the requirements contained in the two standards (IFRS 9 and IFRS 7, relating to the following: monetary commitments paid by electronic means, evaluation of the contractual liquidity features of monetary assets, and disclosures.	2024

Source:IFRS.org(IFRS 7 Financial Instruments: Disclosures:2026) .

Second: The concept of the International Financial Reporting Standard (IFRS) on financial instruments and disclosures

The International Financial Reporting Standard (IFRS) relates(IFRS 7) Disclosures about Financial Instruments aims to enhance transparency in financial risk disclosures. Companies must disclose the following risks(IFRS:2022).

: (1) Credit Risk: The company's exposure to credit risks associated with financial instruments, the policies and procedures used to manage credit risk, the allocation of credit risk across different asset classes, and information on financial assets that have decreased in value. (2) Liquidity Risk: The company's ability to meet its financial obligations when due, an analysis of the maturities of financial obligations, and the company's liquidity management strategies. (3) Market Risk: Exposure to market risks related to market price volatility, classifying market risk into interest rate risk, currency risk, and equity price risk. An analysis of the company's sensitivity to market changes (Ghdhaib:2024). Accounting disclosure helps reduce information asymmetry between companies and external stakeholders. Disclosure is particularly important in the banking sector due to banks' high leverage levels and their exposure to credit, liquidity, market, operational, and systemic risks. The International Financial Reporting Standard (IFRS) mandates this. Disclosure of the relevance, kind, and extent of risks associated with financial instruments is a requirement of IFRS 7. Credit, liquidity, market, concentration, and risk management techniques are all part of this for digital lenders and banks. (Samuel et al.,: 2026).

Third: The importance of disclosing the risks of financial instruments

Banks' disclosure of risks is supposed to promote market discipline. Following the 2007-2009 financial crisis, it became clear that the disclosure requirements imposed by banking reporting standard-setters were insufficient to provide comprehensive and comparable information on the risks associated with banks' financial instruments and capital adequacy. (Arcy et al.,: 2026). Saidi believes that disclosing the risks of financial instruments is extremely important from many aspects, including: (Saidi: 2022).

1-Disclosing the risks associated with financial instruments is essential.It is essential, as the transparency of banks regarding risks is a crucial element for the proper functioning of capital markets, and it also increases the informational value of the reports issued by banks in a way that serves the interests of investors.

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2- Risk disclosure is viewed as an external mechanism that subjects the behavior of executives to scrutiny and control.

3-Disclosing risks enhances a bank's credibility and reputation, ensuring that it gains the trust of stakeholders.

4-Risk disclosure processes help bridge the existing "information asymmetry" gap between board members and shareholders, thereby enhancing market discipline, as market participants have material information upon which they can base their judgments and assessments of risk and performance.

The researcher believes that the International Financial Reporting Standard (7) seeksIFRS provides disclosures in financial reports about financial instruments, since it satisfies the demands of all stakeholders by providing more thorough disclosure of qualitative and quantitative information regarding the risks linked to financial instruments and painting a clear image of those risks to users of financial reports, whether internal or external, and keeps pace with continuous development in response to the demands of concerned parties, to disclose the quality of financial instruments.

Fourth: Range International Financial Reporting Standard: Financial Instruments and Disclosures.

This falls under the standard for disclosing financial instruments (IFRS 7) All types of financial instruments and contracts for the purchase or sale of non-financial items that can be settled in cash or by using any other financial instrument,(Robinson:2022). and derivatives in rights in subsidiaries, associates, or joint ventures. Also included in the scope of the standard are financial instruments that take the form of an insurance or reinsurance contract (only those relating to the transfer of financial risk). IFRS 7 excludes investments in subsidiaries covered by IFRS 3 and IAS 27, investments in associates and joint ventures covered by IAS 28, employee rights and liabilities under employee benefit plans covered by IAS 19, equity-based payment transactions (IFRS 2), rights and liabilities arising under insurance contracts covered by IFRS 3, contracts for contingent considerations in business combinations covered by IFRS 3, and contracts requiring cash payments based on geological or other physical variables covered by IAS 39. The benefit of commercial banks adhering to the Financial Instruments Disclosure Standard (IFRS 7) is clearly for users of financial statements. It is expected that banks' compliance with accounting disclosure requirements when preparing financial statements will facilitate the work of financial statement users, which will positively impact the nature of their operations. This allows them to compare the bank's performance with similar banks, thus facilitating sound decision-making.Aqaila: 2024).

3 .2 The relationship between examining financial instruments and disclosures and assessing the risk of potential material misstatements in the context of digital transformation

First: The relationship between examining financial instruments and disclosures and designing internal audit procedures

The examination of financial instruments and their accompanying disclosures is directly linked to the design of internal audit procedures. This is because financial instruments, particularly derivatives, fair value investments, loans, guarantees, and complex instruments, often involve complexity in classification, measurement, recognition, presentation, and disclosure. The level of risk increases when valuations rely on valuation models, unobservable inputs, or management assumptions, as this raises the degree of uncertainty in the valuation and the potential for material misstatements in the figures or accompanying disclosures.

