

T.C.
UNIVERSITY OF GAZIANTEP
GRADUATE SCHOOL OF SOCIAL SCIENCES
DEPARTMENT OF BUSINESS ADMINISTRATION

**THE ROLE OF EXTERNAL AUDITING IN REDUCING CREATIVE
ACCOUNTING PRACTICES**

MASTER OF SCIENCE THESIS

MAMOON ALBRIFKANI

GAZIANTEP
JUNE 2018

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REPUBLIC OF TURKEY
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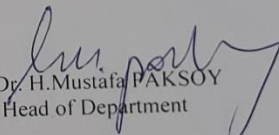
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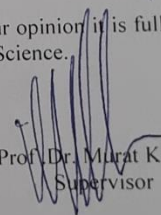
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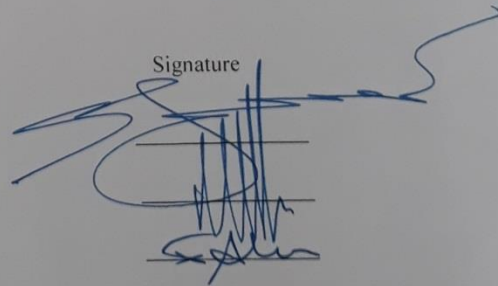
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I declare that the Master Thesis entitled “The Role of External Auditing in Reducing Creative accounting practices” is my own work uniquely, and certify hereby that lest specified, all the work employed in this thesis is my own independent study and it’s not been acquiesced for the accolade of any other degree at any institute department, excluding where unpaid acknowledgment in the text.

Mamoon Abdulrahman Ali Albrifkani

DEDICATIONS

I dedicate this thesis to my kind mother and father, to the memory of my brother Saadallah, to my beloved wife, sweet daughters Rodina, Zaynab and Jana, and siblings.



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First a most of all, I am grateful to ALLAH for giving me patience to complete these thesis.

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ABSTRACT

THE ROLE OF EXTERNAL AUDITING IN REDUCING CREATIVE ACCOUNTING PRACTICES

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The collapse of the huge international companies around the world increased the interest of provision of appropriate mechanisms which reduce practices that lead to manipulation in financial reports. Most of the researches report that these changes in financial statements which are practiced by the administrations of these companies and according to their desires, are behind their companies' sudden collapses, and that is what called the creative accounting. This study aims to support professional auditing domain. It sheds the light on the role of the external auditing in reducing the creative accounting methods, and that is through inviting 94 accountants and auditors from different economic units in Duhok city to participate in a questionnaire designed by the researcher of the current study. The study concludes that external auditing has an impact in reducing creative accounting practices.

One of the most important recommendations of the study , The need to hold seminars and training courses on the risks of creative accounting and its impact on the accounting and auditing, and the development of accounting culture between investors and users of accounting data to help them to discover the methods of creative accounting, and to ensure the independence and transparency of the auditor for its apparent impact in improving the credibility of accounting information.

Keywords: Creative Accounting, External Audit, Financial Statements

ÖZET

Yaratıcı muhasebe uygulamalarını azaltmada dış denetlemenin rolü

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Büyük uluslararası şirketlerin dünyadaki çöküşü, mali raporlarda manipüle edilmesine yol açan uygulamaları azaltacak uygun mekanizmaların sağlanmasına olan ilgiyi artırdı. Yapılan araştırmaların çoğu, bu şirketlerin idareleri tarafından ve arzularına göre uygulanan mali tablolardaki bu değişikliklerin şirketlerinin ani çöküşlerinin arkasında olduğunu ve yaratıcı muhasebe denilen şey olduğunu bildiriyor. Bu çalışma, mesleki denetim alanını desteklemeyi amaçlamaktadır. Yaratıcı muhasebe yöntemlerini azaltmada dış denetim rolüne ışık tutuyor ve bu, mevcut araştırmanın araştırmacısı tarafından tasarlanan bir ankete katılmak üzere Duhok şehrindeki farklı ekonomik birimlerden 94 muhasebeci ve denetçi davet ediyor. Çalışma, dış denetlemenin yaratıcı muhasebe uygulamalarını azaltmada bir etkiye sahip olduğu sonucuna varmıştır.

Çalışmanın en önemli önerilerinden biri, yaratıcı muhasebe riskleri ve muhasebe ve denetim üzerindeki etkileri üzerine seminerler ve eğitim kursları yapılması ve yatırımcılar ile muhasebe verileri kullanıcıları arasında muhasebe kültürünün geliştirilmesine yardımcı olması için bunlara yardımcı olmasıdır. Yaratıcı muhasebe yöntemlerini keşfetmek ve denetçinin muhasebe bilgisinin güvenilirliğini artırmak için görünür etkisi nedeniyle denetçinin bağımsızlığını ve şeffaflığını sağlamak.

Anahtar Kelimeler: Yaratıcı Muhasebe, Dış Denetim, Finansal Tablolar

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CHAPTER I

INTRODUCTION

1.1. Presentation

Throughout the ages, the world has witnessed a development in the level of the size of the economic activities of the institution, moving from being small institutions with simple transactions to large institutions with large operations, Which necessitated working to a number of means and techniques to ensure that the owners of the institutions to maintain their invested funds and reduce accounting errors and manipulations. the most important of these means accounting auditing, where it aims to ensure the integrity of accounting and financial operations of manipulation and error and thus ensure the users of the financial statements for their safety.

Thus the concept of creative accounting has become a focus and attention of accountants and auditors last few years, especially after the collapse of Enron companies. That event led to the collapse of one of the most important auditing companies around the world (Arthur Andersen) to prove involvement in the financial manipulations that took place in Enron Because of some creative accounting methods.

There is no doubt that the use of such practices has a very important impact on the destabilization of market trust in the information contained in the financial statements published by companies. Loren Brandt (2009) points out that creative accounting has crucial role in the sudden collapse of some companies last decade, which resulted in the failure of the accounting profession to reach the level expected for this profession. But the auditor's responsibility for discovering creative accounting is still one of the most

controversial issues facing the audit profession. It can be said that it is one of the main methods contributing to the so-called gap of expectations.

In view of the importance of the role of the external auditor in reducing the risk of creative accounting, which is reflected in the level of transparency, this research aims to evaluate the procedures applied by the external auditor in order to detect the methods of accounting in the companies.

1.2. Background of the Study

The term "Creative Accounting" means the use of companies to exploit the gaps in accounting methods and alternatives available to improve the image of the company in the eyes of the beneficiaries, even at the expense of truth, a general term launched by critics and analysts of financial markets in describing the practices and methods of misleading the beneficiaries of the financial statements.

Creative accounting is an 80-year-old event that may have started when companies faced recession difficulties in the early (1980). The recession has lasted a long time and many companies that have reported creative profits have been forced to liquidate. The only recession in which many big lucrative companies went to bankrupt. A concept of creative accounting can be given from the point of view of a business journalist Griffiths (1986) each company in its country deals with its profits in its own way, and each set of published accounts is based on the basis of the books that have been accurately or fully cooked, and that the numbers obtained by the investing public twice a year are completely changed to protect and conceal the crime.

According to experience of an analyst investment "We knew that much of the growth in profits that resulted in the eighties happened because of sleight of hand accounting dexterity, and they were not results of the growth of real economic and adds have started to uncover the main methods involved in that and provide real examples of companies using those methods (Smith, 1992).

Most of the studies define creative accounting as a process or practice that accountants can use their knowledge of accounting rules and laws to address the numbers recorded in corporate accounts or manipulating them in order to achieve specific objectives.

1.3. Statement of the Problem

It is observed the economic conditions that hit the economies of developed and developing countries led to the management of companies to follow innovative methods and practices that are represented beautification of financial data and show them without their real image. These economic conditions sometimes asked them to address the accounting data of the company or manipulation by the creation of accurate methods and accounting methods, or legal gaps, it is subject to (creative accounting) for the purpose of achieving those goals they wish, it negatively affects the credibility of those data, so developed countries were interested in the role that can be performed by audit Outdoor activities in the reduction of these creative accounting practices. this is still the responsibility of the auditor for the discovery of such practices which is regarded as one of the most controversial issues facing the auditing profession .

1.4. Hypothesis of the study.

This research is based on the following hypotheses:

1.4.1. The main hypothesis

"There is no statistically significant relationship between external auditing and creative accounting practices".

1.4.2. Sub hypothesis.

1.4.2.1. "There is no statistically significant relationship between the general standards of external auditing and creative accounting practices".

1.4.2.2. "There is no statistically significant relationship between fieldwork standards for external auditing and creative accounting practices".

1.4.2.3. "There is no statistically significant relationship between reporting standards for external auditing and creative accounting practices".

1.5. Aim of the Study

The research aims to achieve the following goals

- 1- Recognizing of creative accounting in terms of origin and concept.
- 2- Reviewing the creative accounting methods used in the financial statements.
- 3- Highlighting previous studies on creative accounting.
- 4- Identifying the role of the external auditor in limiting creative accounting practices practiced by institutions
- 5- Identifying the procedures and tests that should be applied to limit the effects of creative accounting in the financial statements.

1.6. Significance of the Study

The importance of the study stems from the importance of the issue of creative accounting because it represents an important problem as the managements of companies use their methods to show the result of activity and financial position that achieve their short and long term goals, accordingly the international crisis led to the collapse and bankruptcy of a group of The largest international companies, this study serves several categories such as investors, analysts, auditors and other categories of society.

The importance of the study is also the need to enrich the educational aspect of the accountants, auditors, financial analysts and all users of financial statements of creative accounting practices and methods to reduce them.

CHAPTER II

LITERATURE REVIEW

2.1.Preface

In recent years, there have been signs of low audit effectiveness Kerishnan and Gul (2002), as well as scandals in the United States. Some audit firms such as Arther Anderson have been implicated in manipulating accounting data, Enron and other companies, which affected the Audit and Audit Commission, causing investors to lose. This led to pressures on the US Securities and Exchange Commission (Cotton, 2002)

2.2.Definition of Auditing

Auditing is an organized and process of gathering evidence, objectively related to the results of economic activities and events, in order to determine the compatibility and congruence between these results and the established criteria and communicate to the parties concerned. From the previous definition, it can be concluded that the audit represents: First, examining a set of information based on the investigation in order to verify the fairness and integrity of the financial statements, Secondly, providing the opinion to the relevant parties, to help them judge the quality of the information, Lastly, determining the date of adoption of these financial statements in order to take appropriate economic decisions in a timely manner (American accounting association www.investopedia.com).

2.2.1. The Modern Concept of Audit

It is a set of rules, principles, methods, standards by which the internal control systems and the data recorded in the entity's books, records and financial statements can be examined with a view to expressing an impartial technical opinion as to the extent to

which the final financial statements reflect the results of their operations or their financial position at the end of limited period (Committee on Basic Auditing Concepts 2003).

2.2.2. Types of Audit

Some studies divide the audit into several types, whereas the modern division of scrutiny according to Konrath (2001) includes the following types:

1. Audit of financial statements: the collection and assessment of evidence on accounting data represents the general budget, profit and loss account, cash flows and other financial statements. In order to express an opinion regarding the fairness of the financial position, this type of audit is performed by a neutral, qualified for example management, shareholders, investors, creditors, financial analysts, some state departments, and financial markets
2. Audit oversight: this is to ensure that the policies, instructions and laws established by a particular entity have been applied fairly, for example, by the tax authorities to ascertain the accuracy of income subject to income tax.
3. Audit activity: it includes the acquisition and evaluation of evidence about the efficiency and effectiveness of the activity of the enterprise (the company) for a specific process, this type of audit may include all activities, examples are sales department, procurement, and warehouse.

2.2.3. The Importance of Auditing

The importance of the audit profession as a key part of the communication process between the authors of accounting reports and decision makers helps in both quality control in the establishment and the credibility of financial reports and reliability, especially that the audit is prepared by a neutral independent person to seek better performance development (Christensen, 2010).

Moreover many studies have shown that the results of the audit depend heavily on the facilities, especially when looking at many aspects, such as financing the

establishment of loans or attract new investors to buy their shares. As these results help to reduce some of the problems facing the financing process (Kim, and Stein, 2011).

2.3. A Brief History of External Audit

The audit reveals the gradual evolution of the function from an individual voluntary activity to a role usually required by the State organized and professionally legislated. The audit function evolved from the function, which was primarily interested in verifying events and physical material, for example in English Treasury Department, it is to ensure that reports are consistent with GAAP for procedures and disclosure (Lee,1994).Anthropologists have found records of audit activity dating back to the early Babylonian period (around 3666 BC).

The beginning of modern auditing is due to the emergence of the modern company at the dawn of the industrial revolution. The flow of investors' money to companies and all the allocation of financial resources through the stock markets depend to a large extent on reports prepared by management. This process is honest and the auditor's role is to provide accurate information on the fairness of the financial reports (Hayes& Wallage, 1999).

2.3.1. Definition of External Audit

The Audit Association is an organized and systematic process to collect and evaluate objectively relevant evidence about economic procedures and events to confirm the degree of consistency between these confirmations and specific criteria and to communicate the results to interested users (American Accounting Association, 1973).

Arens and Jenkins, (2003) view auditing as the accounting and evaluation of evidence about data to determine and report on the degree of correspondence between the information and established criteria it should be done by a competent and independent person.

2.3.2. The Overall Objectives of the External Auditor

The objectives of the auditor as defined in international standards are as follows:

1. Obtaining reasonable assurance as to whether the financial statements as a whole are free of material incorrect, whether due to error or fraud, auditor may express an opinion as to if the financial statements are prepared in material respects in accordance with the applicable financial statements .
2. Reporting of financial statements as required by international auditing standards in accordance with the auditor's findings. (International Auditing and Assurance Standards Board).

2.3.3. External Auditor's Independence.

The independence and impartiality of the external auditor enhances the confidence expressed in his report on the published financial statements. Therefore, the auditor is the cornerstone of the audit profession and one of the main reasons for its existence. The auditor's independence limits his ability to adopt biased decisions (Ryan& Vincent, 2001).

The auditor's independence concepts, such as those developed by the American Institute of Certified Public Accountants, are different if the Whittington auditor has to be independent in the performance of his/her duties according to auditing standards. The external auditor must maintain objectivity in performance and avoid conflicts that may distance him from his responsibilities.

The independence of the auditor enables him to perform his duties properly and enables him to express his opinions without fear. The methods and procedures of the external audit are more reliable. These include a strict examination of the financial statements and are considered the cornerstone of the trust that gives the external auditor in order to support the economic situation.

Emphasized that the independence of the auditor includes two main components: (Myring& Bloom,2003).

2.3.3.1. Mental Independence.

Freedom from the effects of threats to audit or independence would be sufficient to compromise an auditor's objectivity.

2.3.3.2. Independence in Fact.

The absence of activities relationships, or other circumstances would lead well-informed investors and other users of financial information to conclude that an unacceptably high risk exists.

2.4. Effect of Auditing Costs on Auditor Independence

The chief purpose of the external audit is to get a neutral professional report on the fairness of the financial statements of the entity's financial position. It is carried out by an external entity independent of the entity's management. The auditor's fees are considered as one of the crucial indicators that influence the independence and quality of the entity. In the face of intense competition in the market, fees tend to fluctuate influenced by the demand and supplying factor, which affect the auditor's independence substantially and the quality of service provided (Simunic, 1980).

2.5. The External Auditor's Responsibility for Internal Control System Examining

Coopers & Lybrand (1992) responsibility of the external auditor towards the study and evaluation of the internal control system, according to the British Audit Manual, which pointed out that the responsibility to of finding and evaluating the internal control system is mainly based on the management to preserve the assets Property, and prevent errors, fraud and manipulation. However, the auditor must personally consider the design of his work as an auditor, taking into consideration the elements of the control components, and ensuring that the accounting records and restrictions have been implemented in accordance with the controls.

The guide also asserts that the auditor should assess the control environment before deciding to determine the required testing procedures. Knowing the control environment is necessary to determine to what extent internal control can be relied upon

because a good control environment means proper control procedures and accounting system.

On the other hand, Gerald D. Bloch (2003) from the American Institute of Certified Public accountants, published an article dealing with the impact of internal control on revenues.as a head of an institution for the design of internal control systems. He mentioned that there are new requirements for internal control, the need to amend the law on the functions of the external auditor, which must include the following.

External auditors should examine the scope of internal control systems in public companies. The annual auditor's report should also include the results of its examination of this system. The report should also include an assessment of the internal prevention environment, to ensure that the financial operations are in accordance with established controls and policies and procedures. Accurate, recorded and presented in the financial statements and generally accepted accounting principles.

The auditor's report should include any observations on the internal control system, a statement of weaknesses in the system and an objective opinion on the effectiveness of the internal control system.

2.6. Write the Audit Report

The American Chartered Accountants Complex has set four criteria for the preparation of the external auditor's report.

1. It should clarify if the financial statements are prepared in accordance with generally accepted accounting principles.
2. It should clarify whether these principles have been applied during the current period in the same manner with the previous period.
3. The financial statements are adequately and appropriately reflected in the information provided unless the report indicates otherwise.
4. The auditor's opinion on the financial statements should include one unit or he may

refrain from expressing an opinion, in which case the report should include the reasons for that.

2.7. Literature Review and Related Studies

2.7.1. Rabin (2004).

The study found that the measurement of auditors' attitudes toward accounting practices depended on the nature of the method used and the management's attitude toward these practices. He also pointed out that creative accounting methods were influenced by internal factors such as unexpected financial results and external factors.

2.7.2. Study by (Cooper & Grose, 2010) Trust Me I'm An Auditor

The study aimed to enhance confidence in the auditing profession, which was the cause of the global financial crisis by trying to increase the effectiveness of the role of the auditor in the detection of creative accounting practice to be more influential in decision-making. The study attributed the global financial collapses to the spread of the use of creative accounting in investment companies, and the lack of managers awareness of these companies to the risk of using these methods in addition to the collusion of auditors with the opportunistic management, or lack of competence in the performance of their profession, especially when auditing financial statements.

2.7.3. Study by (Gul, 2003)

This study aimed at identifying the views of banks on the aspects affecting the external auditor variables. The study reports that the value of the audited financial statements depended on the independence of the auditors from their customers who audited their accounts. The results in this study claim that there are factors impacted the independence of the external auditor, financial management of the client, providing administrative and advisory services to him, and competition between auditors to attract customers.

2.7.4. Study by (Al Momamani, 2013)

The study aimed at investigating the influence of auditors' ethics on their ability to uncover creative accounting practices. The study linked the auditor's ability to expose creative accounting practices in several factors, including auditor independence, integrity and objectivity, professional ethics related to fees and advertising rights, and auditor's reputation. In order to achieve the objective of the study, a questionnaire was prepared and 150 auditors were selected based on a simple randomized method.

The study found that there were several factors that impact the ability of auditors to discover creative accounting practices. The rules related to the ethics of auditors affected their ability to expose creative accounting practices more than their independence.

2.8. Creative Accounting

2.8.1. Preface

The issue of creative accounting is of great importance at the present time because of the increase in international business and openness in the global markets, which leave fierce competition between enterprises the strong pressure to produce profits when it was difficult to find those profits and the emergence of many problems and difficulties that need solutions. The three financial issues at the international level, Enron, WorldCom and Xerox, have increased the interest of researchers and have had a significant impact on the accounting and auditing profession and the fall of these major enterprises. Ghosh (2010), indicated that due to the complexity of financial accounts, creative accounting has presented an enormous challenge to the accounting profession, which is difficult to apply and discover.(Amat Gowthorpe, 2011).

In order to identify and assess business performance fairly, the financial statements prepared through a transparent accounting system which was considered to be one of the most important means used to present financial statements to users from

investors, creditors or other categories. Creative accounting played a major role by manipulating departments with profit figures; Departments either maintain or enhance the share price by means of profit management techniques, income smoothing and creative accounting methods, making them appear to be at lower risk (Ghosh, 2010).

2.8.2.What is Creative Accounting?

Many researchers have tried to define the concept of creative accounting. Due to the differences in the attitudes of these researchers, many definitions of this concept have emerged, and the researcher will present some definitions related to creative accounting.

Creative accounting defined as the process by which accountants use their knowledge of international accounting standards generally accepted for manipulation and fraud to address the figures presented in the accounts of business enterprises (Oliveras. E, Amat, 2003).

Creative accounting been defined as "The art of faking a balance sheet" Bertolus, (1988, p. 58-60) "The art of calculating the benefits" Lignon (1989, p .17-20), "the art of presenting a balance sheet" Gounin (1991), and the art of saving money (Ledouble D, 1993).

From the point of opinion of the journalist in the field of business and accounting as he pointed out that "the methods practiced by enterprises in order to reduce the size of profits or increase it to make the institution look better than reality, through the accounts that have been manipulated calmly in a subtle way on the irregularities and crimes and forms of fraud and manipulation (Griffiths, 1986).

From the view of the financial analyst, Smith (1992) report that the apparent growth in profits in the 1980s the result of the lightness of accounting skill and not the result of real economic growth, We began to uncover the main practices involved and provide vivid examples of the facility that is used those methods.

Amat et al (1999) also defined creative accounting as the process of converting financial accounting values from their true form to what is actually a desirable image according to their components. The new values give a positive advantage to the establishment without prejudice to any of the accounting principles and rules.

Mc Barnett & Whelance (1999) provide another definition where Creative accounting can be defined as the legal use of accounting principles and rules in some way to distort and falsify accounting records.

As defined by (Merchant, Rocknes, 1994, p.79-94) creative accounting is viewed as any management intervention affecting the earnings report and providing an unrealistic picture of the company's economic situation.

Omurgonulsen & Omurgonulsen (2009) stated that creative accounting was linked to the management's desire to improve the profitability of the company and its financial position.

2.8.3. The Emergence of Creative Accounting

Since the beginning of eighties, accounting has shown difficulties in the recession of the period, which led to the presentation of accounting data in a different way, where there was pressure to show better profits when it was difficult to find such profits. Thus, if they can't earn profits, they can at least invent it by circumventing and misleading investors and users of accounting information (Mulford & Comiskey, 2002).

2.9.Creative Accounting Forms.

There are a variety of forms, names and types of this manipulation of accounts that have been differentiated by classification according to the study of this phenomenon that has been called the names of almost the same meaning. Amat & Gowthorpe (2011), and Lin (2006) called accounts manipulations several names, namely aggressive accounting, earnings management, income smoothing, fraudulent of financial reporting and creative accounting practice.

The methods of manipulating accounts and their forms are presented below (Amat & Gowthorpe, 2011).

1. **Aggressive accounting:** it insists on the selection and application of specific accounting methods to achieve desirable objectives such as high profits, whether the accounting practices used are based on the accepted accounting principles or not.
2. **Earnings management:** The earnings management of the most important images of creative accounting that has been discussed in previous studies. Generally speaking, there is no consensus among these studies on a common definition of management profits, following are the opinions of researchers in this field, (Schipper, 1989).