In areas requiring a high degree of estimation, specialized standards, such as International Standard on Auditing 540 (Revised) on accounting estimates, provide enhanced requirements aimed at addressing management bias and measurement uncertainty (2026).Hocine).According to the standardInternational Standards Auditing (IAS 540), entitled “Auditing Accounting Estimates,” including accounting estimations of fair value in the audit of financial statements, requires the auditing must gather enough and acceptable proof of audit as to whether the accounting estimations of fair value in the financial statements have been familiar or revealed, and whether the disclosures related to the financial statements are appropriate within the context of the applicable financial reporting framework. This standard also requires the auditor to assess, based on the audit procedures performed and the results obtained, whether these accounting estimates and related disclosures are reasonable within the framework of IFRS for the companies being audited, or whether they are materially misrepresented (2023).Al-Halbousi).

From an internal audit perspective, examination is not limited to the subsequent verification of balances shown in the financial statements. It also includes evaluating the design and effectiveness of controls throughout the financial instrument's lifecycle, from approval and recording of the process, through classification, measurement, and revaluation, to presentation and disclosure. Therefore, the internal audit program should be linked to relevant management assertions, such as existence, completeness, accuracy, evaluation, timeliness, presentation, and disclosure.The main areas of examination include the following: (Samuel et al., 2026).

- Governance and Policy Review: Verifying the existence of approved policies for managing financial instruments, defining authority limits, acceptable risk levels, transaction approval mechanisms, hedging procedures, liquidity management, and credit and market risks(Assidi:2020).

- Registration and Classification Examination: Verifying that the financial instrument is registered in the correct period, classifying it according to the unit's business model and contractual cash flow characteristics, and reconciling accounting record data with contracts and confirmations issued by banks or counterparties)Saravanan et al. , 2023).

- Measurement and valuation review: This involves examining valuation models, market price sources, underlying inputs and

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assumptions, and reviewing the independence of the valuation entity from the transaction executing entity. When fair value or expected credit losses are based on complex estimates, the assumptions used should be examined for their consistency with economic conditions and available data) Zango: 2021 .(

- Examination of disclosures: Verifying that the disclosures adequately explain the nature of the financial instruments, measurement policies, fundamental assumptions, uncertainty in valuation, sensitivity to risk, and concentrations of credit, liquidity, and market risks)Mies .(2024:

The researcher observes that the results of these tests directly influence the plan of internal audit events. The higher the risk of assessment, the weaker the disclosure, or the less effective the controls, the more the internal auditor will tend to expand the scope of detailed testing, increase the frequency of audits, conduct surprise tests, and engage evaluation or data analysis experts. Conversely, if the controls prove effective and the data reliable, greater reliance can be placed on continuous control testing and automated analysis.

The term "digital transformation" describes the changes that occur when businesses use digital tools to fundamentally change how organizations operate.(Li:2025).This involves redesigning processes, services, and operating models to align with modern technological advancements. This transformation extends beyond the purely technical aspect, encompassing a cultural and organizational shift aimed at enhancing operational efficiency and delivering greater value to stakeholders. Digital transformation contributes to the innovation and development of new and improved business models that generate added value for all parties involved)Tega and Idowu :2026(The auditing profession has become more important because of the rise in activities. Auditing plays a role, in corporate governance and in ensuring the reliability of information systems. It allows auditors to identify errors and inconsistencies in statements. It also helps assess whether financial report data and disclosures honestly reflect the company's true financial condition and how well it is performing (2025:Mohammed).

Digital transformation is the common term used to describe organizational change. It involves creating business models that have a big impact, on accounting systems and the information those systems generate. This means organizations need control and risk management systems to keep things in order. The use of technology has also changed how the auditing profession works. It has affected the way auditors carry out their duties. These new technologies help make audit processes more flexible. They also help improve how people see auditing turning around opinions into more positive ones (2025).Misbah&Esawi).

The digital transformation of auditing has garnered attention from both regulators and professionals, and has become a prominent topic in academic audit research. Existing studies have analyzed the impact of audit digitization from a normative perspective, indicating that audit computing in a big data environment facilitates continuous auditing, the discovery of audit indicators (or clues), and the transformation of audit organizational structures, thereby improving audit efficiency and quality. On the other hand, digital transformation increases auditors' awareness of audit risks, leading to higher audit fees

(Wang and Kong:2025). However, due to the insufficient maturity of audit technology, audit quality may actually decline. Digital banking authentication enhances auditors' ability to detect material misstatements. A prudent manager should recognize that if financial statements contain material misstatements, the likelihood of the auditor detecting these misstatements and issuing a modified (unclean) audit opinion increases. Such opinions may indicate poor financial reporting quality and trigger negative market reactions, potentially damaging the company's reputation, future performance, and even management's career prospects.2025:&Shentu Jia).

Credit exposure, loan portfolio quality, borrower categorization, platform-related concentration and risk management systems must be disclosed in digital lending. Many banks still focus on sector, location, collateral and maturity of digital lending channels, alternative credit scoring systems, fintech partnerships, algorithmic model risks and platform-related concentration. I see a transparency gap, between credit exposure and credit risk reporting. I think financial instrument disclosures should add lending data to increase transparency keep markets honest and help investors assess digital credit risk. (2026).et al., Samuel).