Dechow & Shinner, (2000), also defined earnings management innovation in the preparation of the financial report with a view to obtaining special benefits, Also Scott & Marshall (2001), defined In the framework of accounting selection as the process of selecting accounting policies by the company in order to achieve specific administrative objectives.

Philips & Rego (2003) also defined Management practices as they deem appropriate based on alternatives to accounting treatments that focus on receivables and on cash flows from operating activities, being less costly and difficult to observe at the same time.

In an attempt by the administration to misrepresent the profits to achieve ideas about the expected profits, manipulation of transactions meets with the requirements of various accounting treatments. (Rabin, 2005)

It is clear from previous definitions that profit management consists of intentional intervention by the management in the financial report to reach a certain predetermined amount that has been set by management or through the forecasts of financial analysts or to achieve stable income.

This administration is making its profits in two ways (Dechow & Shinner, 2000)

a - Real management of profits, which result from the actions of real economic impact on the profits and cash flows, whereby it is reported on the profits that the company did not achieve, as in the case of using the accounting method of combining interests that make the accession of companies means to report profits without actually achieved, Although the authors of the financial statements prefer to report high profits,

This is offset by the fear that the company is increasingly exposed to requests from shareholders and employees to receive high dividends and salaries and increase taxes required by the government.

b - Management of accounting receivables that are made through changes in accounting estimates, in order to increase or reduce profits, or to settle differences in the short-term profits, profits to the year in need and pay expenses, the total receivables are divided by the difference between the net income of the period and flows Caused by operating activities.

In this context (Ghosh & Olsen, 2009) the difference between the profits of compulsory receivables that are not managed by managers, and means profits that do not include optional entitlements, and the profits that are managed and means profits after adjustment of test receivables.

it is the manipulation of income in order to reach a specific goal in advance by the administration, or predicted by a financial analyst.(Amat 2011).

The profits of the compulsory receivables are defined as the portion of the profit that is due to the application of the accounting accrual basis in a manner dictated by the circumstances surrounding the company. Such circumstances necessitate an increase or reduction of revenues or expenses for the current period without management intervention, such as an increase in normal income without expansion of credit terms , And the profits of the optional entitlements, defined as the part of the profits, which is estimated and timing of the choice of management such as the size and timing of the report on events affecting profits, the timing of the disposal of obsolete assets and the consequent revenues and expenses Unusual .

Profit management literature has focused over the past decades on the vagueness of accounting methods and policies as a means of managing receivables, because the change in methods and accounting policies is permitted under generally accepted accounting principles and is disclosed in the attached notes. The management of profits of type II mentioned management of accounting receivables does not include a falsification of facts, but a way to stabilize profits.

From the above it can be concluded that the basis of accounting benefit is one of the most important means used by the administration to implement certain strategies, which leaves a positive or negative impact on the declared profits.

3. Income smoothing: Companies typically prefer to show steady growth in profits instead of announcing volatile earnings between biennia based on the belief that the volatility of the income growth rate increases the risk level, and that firms with a fixed or long-term growth rate are less risky, The introduction of income to show more stable profits, which gives the impression of lower risks to the company, and consequently result in higher share prices, lower borrowing costs and lower funding and political costs, so all the reduction of income fluctuations and stability of growth is one of the most important objectives of management. Profits which takes the form of a substantial increase has been seen by the government as an indicator of monopoly, and in return if taken fluctuations in profits form a significant decline was seen as an indicator of the

company and obstructed discomfiture, prompting the state to intervene in both cases. (Al Rawashdeh, 2013).

The use of this approach is widespread in Britain, as are countries that adhere to a policy of caution, which is usually maintained at high levels of allocations (Berton & Taffler, 1995).

In this context, there are several definitions of income preparation. Although there is a difference between the researchers in expressing the concept of income preparation, there is agreement on the content of these definitions, some of which are presented below.

The attempt by some managers to reduce the abnormal fluctuations in accounting profits within the limits permitted by the accepted accounting principles.(Beidleman, 1973).

Income is one of the forms of profit management designed to eliminate the deviations of the natural profit series, including steps to reduce the retention of gains through good years to be used in other years. The income earned is either in a natural way resulting from the company's operating activities or in an inventive manner, which aims to stabilize income growth (Mulford & Comisky, 2002).

According to Belkhaoui (2004), it is a deliberate settlement of the declared intervention in order to reach the desired level or direction and it is considered to be the desire of the administration to reduce the abnormal deviations of income to the extent possible or permissible under the principles of accounting accepted.

The introduction of income is done in two ways: the real boot, the non-real boot, the so-called boot, the so-called accounting boot or the artificial boot; the first method, the real boot, results in real trade exchanges and operational decisions that require certain expenses or produce certain profits and are implemented by management in order to reduce flows Such as late or late-year sales transactions to influence the date of recognition of sales revenue,

Which affects the current or future profit figure, meaning that this method has a material effect that leads to a real change in the results of the financial position and cash flows by

controlling the timing and adjustment elements in the accounting estimates, as a conversion from one method to another way of depreciation or reconsideration of the way commodity inventory valuation, or the timing of some expenses for research and development expense and time put out, and maintenance expenses and advertising.

While the second method, the artificial boot, and results from manipulation by the administration of the timing of the accounting restrictions in order to indicate the accounting profits in accordance with their wishes to prepare the income without affecting the cash flows (Amat, 2004).

4. Fraudulent of financial reporting: it is the misunderstanding of false data or deletion of certain values to mislead the users of financial statements and it is illegal.

5. Creative accounting practice: it is the use of practice deviating from standard accounting practices by manipulating expenditure and revenue values.

6. Excessive or exaggerated losses: Included in the images of creative accounting exaggeration or amplification of losses, a common accounting method of dealing with losses is to exaggerate the losses of the current period, which is bad in all cases in the sense of income losses to improve the image of the company future performance. The risk of imposing additional sanctions on the administration leads to increasing losses from the current situation, by postponing some of the revenues in the current bad year, or by charging the current year with future expenses to pave the way for future profits

It is necessary to point to the widespread practice of this method of overpopulation in public sector companies if the excessive losses of these companies are motivated not only by material benefit but also by intangible benefits, because public sector managers give greater attention to the potential loss of credibility trust and loyalty (Abiodun & Justin, 2013)

2.10. Management's Motives For Using Creative Accounting Methods

The motives for using creative accounting methods can be reviewed below:

1. The positive impact on the company's reputation in the market: Creative accounting techniques are sometimes used to improve the financial values of business

performance, so that the management of the company affects the profits to match the expectations of financial analysts or with the expectations of the profits issued by the management itself, as analysts rely on lots of information provided by the management to them about the future performance of the company (Yoon, Miller, 2002).

2. The impact on the share price of the company in the financial markets: The purpose is to maximize the financial values and then to improve the prices of shares of those companies in the financial markets, if some investors have sources of information other than published in the financial statements the joint stock companies. The investor has access to the information in the financial statements published by the company, and for this reason managers have the opportunity to exercise creative accounting when preparing the financial statements in the initial stage of the IPO in order to stimulate the investor to buy the shares of the company (Mashayekhi, 2009).

Companies run their profits in the run-up to initial stock offerings, and continue for several years later, according to a study. (Demerens & Redis, 2013).

3. Avoidance of debt contract violations: When borrowing from financing institutions, companies are the subjects to various contractual agreements aimed at guaranteeing the payment of debts in the interest of those financial institutions not to transfer wealth to the shareholders. If the breach of the terms of the debt contract may lead the borrowers to raise the interest rate on the debt or demand the borrower prompt repayment of debt, Therefore, in order to avoid violating the terms of a debt contract, companies exercise creative accounting methods as a good guarantee of survival within the limits of those conditions (Jamal, & Tan, 2010).

4 - Achieving self-benefits of management: The self - benefits of management are divided into material and moral benefits. Concerning material benefits.

a. Material benefits: the study of Hagerman & Zmijewski (1979) is one of the first studies on the issue of material benefits, which examined the effect of incentive compensation schemes on the choice among alternatives to accounting methods (acquisition, stock valuation). The researchers found that the existence of accounting

incentive plans leads to management preference for accounting practices which increase the current accounting profits. Healy (1985) suggests that the company's management may have the incentive to reduce profits in some periods and improve in other periods in order to increase the incentives it receives because management determines profit in the light of the expected level of incentives.

The objectives of the study by Abiodun, et.al.,(2013)was finding the factors that drive creative accounting In Nigeria .The study found that corporate managers were unnecessarily changing their methods and accounting practices to show positive results and thus their management rewards.

b. Moral benefits: motives for practicing creative accounting are not limited to material benefits such as rewards and incentives, but may sometimes include non-material or moral benefits such as maximizing the value of stock selection, job stability, and career ambition.(Abiodun, 2013).

5 - For the purposes of professional classification and in order to obtain an advanced classification of the company to its competitors in the field of work based on indicators and financial standards.(Mulford & Comiskey, 2002).

2.11. The Methods of Creative Accounting in the Financial Statements

2.11.1. Creative Accounting Techniques Used in the Income Statement

The study of Healy & Wahlen (1999), Mulford (2002), and Fan (2008) indicate that the income statement is the most important financial statements in which creative accounting is practiced because it is important to show profit or loss of the company through the income and expenses included therein .

1. Recognition of the proceeds from the sale before it is completed, or prove the sales of the following periods within the revenues of the period ended
2. Recognition of the fictitious revenues within period earnings
3. Recognition of the return on investment as an operating result

4. Transferring of the current expenses to prior or subsequent accounting periods
5. Transferring of the current income to a subsequent accounting period
6. Transferring of the future expenses to the current accounting period
7. Increasing of the sales by post-sales and financing benefits
8. Recognition of the full sale price by installments within the revenues of the period in which the sale has been made.
9. Charging some investment expenses to another asset at a lower depreciation rate
10. Reducing of the provision for doubtful debts and thereby increasing the profits for the current financial period.

2.11.2. Creative Accounting Techniques Used in the Financial Position Statement.

The following is a presentation of some methods of creative accounting for the manipulation of accounting values in the statement of financial position.

1. Amplifying the value of assets with significant assets before to purchase (recognition of goodwill not purchased).
2. Overvaluation of intangible asset items and the use of various valuation methods for these assets.
3. Non-adherence to the historical cost principle while determining the value of fixed assets budgeted
4. Manipulation of depreciation rates of fixed assets recognized by reducing them from the ratios used in the market
5. Incorporate long-term investments into investments in order to increase working capital,(Joel , 1985) .
6. Changing of the accounting methods used in accounting for long-term investments from the cost method to the equity method
7. Obtaining the long-term loans before the financial statements issued with a view of repaying short-term loans to improve liquidity ratios(Oliver & Clarke, 1989)

8. Including inventory inventories of stagnant and obsolete goods, as well as manipulations of stock pricing methods from year to year without justification (Oliveras & Amat,2003).

2.11.3. Creative Accounting Techniques Used in the Statement of Cash Flows

The cash flow statement presents all inflows and outflows in terms of sources and uses over a given period of time. The purpose of this list is to assist investors, creditors, students and others in cash analysis by providing adequate information on the sources of cash flows and payments during a certain period of time.(Kieso, et , al 2008).

The following table presents the opportunities to manipulate accounting values using the innovative accounting methods in the cash flow statement: (Beneish, 2001).

1 - The entity can also pay and record capital development costs as external cash flows and away from operating cash flows. Consequently, these practices increase cash inflows.

2 - There is also the possibility of manipulating operational cash flows in order to partially evade paying taxes by making adjustments to operational cash flows, such as reducing investment gains and certain equity as well as unfinished operations as they affect operational cash flows.

2.12. The Contribution of External Audit to the Reduction of Creative Accounting Practices.

2.12.1. External Auditor's Responsibility For The Discovery of Creative Accounting p Practices.

The increasing level and number of charges against auditors and the difficulty of obtaining information by companies to consider the subject of audit risks in the event of a customer in financial difficulties, there is a clear incentive for companies to resist

creative accounting practices that may have an adverse effect causing problems not only for the company but also Directly to the auditors (Griffiths, 1987)

The company must also retain some flexibility in its calculations. This flexibility is reflected in a combination of realism that ensures that these opportunities are not misused, providing encouragement to show more honest and undistorted results. If the accounting is used properly and wisely, it may help to better understand the financial business of the company. As long as the company has disclosed what it has done and estimated the financial effects of the various accounting transactions, the investor will have the necessary information to evaluate the company's business and will be able to make a proper comparison with other companies (Griffiths 1986: 187-188).

2.12.2. The Relationship Between Audit Quality and Creative Accounting Methods.

The link between audit quality and creative accounting methods lies in the fact that the first goal is to limit and reveal the practices of the second.

Therefore, one study indicated that the higher quality of audit and the protection of the investor, the management of companies is restricted to the use of accounting manipulation methods and reached that result in comparison between the companies audited by the four audit offices and companies audited by the rest of the audit offices (Van & Vanstraelen, 2005)

One of the researchers examined the quality of the audit process (conducted and completed by the audit office) by examining the failures of the audit offices and their relationship to profit management and finding that the failures to achieve the quality of audit required and failure related to high levels of profit management,(Dang, 2004).

Another study aimed at demonstrating the impact of the quality of external audit on the level of realized profits based on optional entitlements (credit) showed that the elective benefits of the six large audit firms were lower than those of other audit firms and the purpose of increasing the benefits was to increase profits and manipulate them, (Becker& Subramanyam, 1998).

2.13. Recent Trends to Discover Creative Accounting Practices and Ways to Avoid Them.

No doubt that the fight against creative accounting is a complex and difficult, so auditors should constantly seek to know the developments of creative accounting in order to detect and then try to limit them. There is a relationship between the auditors and users of financial reports of the methods of creative accounting and detection and limitation (Al Rawashdeh, 2013) (Mulford & Comisky, 2002)

Below is a presentation of the most important modern trends used to detect and reduce creative accounting practices.

1 - Audit committees play an effective role in reducing creative accounting by performing certain activities, such as strengthening the auditor's independence through the implementation of its responsibilities, including the nomination and appointment of the auditor, determining his fees, resolving any disputes that might arise between him and the company's management, To the fullest extent and protect it from the pressures of management, as it is a link between audit and management. (Hosho et. al., 2013) .

An important activity of the audit committees is to check the control system and verify the division of duties and separation Responsibilities among staff. The Independent Audit Committee should always include a person with a strong accounting background and internal audit experience to ensure the quality of the internal auditors' performance and the examination of the financial reports, ensure their integrity and provide a realistic picture of the operations of the company and its financial position and are devoid of distortion (Ghosh, 2010).

The "Sarbanes Oxley Act" (SOX) of (2002) recommended expanding the powers of the Audit and Oversight Committees of the external auditor that the audit committees be responsible for selecting and replacing auditors, prior approval of audit fees and services and other services, as well as oversight of the performance of the external auditor, (SOX) audit committees are solely responsible for the appointment of the auditor.

2 - After the economic meltdowns and the financial crises experienced by many economies of East Asia, America and Russia, and with the opening of international financial markets, there is an urgent need to establish new ethical and ethical standards. These standards and ethical principles have been called what is now known as the concept of corporate governance. The phenomenon of creative accounting and the damage that may arise from its existence, because of the lack of transparency necessary to raise the level of global and local economies, there is importance to the governance of companies in general, and stems from the importance of ensuring integrity, integrity and impartiality of Spyware workers in the companies, and ensure the protection of shareholders' funds through the fight against internal corruption in companies, which avoids the accounting practice of creative and helps to stabilize the financial markets and economic development and stability in general.(Moldovan et al., 2010).

3 - The most powerful way is to alert auditors to discover the creative accounting practices followed by some, and this is done by selecting the audit offices with high efficiency (Al Rawashdeh, 2013).

4 - Narrowing the choice between accounting methods by reducing the number of methods allowed to be used, or determining the circumstances under which the company is allowed to choose a particular method (Amat & Gowthorpe, 2005)

5 - To develop the accounting culture among investors parties and users of financial information, either through self-education or by the concerned parties regarding the integrity and transparency of the financial statements (Al Rawashdeh, 2013).

6 - To activate the professional organization of the profession of accounting and auditing and the establishment of a code of professional conduct and the formation of the Ethics and Professional Conduct Committee, the most important functions to establish the rules of behavior that must be committed by the accountant and auditor approved. (Al Rawashdeh, 2013).

2.14. Procedures and Tests that Should be Applied to Reduce The Effects of Creative Accounting.

2.14.1. Procedures and Tests the Creative Accounting on the Income Statement.

The departments of economic units can practice fraudulent methods by manipulating income statement numbers as follows.

1. Recognition of revenue early: It is intended to recognize revenue before the sale is completed as soon as possible, as well as recording and proving incorrect revenues (fictitious) or proving the revenues for the coming year within the current and current revenues products and services, but extends to long-term contracts.
2. Registration of counterfeit revenue: This method consists of recording fake (fake) revenues, for example, recording sales that have no economic value by preparing a schedule for the sales of one of the products to any customer and this customer is not agreed to buy those goods or pay their price. This will increase the revenues of the economic unit in twisted ways.(Schilit, 2002)

2.14.2. Procedures and Tests the Creative Accounting on the Statement of Financial Position.

- 1 - Commodity inventory, which is affected by the inclusion of stagnant or obsolete goods or during the manipulation of prices in order to reduce the value of the provision of falling prices of the goods and thus increase the value or change is not explained in the method of pricing. The auditor can verify the fairness of commodity inventory prices as compared to the current price lists, in addition to checking the inventory and verifying the actual inventory items (Mulford & Comiskey, 2002).
- 2 - Accounts Receivable, this item is affected by reducing provision for doubtful debts and concealment of impaired debts to increase the collectible debt (Amat&Gowthorpe, 2005).
- 3 - The impact on long-term investments is accounted by a change in the accounting method used in accounting for long-term investments from the cost method to the equity

method, or to classify long-term investments as investments in order to improve liquidity position.(Ghosh,2010).

2.14.3. Procedures and Tests the Creative Accounting on the Cash Flow Statement.

The accountants auditors analysts and users of financial statements must strive to learn about the professional developments of creative accounting and to understand the creative accounting procedures on the cash flow statement, the statement of financial position and the income statement so that this action is followed by a countermeasure to counteract the creative procedure and its management and make it the object of their attention.

- 1 - Recalculate depreciation and amortization expense in accordance with depreciation and amortization rates generally recognized in the industry to which the business belongs
- 2 - Validation of exchange rates and correction of error in the translation of items of cash available from foreign currencies
- 3 - Excludes restricted cash from the calculation of liquidity ratios, in order to identify the actual liquidity level
- 4 - Verification of the results of the operations of the subsidiary and its impact on the income statement and financial position.
- 5 - Verification the physical presence of the stock and methods of valuation and pricing (Matis & Negrea, 2009).

The work on the development of accounting culture and clarification of the methods of treatment of creative accounting practices in the presentation of educational accounting programs (Ghosh, 2010).

2.15. The Role of Positive Input in the Interpretation of Accounting Practices.

The key to the positive approach is to explain the discrepancy in accounting practices and in the selection of management for accounting policies that maximize their self-benefits. The positive approach provides an explanation for the existence of creative accounting. The approach assumes that managers as individuals are rational and are expected to choose alternatives to certain accounting policies to maximize their

benefits represented by asymmetry of information.

The accounting function is the provision of financial information to decision makers, both internal and external. The flexibility of accounting standards is one of the major challenges facing the accounting profession. It includes a number of accounting alternatives, whether in measurement, disclosure or appreciation. From misappropriated choice between available alternatives, on the basis that exploitation is intentional, opportunistic and far from objectivity and justice. The inadvertent misuses of the skills of accountants when using their personal and professional judgment to meet the needs of users from information for decision making.

2.16. Literature Review

2.16.1. Vladu & Cuzdriorean, 2013 (Vladu & Cuzdriorean , 2013)

The aim of this study is to discuss the reduction of creative accounting through ethical developments and to focus on the accounting measurement and behavior of accountants, as well as to discuss the possibility of developing a theoretical framework for creative accounting that includes theoretical and behavioral developments in accounting. The study concluded that by discussing ethical developments in creative accounting it turned out lack of ethics and values in the business that produced long-term consequences could affect the accounting profession.

2.16.2. Wang 2007 (Wang Cui, 2007)

The study showed a careful examination of creative accounting in theory, process and self-motivation, through a study on the relationship between the international standards of accounting and creative accounting. The study explained the cosmetic and creative accounting methods and the guidelines for the application of international accounting standards. The study showed that in recent years, on the need to prevent these methods of compliance with international standards on the basis that is the best option to help in improving the quality of accounting information.

2.16.3. Balaciu, 2009 (Balaciu & Vladu, 2009)

This study describes the most important objectives, procedures and practices of creative accounting and the most important means used in European countries to limit these practices. To clarify these goals, researchers analyzed 40 academic subjects and articles between 1999 and 2009; researchers developed and analyzed a conceptual framework of the concept of creative accounting. This study revealed the available techniques and techniques for European businesses to manipulate accounting data and to uncover methods commonly used in creative accounting,

The study found that there is no consensus at the international and European level acceptable theory for the practice of creative accounting, requires the need for an effective system of internal control that enables the auditor to reveal the methods and methods of creative accounting.

2.16.4. (Gosh, 2010)

This study aims to detect the manipulation of financial reports or financial statements, which allows managers of the economic establishment to show a false and false picture of the financial situation other than the real state of the economic establishment to detect the fraud methods that led to the collapse of the largest companies in the world and to study the methods and practices of creative accounting in India and the application of the theoretical framework on some Indian business enterprises by studying the collapse of the US firm Enron.

The study found some ways to protect users of financial statements from manipulation, and suggested that to reduce the impact of creativity, innovation and fraud in financial statements by simplifying accounting systems and auditing systems, detecting fraud, preventing fraud and manipulation, reducing accounting options and alternatives available under international accounting standards and increasing audit effectiveness of the economic establishment.

CHAPTER III

METHODOLOGY

3.1. Presentation

The methodology of the study procedures is a major focus through which the practical side of the study is accomplished and the way data are obtained that are required for statistical analysis, so as to reach the results of the goals of the study that have been adopted mainly study and analysis of the role of the auditor in the reduction of creative accounting practices based on the responses in the questionnaire distributed to accountants and auditors.