Therefore, the researcher argues that digital transformation does not automatically increase or decrease the risk of material misstatements; its impact depends on the maturity of the technological infrastructure, data quality, the effectiveness of digital controls, and the level of governance and human oversight. Consequently, it should be treated in auditing as a factor that reshapes the risk landscape, necessitating the integration of data, systems, cybersecurity, and algorithm risk assessments within the assessment of material misstatement risks in financial statements.

4 . The practical aspect.The proposed framework for linking research variables

Based on what was presented in the research methodology and the theoretical aspect, the proposed framework is based on the assumption that:

- Governance of the economic unit's data represents the main variable to be evaluated.

- Internal audit procedures represent the systematic tool for evaluation and obtaining evidence.

- Digital transformation is a factor that enhances internal audit procedures.

4 .1 The impact of applying accounting policy requirements on assessing the possibility of significant errors in reportingments

Disclosure of accounting policies for financial instruments is enhanced according toIFRS 7 ensures transparency in the basis

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for classification, measurement, and recognition, supporting the assessment of material misstatement risks associated with complex judgments and estimates. Digital transformation, through data integration and automated analytics, contributes to greater consistency, accuracy, and speed in detecting deviations. Therefore, clear and digitally supported disclosure is an effective tool for improving the quality of financial reports and the efficiency of audit and risk assessment procedures.

The table displays (3) The extent to which accounting policies are applied in material Risk Assessment misstatements, by identifying areas of weakness in meeting the requirements inBankResearch topic.

Table (3) Applying accounting policy requirements in material risk assessment misstatements

The app Applied✓ Not applicable ×	Risk classification of non Providing the requirement	Risk analysis in Digital transformation remained	Financial Instruments and Disclosure Standard Requirements/Accounting Policies
×	small	Failure to detect unusual transactions or errors in their recording, measurement, and disclosure, particularly when analysis algorithms are weak or the extracted data is incomplete.	.1 Analyzing unusual items and transactions related to financial instruments using digital data analysis techniques.
✓	big	Inaccuracies in electronic data; errors in data transfer and migration between the operating system and the accounting system..	Evaluating the impact of digital .2 transformation in banking information systems on the quality of disclosure of .financial instruments.
✓	middle	The risk of incomplete or inaccurate disclosure of the risks of financial instruments, leading to material misrepresentations in estimates of expected credit losses and fair value measurements.	3. Evaluating the effectiveness of digital risk management policies in monitoring, measuring, and disclosing credit, liquidity, .and market risks.
×	middle	The risk of inadequate reporting accounting policy changes or inaccurate presentation of their effects, which may mislead users of financial statements regarding measurement, classification, and results.	4. Verifying the electronic reporting accounting policy changes related to financial instruments and their effects.
✓	big	Relying on outdated or inconsistent data with balances leads to distortions in disclosure or interpretation of financial instrument indicators..	5. Measuring the contribution of digital analytical reports and electronic information in supporting the main financial statements.
×	big	The risk of discrepancies between the disclosures and the financial statements, or a lack of classification, measurement, and risk data, as well as the potential inability to trace the source of electronic data and verify its reliability..	6. Examining digital disclosures, their traceability, and electronic verification, including the classification, measurement, and risk assessment of financial .instruments
21	48		level of weakness

Source: Prepared by the researcher based on information contained in the financial statements.

4 .2 The impact of applying the financial instrument class requirement on assessing material misstatement risks

Applying disclosure requirements according to financial instrument categories contributesIFRS 7 enhances the accuracy of assessing material misstatement risks because it allows for the analysis of financial assets and liabilities based on their characteristics and levels of exposure to credit, liquidity, and market risks, rather than treating them as a homogeneous aggregate. Digital transformation strengthens this process through the integration of databases, automated analytics, and real-time dashboards, enabling the identification of deviations and unusual transactions and the assessment of their risks more objectively and in a timely manner. The researcher believes that aligning IFRS 7 requirements with digital capabilities supports the quality of disclosure and reduces the likelihood of missing material misstatements related to financial instruments.

The table displays (4) The extent to which the requirement for financial instrument categories is applied in material risk assessment misstatements, by identifying areas of weakness in meeting the requirements.

Table (4) Applying the requirements of financial instrument categories in material risk assessment misstatements

The app Applied✓ Not applicable ×	Risk classification of non Providing the requirement	Risk analysis in Digital transformation remained	Standard Requirements / Financial Instrument Categories

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✓	big	Data quality risks, input and automated processing errors, poor system integration, and misclassification resulting from software bugs.	1. The bank classifies its financial instruments according to their nature and characteristics, in accordance with the requirements of financial reporting standards.
✓	big	Digital fraud, borrower identity theft, manipulation of customer and payment records, bias or error in AI-based credit rating models	2. Financial assets are classified at amortized cost when the bank's objective is to hold them to collect contractual cash flows, provided that these flows represent only principal and interest payments.
×	big	Inadequate disclosure of cybersecurity risks, system outages, reliance on cloud computing, and algorithm risks, impacts profits, losses, and the integrity of financial information.	3. The bank discloses net profits or losses resulting from changes in fair value, impairment of assets, and reclassification of financial instruments where appropriate.
×	middle	Risks of algorithmic bias, poor interpretation of AI outputs, reliance on inaccurate historical or massive datasets, and attacks on databases.	4. The bank adopts valuation methods that are appropriate to the nature of the financial instruments and the requirements of the financial reporting framework, based on reliable market data and verifiable assumptions.
×	big	Unauthorized access to disclosures, data modification or leakage, reporting system failures, and data inconsistencies between digital systems and published reports.	5. The bank is committed to disclosing all transactions related to financial instruments, and the book value of each category of financial assets and liabilities, thereby enhancing transparency and enabling users of financial statements to assess the financial position and level of risk exposure.
27	47		level of weakness

Source: Prepared by the researcher based on information contained in the financial statements and the governance manual.

The table indicates (4This indicates the presence of disclosures regarding financial instruments, but the degree of disclosure is not consistent across different items. This means that the bank may explain some types of assets and financial liabilities, while in other items it does not provide sufficient explanation of measurement policies, the nature of risks, or changes that occurred during the financial year.

In practice, a bank needs to link each category of financial instruments to the appropriate accounting measurement method, demonstrate its impact on the balance sheet and profit or loss statement, and disclose its associated risks. For example, it is not sufficient to present loans or investments as a lump sum; it is better to specify the accounting basis for their measurement and the associated credit, liquidity, and market risks.

4 .3 The impact of applying the credit risk requirement on assessing the risk of material misrepresentations

Applying credit risk requirements leads to greater accuracy in assessing the risk of material misstatements, because measuring expected credit losses relies on assumptions and estimates that are sensitive to the probability of default and the loss in the event of default, which may expose financial statements to misrepresentation when data or controls are weak.Under IFRS 7 disclosure requirements, the unit is obligated to provide qualitative and quantitative information about credit risk exposure and how it is managed. This enables users of the disclosure statements to assess the impact of these risks on the amounts, timing, and uncertainty of future cash flows. Digital transformation is supported through data analytics, artificial intelligence, and early warning systems, which improve the quality of customer data, credit ratings, and continuous monitoring. This reduces the potential for material misstatement and enhances the reliability of IFRS 7 disclosures.

The table displays (5) The extent to which the credit risk requirement is applied in assessing the risk of material misstatements by identifying areas of weakness in meeting the requirements

Table (5) Applying credit risk requirements in assessing material misstatement risks

First Bank **<u>The app</u>** **Applied✓** **Not applicable ×**	**Risk classification of non Providing the requirement**	**Risk analysis in Digital transformation remained**	**Financial Instruments and Disclosure Standard Requirements/Credit Risk**

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×	**big**	**Data errors, poor system integration, or flawed automated models can lead to inaccurate calculations of expected credit losses.**	**.1 The bank employs reliable electronic systems to manage credit risks and calculate expected credit losses, ensuring data integrity, processing accuracy, and output .quality.**
✓	**big**	**The risk of non-compliance increases when relying on outdated digital models, undocumented assumptions, or incomplete historical data.**	**.2The bank applies digital controls to verify compliance with standard requirements.[IFRS9], particularly in measuring, classifying, and monitoring expected credit losses.**
×	**middle**	**The limitations of digital reporting or the poor quality of electronic disclosure restrict the bank's ability to accurately and transparently present its level of risk exposure.**	**3. The bank has an integrated credit risk management strategy that complies with the requirements of the standard.[IFRS7], and it is supported by modern digital analysis and reporting tools.**
✓	**big**	**The lack of advanced digital analytics leads to the failure to detect credit concentrations associated with a specific sector, region, or customer segment in a timely manner..**	**4. The bank trusts on the careful diversification of its loan portfolio according to economic activity, geographical distribution, and credit categories, utilizing monitoring dashboards.**
✓	**big**	**Relying on undocumented digital data or inaccurate evaluation models, granting credit to high-risk clients, or accepting inadequate or outdated guarantees..**	**5. He evaluatesThe bank digitally assesses creditworthiness, taking into account the adequacy of the collateral provided and its suitability to the nature and size of the credit facilities.**
✓	**middle**	**Weak management of user permissions in electronic systems can lead to exceeding authorization limits, making unauthorized modifications, or conflicts of tasks and permissions..**	**6. The bank clearly defines the responsibilities and authorities related to the credit process, through electronic procedures and systems that enhance oversight and accountability..**
✓	**big**	**Failure to activate or properly configure automated controls allows for exceeding approved limits, delays in monitoring installments and payments, or failure to renew warranties on time..**	**7. The bank establishes automated controls that define maximum eligibility limits, minimum payment limits, and collateral requirements, thereby supporting compliance with approved credit policies..**
×	**small**	**Inaccurate data or delayed updates lead to credit and regulatory decisions that are not based on complete and up-to-date information..**	**8. The bank submits periodic digital reports to the Board of Directors on developments in the loan portfolio, risk levels, and the results of monitoring expected credit losses..**
21	**68**		

Source: Prepared by the researcher based on information contained in the financial statements.