3.2. Data Collection Tools

The data collection tool was designed to benefit from the accounting literature and auditing published on the subject of the study, as well as relying on the ideas that were discussed in the theoretical aspect. After the design of the questionnaire, it was presented to the jury of specialists, including professors, accountants and auditors in order to detect clarity of terms and to review (validate) the questionnaire items and After the questionnaire was presented to the professors and the auditors, the researcher studied their observations and instructions on the questionnaire items. Which included the deletion of some of the statements that characterized the repetition, and rephrase some of the statements to become more clear, taking into account the nature of the Iraqi environment and try to simplify the vocabulary of the questionnaire and the abbreviation to the maximum extent possible so that the answer is fast and understandable and then the researcher presented this tool on a sample of the community Consisting of 15 auditors.

The aim was to ensure that the instructions for the questionnaire were clear, to ensure that the statements were clear, to check the appropriateness and validity of the components of the questionnaire, to finalize the questionnaire, to adjust some items, and then to the average time to answer the average time taken to answer each questionnaire ranged from (25 minutes to 30 minutes), which is a good time for the questionnaire paragraphs. This questionnaire covers all aspects of the study. Table (3.1)

The sample tool (15) was introduced into the spss program in order to show the stability of the tool and the strength of the correlation of the questionnaire paragraphs by calculating the coefficient of alpha- Cronbach stability Statistically (0.60).

Table 3.1. Reliability Statistics

Cronbach's Alpha	Items
0.730	15

3.3. Design of Questionnaire: The questionnaire was divided into two main parts.

The first part includes the personal data of the respondents. This section consists of five questions related to gender, age, academic qualification, number of years of experience, and scientific specialization. This personal data helps to create a clear picture of the background of the scientific and professional respondents and their experience.

The second part of the questionnaire includes thirty questions divided into three axes. The first axis is subdivided into three sections. The general criteria for auditing consist of five questions. The field work standards consist of five questions. The report preparation criteria consist of five questions. The second axis the methods of creative accounting in the economic institutions, The third type of procedures and tests performed by the external auditor to limit creative accounting practices consists of five questions, and represents the dependent variable.

The Lycert scale was used to determine the degree of approval of the respondents, and was as follows, strongly agree, agree, neutral, disagree, strongly disagree, and the range from (1 to 1.80) Significance of the strongly disagrees core, Range from (1.81 to 2.60) Significance of the disagrees, Range from (2.61 to 3.40) Significance of neutral score, Range from (3.41 to 4.20) Significance of agree score, Range from (4.21 to 5.00) Significance of degree strongly agree, <https://en.wikipedia.org>

Statistical descriptive methods were used, which included percentages, frequencies and arithmetic mean, and the standard deviation of the different questionnaire clauses. Sekaran & Bougie,(2010).

3.4. Description of Study Sample:

The questionnaire was distributed to a random sample in a number of economic units in Dohuk Governorate. The sample was targeted by the accountants and auditors. The number of forms distributed to these economic units was (103) and the researcher was able to retrieve (94) valid questionnaires for analysis (91%) Of the total number of forms distributed, and that some of these forms were neglected because of incomplete answers, which is (9) form, the researcher relied mainly on the distribution of the questionnaire for the sample of the study directly through the interview.

Table 3.2. Shows the economic units of the study sample and the number of distributed forms and their percentages as follows:

No.	Economic units	Number	Ratio %
1	Directorate of Dohuk Governorate Treasury	25	25 %
2	Income Tax Directorate	14	14 %
3	Directorate of real estate tax	9	9 %
4	Directorate of water Duhok Governorate	9	9 %
5	real estate Bank	8	8 %
6	Zakho Treasury Directorate	7	7 %
7	Bank of Dasnia	7	7 %

8	Directorate of Public Municipalities	6	6 %
9	Housing Bank	5	5 %
10	Middle East Bank	4	4 %
		94	100%

3.5. Questionnaire Reliability.

The coefficient of constancy refers to the strength of the correlation between the paragraphs in the questionnaire, which is used by most researchers. The coefficient of – Cronbach's Alpha is calculated using the SPSS program, which calculates the coefficient of discrimination for each question. (Sekaran, 2003).

1 - The first axis (general auditing standards, field work standards, report standards preparation).

Table (3.3) Cronbach's Alpha coefficients Axis I (general auditing standards, field work standards, report standards preparation).

Table 3.3. Reliability Statistics

Cronbach's Alpha	Items
0.760	15

We note from these results that the Alpha Cronbach's stability coefficient is equal to (0.760), which is an acceptable stability factor because its value is higher than the statistically acceptable value (0.60). This indicates that the items of the first axis (general auditing standards, field work standards, report standards preparation). Internal stability coefficients are acceptable for scientific research purposes.

2 - The second axis of creative accounting practices.

Table (3.4) Alpha Kruppnach coefficients for creative accounting.

Table 3.4. Reliability Statistics

Cronbach's Alpha	Items
0.732	10

From these results, Alpha Cronbach's value is equal to 0.732, which is an acceptable stability factor because its value is higher than the statistically accepted value (0.60). This indicates that the items of the second axis (creative accounting practices) have an internal consistency and acceptable stability coefficients for scientific research purposes.

3 - The third axis procedures and tests carried out by the external auditor to reduce the practices of creative accounting.

Table (3.5) Alpha Krobnach coefficients Procedures and tests performed by the external auditor to reduce creative accounting practices.

Table (3.5) Reliability Statistics

Cronbach's Alpha	Items
0.701	5

From these results, the Alpha Cronbach's stability coefficient is 0.701, which is an acceptable stability factor because its value is higher than the statistically accepted value (0.60). This indicates that the third pillar items (procedures and tests carried out by the external auditor to limit creative accounting techniques) with an internal consistency and acceptable stability coefficients for scientific research purposes.

3.6. Participants

The study population consists of accountants and auditors who work in these economic units. The purpose of the study is to describe the main characteristics of the sample through the questionnaire contained in the first part of the questionnaire, including general information related to the sample, Age, academic qualification, number of years of experience, and scientific specialization, the following describes the information related to them.

3.6.1. Gender

The table (3.6) shows the distribution of the sample by gender (male, female). It is noted that the plurality of the sample members were male (73%) of the sample, While the percentage of female records 27% of the sample.

Table 3.6: Frequency table for Level of Gender

Gender	Frequency	Percent%
Male	69	73
Female	25	27
Total	94	100.0

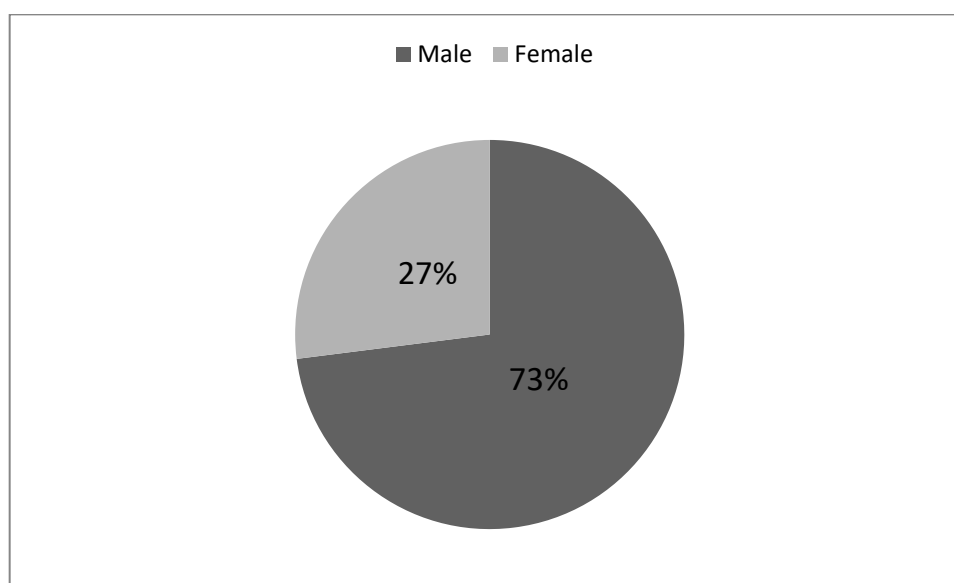
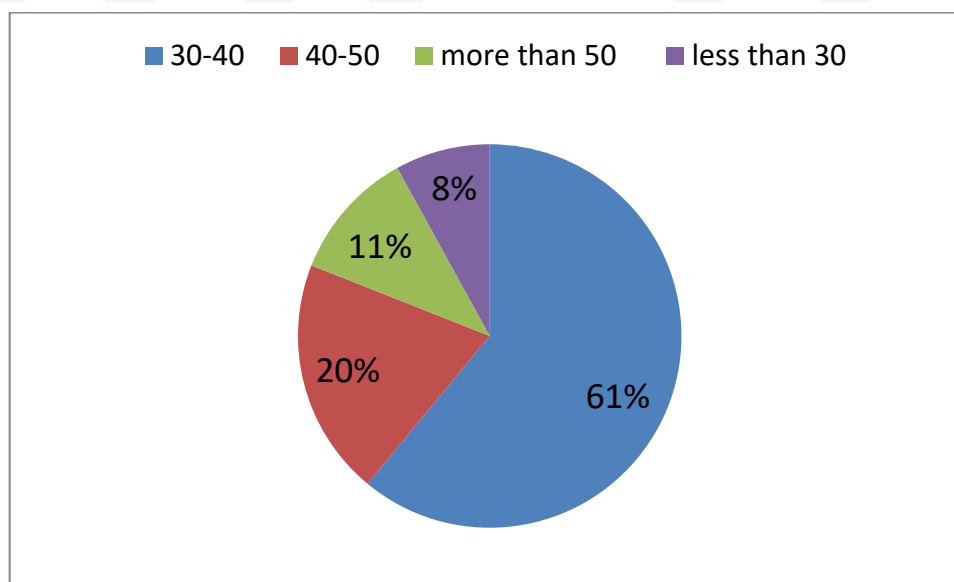


Figure 3.1: Frequency and percentage pie chart for Gender**3.6.2. Age**

The table (3.7) shows the distribution of the sample by age. It is noted that the majority of the sample aged between 30-40 years old who represent 61% of the sample, while the age group (40-50) was 19% Of the sample, and the age of 50 (11%) and age less than 30 (8%).

Table 3.7: Frequency table for Level of Age

Age	Frequency	Percent %
30-40	57	61
40-50	19	20
more than 50	10	11
less than 30	8	8
Total	94	100.0

**Figure 3.2:** Frequency and percentage pie chart for age groups**3.6.3. Scientific qualification**

The table (3.8) below shows the distribution of the sample members according to the scientific qualification. It is noted that holders of the bachelor degree are (82%) high

diploma holders form (14%), Master holders are only (4%), whereas PHD holders record (0%).