4 .4 The impact of applying the liquidity risk requirement on assessing material misstatement risks

Applying liquidity risk disclosure requirements according toIFRS 7 aims to improve the assessment of material misstatement risks by testing the completeness and accuracy of the analysis of contractual cash flow maturities and liquidity management policies. Deficiencies in this data, or in the disclosure of funding sources and outstanding liabilities, can lead to material misstatements that influence the decisions of financial statement users. Therefore, auditors focus on both quantitative and qualitative data provided to management. In the context of digital transformation, real-time analytics, data integration, and automated controls enhance the reliability of liquidity measurement and disclosure, while simultaneously introducing new digital risks related to data quality and cybersecurity that necessitate effective audit controls.

The table displays (6) The extent to which the liquidity risk requirement is applied in assessing material misstatement risks, by identifying areas of weakness in meeting the requirements

Table (6) Applying liquidity risk requirements in assessing material misstatement risks

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First Bank The app Applied✓ Not applicable ×	Risk classification of non Providing the requirement	Risk analysis in Digital transformation remained	Standard Requirements/Liquidity Risks
✓	big	The risk lies in the timing mismatch between asset and liability maturities, which can create cash flow gaps at specific times. Digital systems help analyze these maturity gaps automatically and instantly by aggregating data and classifying cash flows according to their maturities, thus enhancing the accuracy of forecasting future liquidity needs.	1. The bank relies on digital systems to analyze the maturity dates of assets and financial obligations, and classify them within remaining time periods, which allows for measuring liquidity gaps and accurately predicting cash needs..
✓	big	Risk arises when there is insufficient cash or highly liquid assets to cover outstanding obligations. In a digital environment, real-time dashboards allow for monitoring balances and cash flows, and provide early alerts when liquidity indicators fall below established limits.	2. The bank provides sufficient cash liquidity to meet its obligations when due, using digital dashboards that display cash balances and inflows and outflows in real time..
✓	middle	The proliferation of digital banking services may lead to faster money transfers and deposit withdrawals, increasing the likelihood of sudden liquidity pressures. Therefore, predictive analytics should be used to monitor unusual withdrawal patterns and activate early warning and rapid response mechanisms.	3. The bank sets flexible limits on reliance on deposits or funding sources from specific sectors, and uses digital analytics to monitor concentration levels and diversify funding sources to reduce the risk of sudden deposit withdrawals..
×	big	The risk arises from over-reliance on a single funding source or on deposits from a specific sector, which exposes the bank to funding difficulties when these sources are withdrawn. Digital technologies support the analysis of concentration and the distribution of funding sources.	4. The bank takes into account achieving a balance between liquidity risks, credit risks, and expected profitability, by utilizing analytical tools and digital modeling to support investment and financing decisions..
×	middle	Maintaining high levels of liquid assets leads to lower expected returns, while excessive capital deployment can increase the risk of liquidity shortages. Digital models help simulate various scenarios and measure the impact of financing and investment decisions on liquidity, profitability, and credit risk.	5. The bank assigns relative importance to each source of funds according to its stability, cost, and speed of availability, relying on digital data to continuously update this assessment..
✓	big	The risk lies in the bank's inability to secure alternative funding sources during crises or periods of financial stress. Digital transformation enhances the efficiency of emergency funding plans by automatically testing stress scenarios, updating data on available funding sources, and accelerating communication and decision-making when a crisis occurs.	6. The bank maintains emergency funding plans supported by clear digital procedures, including financial stress scenarios, alternative funding channels, and early warning mechanisms that help to respond quickly to any liquidity crisis..
✓	big	The risk lies in non-compliance with the CIB instructions regarding liquidity ratios, cash holdings, and regulatory reporting. Digital systems help calculate regulatory indicators accurately, generate timely reports, and document data, thus promoting transparency and mitigating the risk of regulatory violations.	7. The bank adheres to the Central Bank's instructions regarding liquidity and required regulatory ratios, while employing digital systems to prepare accurate and timely regulatory reports..
17	64		level of weakness

Source: Prepared by the researcher based on information contained in the financial statements.

4 .5 The impact of applying the market risk requirement on assessing the risk of material misstatements

Applying market risk requirements enhances the accuracy of assessing material misstatement risks, as it guides the unit to measure the impact of reasonable changes in interest rates, exchange rates, and other prices on profit or loss and equity, thereby revealing potential errors in measurement and disclosure.IFRS 7 emphasizes that sensitivity analysis and disclosure of methodologies and assumptions enhance the transparency of financial information and the ability to assess and manage

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risk exposure. Digital transformation, through the integration of real-time data, predictive analytics, and risk management systems, enables the rapid updating of misstatement estimates and improves the reliability and consistency of market risk disclosures.

The table displays (7) The extent to which the market risk requirement is applied in assessing the risk of material misstatements, by identifying areas of weakness in meeting the requirements

Table (7) Applying the market risk requirement in assessing the risk of material misstatements

Applied✓ Not applicable ×	Risk classification of non Providing the requirement	Risk analysis in Digital transformation remained	Financial Instruments and Disclosure Standard Requirements/Market Risks
×	middle	The limited quality of digital data or the lack of integration of its sources leads to weak accuracy in models measuring sensitivity to changes in interest rates, stocks, and foreign currencies, which is reflected in the estimation of the size of potential losses.	The bank relies on digital analytical .1 tools to measure and analyze sensitivity to fluctuations in stock prices, interest .rates, and foreign exchange rates
×	big	The risk is related to the possibility of information systems failing, data flow being delayed, or digital reports being inaccurate, which may limit management's ability to respond quickly to market fluctuations.	.2He doesThe bank has an information system for continuously monitoring market risks, and for preparing reports and digital dashboards that are submitted to management levels in a .timely manner.
×	small	Weaknesses in the automated link between trading and risk management systems may result in exceeding transaction limits or approved exposure levels, especially given the speed and intensity of digital transactions.	3.Managing transaction limits and financial exposures electronically: The bank sets approved ceilings and limits for transactions and market exposures, using digital systems to automatically verify compliance with these limits and issue alerts when they are exceeded..
×	small	The risks lie in relying on numerical models or outdated assumptions that do not reflect actual market conditions, which could lead to inaccurate estimates of value at risk and potential losses.	4. The bank reviews the methods, models, and assumptions used in calculating market risk, leveraging historical data and advanced analytics to improve estimates..
✓	big	Delays in updating exchange rates and market values, or the use of unreliable data, may lead to misvaluation of open foreign currency positions and an inaccurate display of the value of assets and liabilities.	5.YThe bank measures and monitors foreign currency positions and the market value of assets and liabilities using digital tools that allow for tracking changes and analyzing their .financial impact.
✓	big	The risk arises when digital controls are inadequate or automated hedging tools are ineffective, which may lead to increased exposure to exchange rate fluctuations and losses resulting from sudden market changes.	6.The bank adopts standards and control procedures to manage exchange rate volatility risks, including setting exposure limits, hedging procedures, automated alerts, and monitoring changes in financial markets..
45	25		level of weakness

Source: Prepared by the researcher based on information contained in the financial statements.

4 .6 The impact of applying the fair value requirement on assessing the risk of material misstatements

Applying the fair value requirement increases the risk of material misstatements, particularly when relying on valuation models and non-observable inputs, thereby increasing the risk of subjective estimations and managerial bias..

within the frameworkIFRS 7 requires disclosure of measurement methods, valuation assumptions, and fair value sensitivity to risk variables, thereby enhancing the ability of financial statement users to assess and manage risk exposure. Digital transformation, through data analytics, automated market source integration, and continuous digital controls, contributes to improved reliability of valuation inputs, early detection of deviations, and a reduction in the potential for material misstatements in disclosures.The table displays (8) Fair value is the degree to which requirement is applied in material risk assessment misstatements, by identifying areas of weakness in meeting the requirements.

Table (8) Application of the requirementValueFairness in material risk assessment misrepresentations

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The app Applied✓ Not applicable ×	**Risk classification of non Providing the requirement**	**Risk analysis in Digital transformation remained**	**Financial Instruments and Disclosures Standard Requirements/Fair Value**
✓	**big**	**The risks associated with not aligning digital systems with new updates and interpretations of international standards may lead to errors in measurement or disclosure.**	1.Management is committed to measuring and disclosing fair value in accordance with IFRS, particularly IFRS 13, by incorporating the standard requirements into digital accounting systems and financial reporting platforms.
×	**middle**	The risk of data sources being compromised, electronic price flow being disrupted, or reliance on inaccurate or outdated data.	2. The bank relies on published prices in active markets to measure the fair value of financial instruments, using secure electronic links with databases and digital financial market platforms to obtain immediate and reliable data..
×	**small**	The risk of choosing instruments or markets that are not actually asymmetrical due to weak matching algorithms or poor quality of data entered into the system.	3. The bank employs data analytics techniques and intelligent systems to determine the prices of similar financial instruments in similar or comparable markets when no published price is available in an active market..
×	**small**	The risk of managerial bias in assumptions, errors in the design of digital models, or the lack of transparency in AI outputs and the difficulty in interpreting and verifying them.	4. Management uses digital models, simulation software, and statistical analysis to estimate the fair value of financial instruments for which no published market prices are available, based on assumptions that are verifiable and electronically auditable..
×	**big**	The risk of over-reliance on external experts or digital platforms, and the potential for weak expert independence or unclear methodology of the digital tool used.	5. The bank employs independent valuation experts who use specialized digital tools to reassess fair values and verify the soundness of models and assumptions, particularly for measurements based on the third approach..
✓	**middle**	The risk of the auditor's digital skills being inadequate, the electronic evidence being insufficient, or the data and algorithms being manipulated before reaching the auditor.	6. The auditor performs digital audit procedures, including data analysis, testing of automated controls, and examination of model inputs and outputs, in order to gather enough audit evidence about the valuation of fair value..
✓	**big**	The risk of failing to identify subsequent transactions with a material impact due to the large volume of data, delays in updating data, or weak connectivity between operating systems and the financial reporting system.	7. The auditor reviews transactions and proceedings ensuing to the financial reporting date, relying on digital monitoring systems and continuous data analysis, to verify the sensibleness of fair value estimations and related disclosures.
25	**52**		**level of weakness**

Source: Prepared by the researcher based on information contained in the financial statements and the governance manual.