Table 3.8: Frequency table for Level of Scientific qualification

Scientific qualification	Frequency	Percent%
Bachelor	77	82
Higher Diploma	13	14
Master	4	4
Ph.D	0	0
Total	94	100.0

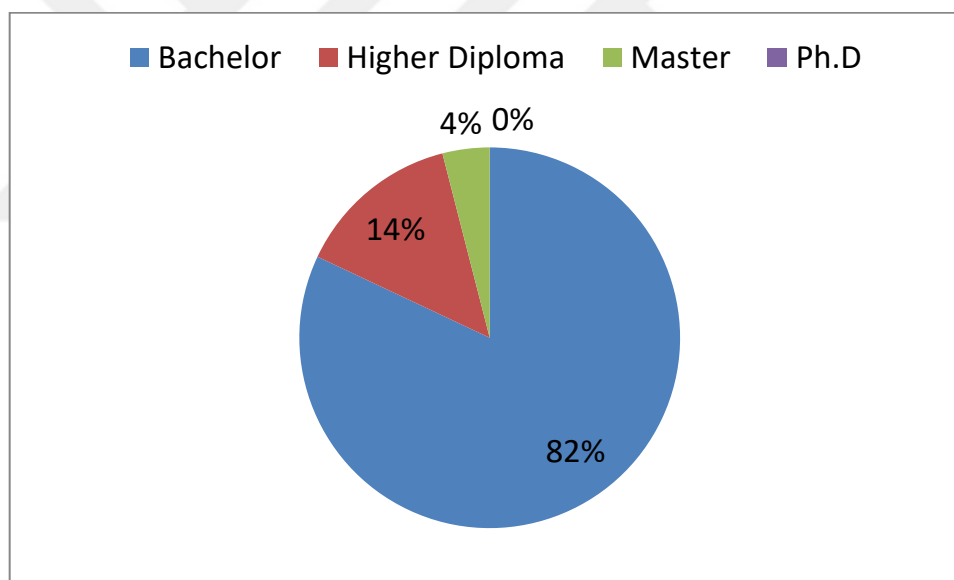


Figure 3.3: Frequency and percentage pie chart for scientific qualification

3.6.4. Years of experience.

The table (3.9) shows the distribution of the sample members according to the number of years of experience. It is noted that the plurality of the sample members are aged between (10-15) represented (36%) of the sample. The percentage of the sample of the study are aged between (5 - 10) represented (32%), The percentage of the sample of the study are aged between (20 more) represented (15%), The percentage of the sample

of the study are aged between (15 - 20) represented (10%), The percentage of the sample of the study are aged between (Less than 5) represented (7%).

Table 3.9: Frequency table for Level of Years of Experience

Years of experience	Frequency	Percent%
10 – 15	34	36
5 - 10	30	32
20 or more	14	15
15-20	9	10
Less than 5 years	7	7
Total	94	100.0

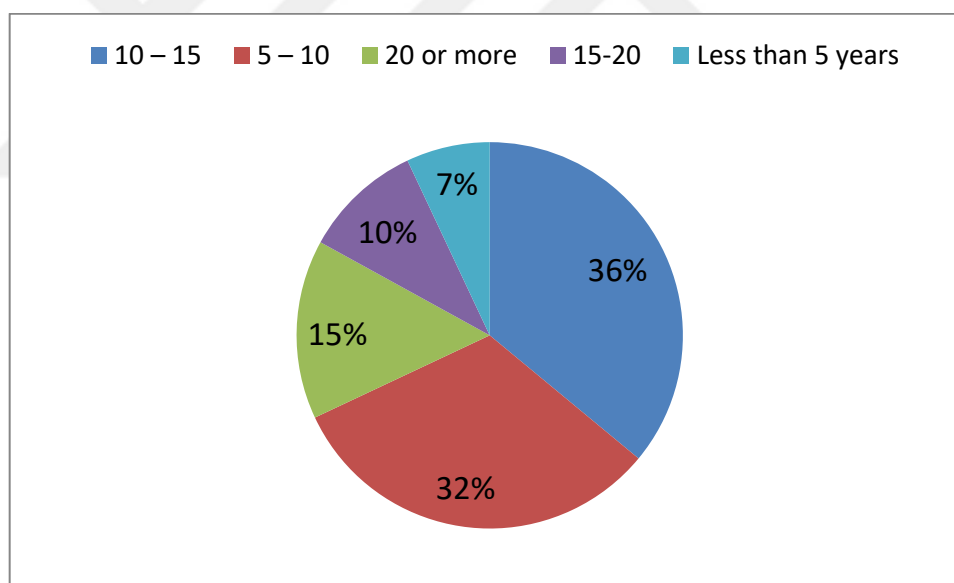


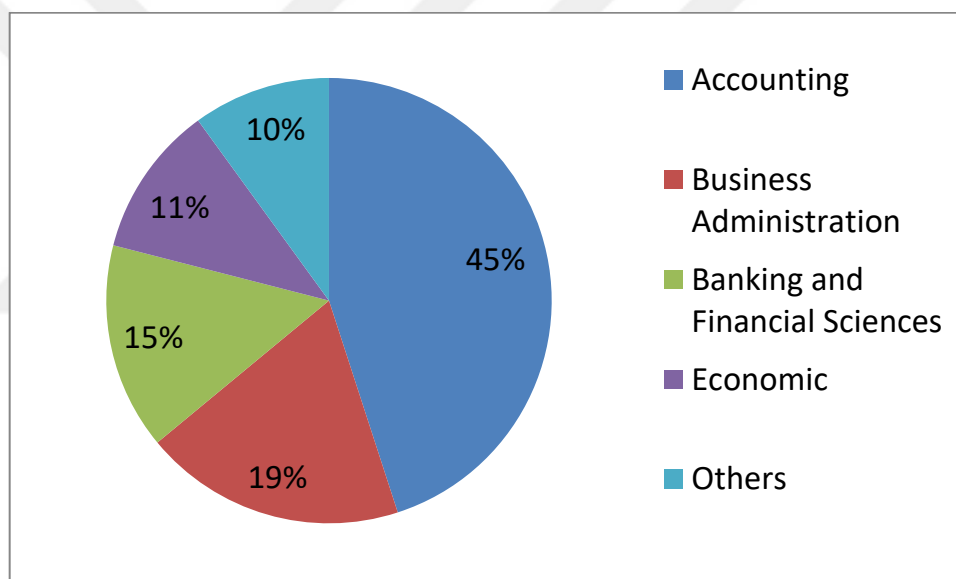
Figure 3.4: Frequency and percentage pie chart for Years of Experience

3.6.5. Scientific specialization

The percentage of the sample of the study is (45%), the study sample (19%), the study sample (financial and banking sciences) 15%), the study sample (11%), the study sample (10%).

Table 3.10: Frequency table for Level of Years of Scientific specialization

Scientific specialty	Frequency	Percent%
Accounting	43	45
Business Administration	18	19
Banking and Financial Sciences	14	15
Economic	10	11
Others	9	10
Total	94	100.0

**Figure 3.5:** Frequency and percentage pie chart for scientific specialization

3.7. Using statistical methods to test hypotheses.

Statistical treatments used in the study (methods of statistical analysis of data)

To achieve the aims of the study and answer its questions, the following statistical tools were used for these treatments through the SPSS Program (Issue No. 20).

1. Duplicates and percentages are used to describe the members of the study community according to their personal characteristics in addition to the frequencies and percentages of each paragraph of the study axes.

2. Arithmetical averages and standard deviations are employed to judge the response of the study sample to the variables of the research.
3. correlation coefficient Pearson to measure the degree of correlation, where this test to studies the relationship between the two variables that calculate the correlation coefficients between all the axes of the study and the existence of a relationship between the axes, it further makes an investigation into which two axes are stronger link and whichever is least linked
4. Kronbach Alfa coefficient where the use of this coefficient is to verify the stability of the measuring instrument used.

CHAPTER IV

FINDINGS

4.1. Presentation

This chapter presents how the participants of this study responded to the questionnaire items, also we will present the three sub hypotheses with their results, and finally we will present the main hypothesis with its result.

4.2 The Response to the Questionnaire

4.2.1 The Response to the General Auditing Standards Items

The table below (4.11) shows how the participants answered the first five questions which represent general auditing standards.

Table 4.11

N	Question	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std. Deviation
1	Auditor should have appropriate academic qualification professional competence to perform the auditing work	0	6.4	5.3	52.1	36.2	4.18	0.803
2	The auditor has the freedom to prepare the auditing program and to select the items to be checked	3.2	8.5	22.3	46.8	19.1	3.70	0.982
3	The auditor presents the facts presented by the auditing work without any external influence	2.1	8.5	14.9	48.9	25.5	3.87	0.964
4	The auditor has full responsibility in the detection of fraud and misinformation in the financial statements	3.2	5.3	11.7	42.6	37.2	4.05	0.999
5	The value of the auditor's fees is linked to the required workload	9.6	16.0	18.1	38.3	18.1	3.39	1.229

Table (4.11) shows that the mean of the first five items which represents general auditing standard was (3.84) which is positive direction.

Table (4.11) shows that most of the answers to the first questionnaire item were agree, particularly 52.1%. While, 36.2% of them stated strongly agree, 6.4% of them stated disagree, 5.3% of them were neutral, and none of them answered strongly disagree. Moreover, the mean for this question was (4.18) and the "standard deviation" was (0.803).

Table (4.11) shows that most of the answers to the second questionnaire item were agree, particularly 46.8%. While, 22.3% of them were neutral, 19.1% of them stated strongly agree, 8.5% of them stated disagree, and 3.2% of them answered strongly disagree. Moreover, the mean for this question was (3.70) and the "standard deviation" was (0.982).

Table (4.11) shows that most of the answers to the third questionnaire item were agree, particularly 48.9%. While, 25.5% of them stated strongly agree, 14.9% of them were neutral, 8.5% of them stated disagree, and 2.1% of them answered strongly disagree. Moreover, the mean for this question was (3.87) and the "standard deviation" was (0.964).

Table (4.11) shows that most of the answers to the fourth questionnaire item were agree, particularly 42.6%. While, 37.2% of them stated strongly agree, 11.7% of them were neutral, 5.3% of them stated disagree, and 3.2% of them answered strongly disagree. Moreover, the mean for this question was (4.05) and the "standard deviation" was (0.999).

Table (4.11) shows that most of the answers to the fifth questionnaire item were agree, particularly 38.3%. While, 18.1% of them were neutral, 11.1% of them stated strongly agree, 16.0% of them stated disagree, and 9.6% of them answered strongly

disagree. Moreover, the mean for this question was (3.39) and the "standard deviation" was (1.229).

4.2.2 The Response to Field Work Standards

The table (4.12) shows how the participants answered question 6 to question 10 which represents field work standards.

Table 4.12

	Question	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std. Deviation
6	The external auditor has all the facilities available to them to do their job	1.1	4.3	18.1	58.5	18.1	3.88	0.788
7	You see the tangible assets as evidence of their actual existence	2.1	6.4	13.8	61.7	16.0	3.83	0.851
8	The auditor corrects the errors made by the organization	5.3	10.6	11.7	42.6	29.8	3.81	1.139
9	You gather appropriate evidence for each item you wish to audit	1.1	6.4	16.0	57.4	19.1	3.87	0.833
10	They obey internal control procedures to obtain credible information	1.1	3.2	24.5	44.7	26.6	3.93	0.858

Table (4.12) shows that the mean from 6 to 10 items which represents field work standards was (3.86) which is positive direction.

Table (4.12) shows that most of the answers to the sixth questionnaire item were agree, particularly 58.5%. While, 18.1% of them were neutral, 18.1% of them stated strongly agree, 4.3% of them stated disagree, and 1.1% of them answered strongly

disagree. Moreover, the mean for this question was (3.88) and the "standard deviation" was (0.788).

Table (4.12) shows that most of the answers to the seventh questionnaire item were agree, particularly 61.7%. While, 16.0% of them stated strongly agree, 13.8% of them were neutral, 6.4% of them stated disagree, and 2.1% of them answered strongly disagree. Moreover, the mean for this question was (3.83) and the "standard deviation" was (0.851).

Table (4.12) shows that most of the answers to the eighth questionnaire item were agree, particularly 42.6%. While, 29.8% of them stated strongly agree, 11.7% of them were neutral, 10.6% of them stated disagree, and 5.3% of them answered strongly disagree. Moreover, the mean for this question was (3.81) and the "standard deviation" was (1.139).