4 .7 The impact of applying the hedge accounting requirement on assessing the risk of material misstatements

Applying hedge accounting requirements contributes to increasing the accuracy of assessing material misstatement risks by documenting the hedge relationship, measuring inefficiencies, and linking accounting treatment to the actual risk management strategy..

Within the frameworkIFRS 7 enhances the qualitative and quantitative disclosures of hedging instruments, cash flows, and uncertainties, enabling the auditor to identify areas of risk in the financial statements and assess their potential impact.

Digital transformation, through data integration, automated analytics and continuous monitoring, contributes to improving the reliability of measurement and disclosure of hedges, thereby reducing the possibility of material misstatements and enhancing the transparency of financial reporting.

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The table displays (9) The extent to which the requirement is applied Hedge accounting This involves material risk assessment misrepresentations by identifying areas of weakness in meeting requirements.

Table (9) Applying the hedge accounting requirement in material risk assessment misstatements

The app Applied✓ Not applicable ×	Risk classification of non Providing the requirement	Risk analysis in Digital transformation remained	Financial Instruments and Disclosure Standard Requirements/Hedge Accounting
×	middle	The risk of incorrect classification of the hedging relationship in the electronic system, or lack of documentation of the objective and strategy at the beginning of the relationship, may lead to the application of incorrect accounting treatments.	1. The bank electronically documents the types of hedging relationships, their objectives, and risk management strategies, including fair value hedging, cash flow hedging, and net foreign investment hedging, in accordance with the requirements of the standard.[IFRS\9]
×	middle	The risk of using inaccurate or delayed market data, errors in electronic linking between the hedging instrument and the hedged item, or manipulation of valuation data and fair values.	2. Financial platforms and digital treasury management systems are used to identify financial instruments designated as hedging instruments and automatically measure their fair value at the reporting date, linking them to the instrument or item being hedged.
×	big	The risk lies in relying on inaccurate models or algorithms, entering incomplete data, or ignoring emerging risks or non-linear correlations between market factors, which weakens the accuracy of exposure estimation.	3. The bank employs risk management systems and data analytics to measure the risks associated with hedging relationships in terms of the size, duration, and probability of realization of exposure, while preparing digital dashboards for continuous monitoring..
✓	big	The risk of improperly setting up warning indicators or control limits within the system, or failing to update them according to the instructions of the supervisory authority, may lead to violations that are not detected in a timely manner.	4. The bank monitors, using automated reports and early warnings, the continued appropriate financial connection between the hedged asset and the hedging tool, and compliance with the hedging ratios and limits set by the supervisory authority..
×	middle	The risk of overly optimistic assumptions in forecasting models, system failures during stressful conditions, or exposure of financing plan data to cyber threats, which affects the bank's ability to cope with actual losses.	5. The bank uses digital models to predict liquidity and potential losses and identify available funding sources to address them, linking financing plans to the results of stress tests and risks resulting from hedging instruments..
31	41	level of weakness	

Source : Prepared by the researcher based on information contained in the financial statements and the governance manual.

4 .11 Discussion of Results

The table shows (10) A summary of the proposed methodology for material risk assessment misstatements in financial instruments and disclosures of the bank under study.

Table (10) Summary of the results of assessing the risk of material misstatements by examining the requirements of IFRS 7 for the bank under investigation

Bank subject of research							
Total evaluation scores	level of weakness The whole	Small double total	The total is double the average	Double total The big one	Total grades Requirement	Data governance requirements	T

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27	21	1	1	1	48	Accounting procedures and policies	1
20	27	-	1	2	47	Categories of financial instruments	2
47	21	1	1	1	68	Credit risk management	3
47	17	-	1	1	64	Liquidity risk management	4
20	25	2	1	1	45	Market risk management	5
27	25	2	1	1	52	fair value	6
10	31	-	3	1	41	Hedge accounting	7
		2	9	2		Number of weaknesses discovered	A
		4	7	10		Relative weight of weakness	-
198	167	8	9	10	365	Total points for assessing weaknessesTotal actual weaknesses × weakness assessment level (Large 10, Medium 7, Small 4)	B
		32	63	100		Maximum weakness (failure to meet any requirement)	C
		25%	14.29%	10%	100%	The ratio of weakness assessment to maximum ((B ÷ C) ×100	D

Source: Prepared by the researcher based on the tables presented previously.

In light of tables of5to10The following can be reviewed:

1. The results in the table indicate (5The bank provides disclosures related to credit risk, i.e., the possibility of customers or counterparties failing to meet their financial obligations. This indicates that the bank recognizes the importance of presenting credit information, but needs to improve the quality of disclosure from simply providing the information to offering analytical information that helps users of financial statements assess the actual level of risk. In practice, the bank should expand its statementCredit exposure by customer type or economic sector, non-performing facilities and default rates, acceptable guarantees and insurance and their impact on reducing risk, provisions and expected credit losses according to IFRS 9.

2. The table shows (6The bank discloses elements related to liquidity risk, which is the risk arising from the inability to provide sufficient cash to meet obligations on their due dates. However, disclosure becomes more useful when the bank clarifies the expected timing of cash outflows, rather than simply the total liabilities..

The potential practical gap lies in the need to provide a payment schedule that distributes obligations into periods such as: less than one month, one to three months, three months to one year, and more than one year. The bank's available funding sources should also be clearly defined, such as deposits, cash balances, liquid investments, and lines of credit, to assess its true capacity to withstand liquidity pressures..

3. It is understood from the results of the table (7Disclosure of market risks receives a relatively high level of attention. These risks arise from changes in market variables that affect the value of financial instruments or future cash flows. These variables typically include interest rates and exchange rates, and may include price risks when there are traded investments or market-linked financial instruments.However, more comprehensive disclosure goes beyond simply describing the type of risk; it includes a sensitivity analysis, such as stating the impact of a specific interest rate or exchange rate increase or decrease on the bank's profits or equity. Therefore, the results indicate the bank's need to move from descriptive to quantitative disclosure, supported by clear and systematic sensitivity analyses.

4. The results of the table reveal (8The disclosure regarding the fair value of financial instruments requires further regulation and detail. The importance of this aspect lies in clarifying for users how the value of financial assets and liabilities is measured, and whether the presented values are based on published market prices or internal valuation models and assumptions. Therefore, it is appropriate for the bank to disclose this more clearly.Financial instruments that are measured at fair value.

The valuation methodology or model used, the main valuation inputs such as interest rates, exchange rates, or discount rates, the classification of measurements within fair value levels, and the effect of changes in unobservable assumptions on the values presented..

5. The table indicates (9) tothatDisclosuresHedging ,It needs more organization. Most of them appeared to be ineffective.

6. The table represents (10The overall result of the bank's compliance with disclosure requirements.IFRS 7. Its results indicate that the level of compliance is not zero, because the bank does indeed provide a set of disclosures, but at the same time it does not amount to full compliance due to the presence of undisclosed elements or elements in which the disclosure was brief and insufficient to make a financial decision.

IV . Section Four / Conclusions and Recommendations

4.1 Conclusions

1. Adequate and appropriate disclosure of financial risks is of fundamental importance in enhancing the reliability of

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financial statements, improving estimates of expected credit losses, and strengthening the effectiveness of audit procedures in detecting material misstatements. Furthermore, variations in disclosure levels among banks limit the comparability of information and affect stakeholders' assessments of risk levels and financial performance.

2. AffectedThe auditor's role when auditing Assessing the risk of material misstatements in financial instrumentsBy the extent to which he obtains sufficient awareness and understanding of the accounting estimates made by management, as this helps in the planning process, setting an audit program, and determining the timing and nature of the procedures necessary for the audit process.

3. The research findings indicate that disclosures exist regarding financial instruments, but the degree of disclosure is not consistent across different items. That is, the bank may explain some types of assets and financial liabilities, while in other items it does not provide sufficient explanation of measurement policies, the nature of risks, or changes that occurred during the financial year.

4. Digital transformation addresses possibilities and problems strategically. I see that AI, cloud computing, big data and the Internet of Things help organizations enhance performance, decision-making and procedures. Automating processes and improving organizational integration reduces operating expenses. Accounting, auditing and corporate governance are being transformed by transformation.

4.2 Recommendations

1. The research recommends strengthening banks' compliance with requirements.IFRS 7 and IFRS 9, developing the capabilities of employees in preparing financial reports and auditing, and adopting clear indicators to measure the quality of disclosure of financial risks in line with international standards.

2. The auditor should perform substantive procedures that specifically address the assessed risks, thereby enhancing the impact of digital bank assertions. Auditors must gain a thorough understanding of the audited entity and its environment, including internal control systems, to identify and assess material misstatement risks at both the financial statement and assertion levels. The results of these risk assessment procedures directly influence decisions regarding the nature, timing, and extent of any further audit actions.

3. The bank needs to link each category of financial instruments to the appropriate accounting measurement method, demonstrate its impact on the balance sheet and profit or loss statement, and disclose its associated risks. For example, it is not sufficient to present loans or investments as a lump sum; it is better to specify the accounting basis for their measurement and the associated credit, liquidity, and market risks.

4. It shouldTo qualify accountants and auditors in the Iraqi environment scientifically and practically so that they are able to properly understand how to audit accounting estimates and understand the assumptions made by management, through training courses and workshops held inside and outside Iraq in order to gain sufficient experience in this field.

5. Digital transformation requires effective leadership that fosters a culture of innovation and change, as well as developing employees' digital skills to ensure they fully leverage available technological capabilities. The success of digital transformation depends not only on adopting technological tools but also on the readiness of human resources and the organization's capacity for change.

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