Table (4.12) shows that most of the answers to the ninth questionnaire item were agree, particularly 57.4%. While, 19.1% of them stated strongly agree, 16.0% of them were neutral, 6.4% of them stated disagree, and 1.1% of them answered strongly disagree. Moreover, the mean for this question was (3.87) and the "standard deviation" was (0.833).

Table (4.12) shows that most of the answers to the tenth questionnaire item were agree, particularly 44.7%. While, 26.6% of them stated strongly agree, 24.5% of them were neutral, 3.2% of them stated disagree, and 1.1% of them answered strongly disagree. Moreover, the mean for this question was (3.93) and the "standard deviation" was (0.858).

4.2.3 The Response to Report Preparing Standards

The table (4.13) shows how the participants answered question 11 to question 15 which represents report preparing standards.

Table 4.13

N	Question	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std. Deviation
11	You are interested in training the team.	2.1	9.6	13.8	48.9	25.5	3.86	0.979
12	The report considers whether the financial statements have been prepared in accordance with generally accepted principles or not.	1.1	6.4	12.8	60.6	19.1	3.90	0.817
13	Refrain from expressing your opinion on the financial report in the event of material irregularities and reservations in the auditing	8.5	26.6	10.6	34.0	20.2	3.31	1.295
14	It is your responsibility to evaluate the data on which the report is based	1.1	7.4	20.2	54.3	17.0	3.79	0.853
15	You are preparing a report on the performance assessment of the Internal Control Department	4.3	17.0	17.0	42.6	19.1	3.55	1.113

Table (4.13) shows that the mean from 11 to 15 items which represents field work standards was (3.68) which is positive direction.

Table (4.13) shows that most of the answers to the eleventh questionnaire item were agree, particularly 48.9%. While, 25.5% of them stated strongly agree, 13.8% of them were neutral, 9.6% of them stated disagree, and 2.1% of them answered strongly disagree. Moreover, the mean for this question was (3.86) and the "standard deviation" was (0.979).

Table (4.13) shows that most of the answers to the twelfth questionnaire item were agree, particularly 60.6%. While 19.1% of them stated strongly agree, 12.8% of them were neutral, 6.4% of them stated disagree, and 1.1% of them answered strongly disagree. Moreover, the mean for this question was (3.90) and the "standard deviation" was (0.817).

Table (4.13) shows that most of the answers to the thirteenth questionnaire item were agree, particularly 34.0%. While, 26.6% of them stated disagree, 20.2% of them stated strongly agree, 10.6% of them were neutral, and 8.5% of them answered strongly disagree. Moreover, the mean for question was (3.31) and the "standard deviation" was (1.295).

Table (4.13) shows that most of the answers to the fourteenth questionnaire item were agree, particularly 54.3%. While, 20.2% of them were neutral, 17.0% of them stated strongly agree, 7.4% of them stated disagree, and 1.1% of them answered "strongly disagree". Moreover, the mean for this question was (3.79) and the "standard deviation" was (0.853).

Table (4.13) shows that most of the answers to the fifteenth questionnaire item were agree, particularly 42.6%. While, 19.1% of them stated strongly agree, 17.0% of them were neutral, 17.0% of them stated disagree, and 4.3% of them answered strongly

disagree. Moreover, the mean for question was (3.55) and the "standard deviation" was (1.113).

4.2.4 The Response to Creative Accounting Practice

The table (4.14) shows how the participants answered question 16 to question 25 which represents creative accounting practice.

Table 4.14

	Question	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std. Deviation
16	Creative accounting is one of the economic policies of the institution	2.1	7.4	12.8	47.9	29.8	3.96	0.961
17	Loan amounts are recorded as income	6.4	25.5	17.0	29.8	21.3	3.34	1.249
18	Manipulate cash exchange rates in order to improve the financial capacity of the institution	11.7	31.9	16.0	25.5	14.9	3.00	1.287
19	Exaggerate of fixed assets in order to improve the statement of financial position	1.1	20.2	22.3	42.6	13.8	3.48	1.002
20	The larger the institution the greater the likelihood of creative accountancy	1.1	7.4	18.1	45.7	27.7	3.91	0.924
21	Creative accounting leads to long-term damage	2.1	17.0	27.7	35.1	18.1	3.50	1.045
22	Change the method of inventory pricing to increase or decrease expenses	4.3	18.1	26.6	36.2	14.9	3.39	1.080
23	Hide some commitments for the purpose of improving the financial position of the company.	4.3	26.6	16.0	31.9	21.3	3.39	1.211

24	The institution tries to display certain unrealized income or expenses in the report in order to minimize losses	11.7	23.4	17.0	35.1	12.8	3.14	1.250
25	Transfer current expenses to the former and later accounting periods	4.3	19.1	28.7	40.4	7.4	3.28	0.999

Table (4.14) shows that the mean from 16 to 25 items which represents creative accounting practice was (3.44) which is positive direction.

Table (4.14) shows that most of the answers to the sixteen questionnaire item were agree, particularly 47.9%. While, 29.8% of them stated strongly agree, 12.8% of them were neutral, 7.4% of them stated disagree, and 2.1% of them answered strongly disagree. Moreover, the mean for question was (3.96) and the "standard deviation" was (0.961).

Table (4.14) shows that most of the answers to the seventeenth questionnaire item were agree, particularly 29.8%. While, 25.5% of them stated disagree, 21.3% of them stated strongly agree, 17.0% of them were neutral, and 6.4% of them answered strongly disagree. Moreover, the mean for question was (3.34) and the "standard deviation" was (1.249)

Table (4.14) shows that most of the answers to the eighteen questionnaire item were disagree, particularly 31.9%. While, 25.5% of them stated agree, 16.0% of them were neutral, 14.9% of them answered strongly agree, and 11.7% of them answered strongly disagree. Moreover, the mean for question was (3.00) and the "standard deviation" was (1.287).

Table (4.14) shows that most of the answers to the nineteenth questionnaire item were agree, particularly 42.6%. While, 22.3% of them were neutral, 20.2% of them

stated disagree, 13.8% of them answered "strongly agree", and 1.1% of them answered strongly disagree. Moreover, the mean for this question was (3.48) and the standard deviation was (1.002)

Table (4.14) shows that most of the answers to the twenty one questionnaire item were agree, particularly 35.1%. While, 27.7% of them were neutral, 18.1% of them answered "strongly agree", 17.0% of them answered disagree, 2.1% of them answered strongly disagree. Moreover, the mean for question was (3.50) and the "standard deviation" was (1.045).

Table (4.14) shows that most of the answers to the twenty two one questionnaire items were agree, particularly 36.2%. While, 26.6% of them were neutral, 18.1% of them answered disagree, 14.9% of them answered strongly agree, and 4.3% of them answered "strongly disagree". Moreover, the mean for this question was (3.39) and the "standard deviation" was (1.080).

Table (4.14) shows that most of the answers to the twenty three one questionnaire items were agree, particularly 31.9%. While, 26.6% of them answered "disagree", 21.3% of them answered strongly agree, 16.0% of them were neutral, and 4.3% of them answered "strongly disagree". Moreover, the mean for this question was (3.39) and the "standard deviation" was (1.211).

Table (4.14) shows that most of the answers to the twenty four one questionnaire items were agree, particularly 35.1%. While, 23.4% of them answered disagree, 17.0% of them were neutral, 12.8% of them answered "strongly agree", and 11.7% of them answered strongly disagree. Moreover, the mean for this question was (3.14) and the "standard deviation" was (1.250).

Table (4.14) shows that most of the answers to the twenty five one questionnaire items were agree, particularly 40.4%. While, 28.7% of them were neutral, 19.1% of them answered strongly disagree, 7.4% of them answered strongly agree, and 4.3% of

them answered "strongly disagree". Moreover, the mean for this question was (3.28) and the "standard deviation" was (0.999).

4.2.5. The Response Procedures and Tests Carried out by the External Auditor to Reduce the Creative Accounting Practices.

The table (4.15) shows how the participants answered question 26 to question 30 which represents procedures and tests carried out by the external auditor to reduce the creative accounting practices.

Table 4.15

	Question	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std. Deviation
26	The auditor verifies that the principles of accounting in the institution are maintained	3.2	5.3	8.5	60.6	22.3	3.94	0.902
27	The auditor is interested in monitoring the cost of the goods to the institution	1.1	2.1	17.0	59.6	20.2	3.96	0.747
28	The auditor verifies the supporting documents for long-term investments	0	4.3	16.0	55.3	24.5	4.00	0.762
29	The auditor requires documents proving that the sales transactions are real and not fictitious	1.1	2.1	13.8	45.7	37.2	4.16	0.820
30	The auditor monitors all expenditure invoices recorded in the budget	1.1	2.1	10.6	42.6	43.6	4.26	0.816

Table (4.15) shows that the mean from 26 to 30 items which procedures and tests carried out by the external auditor to reduce the creative accounting practices was (4.06) which is positive direction

Table (4.15) shows that most of the answers to the twenty sixth one questionnaire items were agree, particularly 60.6%. While, 22.3% of them answered strongly agree, 8.5% of them were neutral, 5.3% of them answered "disagree", and 3.2% of them answered "strongly disagree". Moreover, the mean for this question was (3.94) and the standard deviation was (0.902).

Table (4.15) shows that most of the answers to the twenty seventh one questionnaire items were agree, particularly 59.6%. While, 20.2% of them answered strongly agree, 17.0% of them were neutral, 2.1% of them answered "disagree", and 1.1% of them answered "strongly disagree". Moreover, the mean for this question was (3.96) and the standard deviation was (0.747).

Table (4.15) shows that most of the answers to the twenty eighth one questionnaire items were agree, particularly 55.3%. While, 24.5% of them answered strongly agree, 16.0% of them were neutral, 4.3% of them answered "disagree", and none of them answered "strongly disagree". Moreover, the mean for this question was (4.00) and the standard deviation was (0.762).

Table (4.15) shows that most of the answers to the twenty ninth one questionnaire items were agree, particularly 45.7%. While, 37.2% of them answered strongly agree, 13.8% of them were neutral, 2.1% of them answered disagree, and 1.1% of them answered strongly disagree. Moreover, the mean for this question was (4.16) and the standard deviation was (0.820).

Table (4.15) shows that most of the answers to the thirty one questionnaire items were strongly agree, particularly 43.6%. While, 42.6% of them answered agree, 10.6% of them were neutral, 2.1% of them answered "disagree", and 1.1% of them answered

"strongly disagree". Moreover, the mean for this question was (4.26) and the standard deviation was (0.816).

4.3. The Result of the First Sub Hypothesis

The first sub hypothesis of this study was “that there is no statistically significant relationship between the general standards of external auditing and creative accounting practices”. According to the results obtained from the questionnaire, first sub hypothesis is verified, as it is shown in the table below.

Table 4.16

first dimension	Coefficient of correlation	determination	
		coefficient of Multiple	sig
General standards			
Creative accounting practices	0.16	0.03	0.11

Table (4.16) shows that there is no statistically significant relationship between the general standards of external auditing and creative accounting practices, as the significance was (0.11), and it is greater than (0.05). Also it is shown that there is no statistically significant correlation between general standards for external auditing and creative accounting practices, as the Coefficient of correlation was 0.16 and the determination coefficient of multiple was 0.03 and that refers to decrease in the explanatory capacity of creative accounting practices.

4.4. The Result of the Second Sub Hypothesis

The second sub hypothesis of this study was “There is no statistically significant relationship between fieldwork standards for external auditing and creative accounting practices”. According to the results obtained from the questionnaire, second sub hypothesis is rejected, as it is shown in the table below.

Table 4.17

second dimension	Coefficient of correlation	determination coefficient of Multiple	sig
Field work standards			
Creative accounting practices	0.51	0.26	0.00

Table (4.17) shows that There is statistically significant relationship between fieldwork standards for external auditing and creative accounting practices, as the significance was (0.00), and it is smaller than (0.05). Also it is shown that there is statistically significant correlation between fieldwork standards for external auditing and creative accounting practices as the Coefficient of correlation was 0.51 and the determination coefficient of multiple was 0.26 and that indicates the explanatory capacity of the fieldwork standards for external auditing on the creative accounting practices.

4.5. The Result of the Third Sub Hypothesis

The third sub hypothesis of this study was “There is no statistically significant relationship between reporting standards for external auditing and creative accounting practices”. According to the results obtained from the questionnaire, third sub hypothesis is rejected, as it is shown in the table below.

Table 4.18

Third dimension	Coefficient of correlation	determination		sig
		coefficient of	Multiple	
Criteria for preparing the report	0.47	0.22		0.00
Creative accounting practices				

Table (4.18) shows that there is statistically significant relationship to the standards of preparing the report for external auditing and creative accounting practices, as the significance was (0.00), and it is smaller than (0.05). Also it is shown that there is statistically significant correlation between standards of preparing the report for external auditing and creative accounting practices, as the Coefficient of correlation was 0.47 and the determination coefficient of multiple was 0.22 and that indicates the explanatory capacity of the criteria of preparing the report for external auditing on the creative accounting practices.

4.6. The Result of the Main Hypothesis

The main hypothesis of this study was “There is no statistically significant relationship between external auditing and creative accounting practices”. According to the results obtained from the questionnaire, the main hypothesis is rejected, as it is shown in the table below.

Table 4.19

Main dimension	Coefficient of correlation	determination		sig
		coefficient of	Multiple	
External Audit				
Creative accounting practices	0.46	0.21		0.00

Table (4.19) shows that there is statistically significant relationship external auditing and creative accounting practices, as the significance was (0.00), and it is smaller than (0.05). Also it is shown that there is statistically significant correlation between external auditing and creative accounting practices, as the Coefficient of correlation was 0.46 and the determination coefficient of multiple was 0.21 and that indicates the explanatory capacity of the external auditing on the creative accounting practices.

CHAPTER V

DISCUSSION

5.1. Presentation.

This chapter provides discussion of this study's findings. It discusses the relationship between general standards, field work standards, report preparing criteria, and external auditing with creative accounting practices.

5.2. The Relationship Between General Standards of External Auditing and Creative Accounting Practices.

Regarding the relationship between the general standards and creative accounting practices, we found that there is no relationship between them, as the significance was (0.11). Also we found that there is no statistically significant correlation between general criteria for external auditing and creative accounting practices, the results indicates decrease in the explanatory capacity of creative accounting practices.

5.3. The Relationship Between Fieldwork Standards for External Auditing and Creative Accounting Practices.

Regarding the relationship between the fieldwork standards for external auditing and creative accounting practices ,we found that there is relationship between them ,as the significance was (0.00), Also it is shown that there is statistically significant correlation between them ,and indicates the explanatory capacity of the fieldwork standards for external auditing on the creative accounting practices.

5.4. The Relationship Between Reporting Standards for External Auditing and Creative Accounting Practices.

Regarding the relationship between the report for external auditing and creative accounting practices as the significance was (0.00), also it is shown that there is statistically significant correlation between them, that indicates the explanatory capacity of the criteria of preparing the report for external auditing on the creative accounting practices.

5.5. The Relationship Between External Auditing and Creative Accounting Practices.

Regarding the relationship between the external auditing and creative accounting practices as the significance was (0.00), Also it is shown that there is statistically significant correlation between external auditing and creative accounting practices as the Coefficient of correlation was 0.46 and that indicates the explanatory capacity of the external auditing on the creative accounting practices.

CHAPTER VI

CONCLUSION AND RECOMMENDATIONS

6.1. Presentation

This chapter draws conclusions on the role of external audit in reducing creative accounting practices also, this chapter gives some recommendations and suggestions and for Further Research.

1. The largest number of sample members of the study see that the availability of appropriate academic qualification and professionalism plays a key role with the external auditor to perform the audit.
2. Valuation and adequate examination the assists auditor to detection of fraud and misinformation in the financial statements.
3. The external auditor has the fieldwork standards and the possibilities of the economic unit to do its work.
4. The study sample gathered that the observation of tangible assets is evidence of their actual existence.
5. The external auditor has all the standards for preparing the report, which helps to obtain good results.
6. The adoption of economic institutions to the practices of creative accounting was one of the reasons for the collapse of many international companies.
7. Economic institutions apply the practices of creative accounting (47.9) and the most of these lists are subject to use is the list of financial position.
8. The vigilance and efficiency of internal auditing in the discovery of creative accounting practices is the most and powerful means of combating such practices.

9. The largest number of respondents in the sample of the study that it is important to continue to apply the principles of accounting in the economic unit because they have a role in reducing creative accounting practices and the proportion of (60.6).
10. The auditor has pivotal role in verifying and disclosing the practices and results of creative accounting and giving him many means to do so.

6.2. Recommendations.

1. It will need to hold conferences, seminars and training courses and the formation of awareness committees on the risks of creative accounting and its impact on the profession of accounting and auditing.
2. To recommend studies to enhance the ethical aspects of accountants and external auditors to reduce the desire to manipulate practices of creative accounting practices.
3. Development of accounting culture between investors and users of accounting data to help them to discover the practices of creative accounting.
4. Work on developing the skills of internal auditors to discover the manipulations that are difficult to detect in some cases.
5. Issuing more laws and legislations that help to uncover creative accounting and impose penalties on accountants or auditors who practice creative accounting in all forms.
6. Confirmation on the independence, impartiality and transparency of the external auditor, for their apparent impact on improving the credibility of accounting information.
7. Require audit offices to continuously develop the capabilities of their personnel to keep abreast of all that is new in the field of auditing profession, in order to contribute to the development of the auditing profession and to enhance confidence in it.

8. The existence of an appropriate and scientific system for determining the audit fees auditors.

9. When expressing an opinion in the report, the auditor should take into account cases of fraud and their impact on the veracity and fairness of the financial statements.

10. Reduce accounting measurement alternatives so as not to be used for accounting purposes.

6.3. Recommendations for Further Study.

1. Modern methods of external auditing and its role in the detection of creative accounting practices.
2. The role of the auditor's ethics in reducing the manipulation of financial statements.
3. Impact of Modern Technology in Accounting Information Systems.

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APPENDIX





Dear Respondent

This questionnaire is a main part of the study conducted by the researcher to obtain master's degree in the department of Administration and Economics at Gaziantep University – Turkey under the title "The role of external auditing in reducing creative accounting practices".

Your answers will be severed only for the research purposes of the above thesis title.

Thanks for participation

The Supervisor: Prof. Dr.Murat KARAHAN

The Researcher: Mamoon abdulrahman Ali Albrifkani

Part one: Socio demographic Characteristics

Please put a signal (x) in front of the appropriate answer for all of the following:

1. Gender ☐ Male ☐ Female

2. Age ☐ less than 30 ☐ 30 - 40
☐ 40 – 50 ☐ more than 50

3. Scientific qualification ☐ Bachelor ☐ Higher Diploma
☐ Master ☐ Ph.D

4. Years of Experience ☐ Less than 5 years ☐ 5 – 10
☐ 10 – 15 ☐ 15 – 20 ☐ 20 or more

5. Scientific specialty ☐ Accounting ☐ Banking and Financial Sciences
☐ Economics ☐ Business Administration
☐ Others

The first axis: external audit in the economic institution						
	ITEMS	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
	General Auditing Standards					
1	Auditor should have appropriate academic qualification and professional competence to perform the auditing work.					
2	The auditor has the freedom to prepare the auditing program and to select the items to be checked					
3	The auditor presents the facts presented by the auditing work without any external influence.					
4	The auditor has full responsibility in the detection of fraud and misinformation in the financial statements.					
5	The value of the auditor's fees is linked to the required workload.					
	Field work standards					
6	The external auditor has all the facilities available to them to do their job.					
7	You see the tangible assets as evidence of their actual existence.					
8	The auditor corrects the errors made by the organization					
9	You gather appropriate evidence for each item you wish to audit					
10	They obey internal control procedures to obtain credible information					
	Criteria for preparing the report					
11	You are interested in training the team.					
12	The report considers whether the financial statements have been prepared in accordance with generally accepted principles or not.					
13	Refrain from expressing your opinion on the financial report in the event of material irregularities and reservations in the auditing.					
14	It is your responsibility to evaluate the data on which the report is based.					
15	You are preparing a report on the performance assessment of the Internal Control Department					

The second axis: the methods of creative accounting in the economic institutions						
	ITEMS	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
16	Creative accounting is one of the economic policies of the institution.					
17	Loan amounts are recorded as income.					
18	Manipulate cash exchange rates in order to improve the financial capacity of the institution.					
19	Exaggerate of fixed assets in order to improve the statement of financial position.					
20	The larger the institution the greater the likelihood of creative accountancy.					
21	Creative accounting leads to long-term damage.					
22	Change the method of inventory pricing to increase or decrease expenses.					
23	Hide some commitments for the purpose of improving the financial position of the company.					
24	The institution tries to display certain unrealized income or expenses in the report in order to minimize losses.					
25	Transfer current expenses to the former and later accounting periods.					
The Third: Procedures and tests carried out by the external auditor to limit the methods of creative accounting						
	ITEMS	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
26	The auditor verifies that the principles of accounting in the institution are maintained.					
27	The auditor is interested in monitoring the cost of the goods to the institution.					
28	The auditor verifies the supporting documents for long-term investments.					
29	The auditor requires documents proving that the sales transactions are real and not fictitious.					
30	The auditor monitors all expenditure invoices recorded in the budget.					

Consent paper

Dear participant

The researcher (Mamoon Albrifkani), college of administration and economic / Department of Business administration - accounting / Gaziantep University in Turkey is conducting this research to The Role of External Auditing in Reducing Creative Accounting Practices.

Please complete the survey your participation in this study is voluntary and you are free to withdraw your participation from this study at any time. The survey takes only 30 minutes. The results of the research study may be published, but your name will be kept secret.

If you have any question regarding the questions, survey or the research project in general , please contact (Mamoon Albrifkani) on:

Email: Mamoon201568675@gmail.com

Phone number: 009647504997253

Name of participation Signature

VITAE

Mamoon ALBRIFKANI was born in DUHOK / IRAQ in 1978. He graduated from the Department of accounting, college of administration and economic at AL Hadba University College Mosul - Iraq. He completed graduated in 2005-2006. He holds his Masters of accounting degree on “The Role of External Auditing in Reducing Creative accounting practices” in the department of Business Administration at Gaziantep University in 2018. He is married and he has got three daughters.

ÖZGEÇMİŞ

Mamoon ALBRIFKANI, 1978'de DUHOK / IRAK'da dünyaya geldi. Irak - Musul'da AL Hadba Üniversitesi, muhasebe, işletme fakültesi - ekonomi bölümünden mezun oldu. 2005-2006 yılları arasında mezun oldu. 2018 yılında Gaziantep Üniversitesi İşletme Bölümü'nde muhasebe eğitimini "Muhasebe Uygulamalarının Düşürülmesinde Dış Denetimin Rolü" üzerine yapmıştır. Evli ve üç kız çocuğu var.