

THE ROLE OF THE EXTERNAL AUDITOR IN LIMITING CREATIVE ACCOUNTING PRACTICES IN FINANCIAL STATEMENTS ANALYTICAL STUDY OF IRAQI JOINT STOCK COMPANIES

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Abstract

This study aims to identify the concept and definition of creative accounting and the role of external auditors to discover the ways and methods of creative accounting used in financial statements by the departments of joint stock companies operating in the Iraqi market, To achieve the objectives of this study and to test its hypothesis, the descriptive analytical approach was followed, where the primary data was collected through a questionnaire distributed to (40) external auditors practicing the profession of external auditor in auditing offices and companies in Iraq, who were chosen randomly, The questionnaire was distributed to them through the Iraqi Association of Certified Public Accountants (a non-governmental organization) through a visit to audit offices and companies practicing the profession of external audit and licensed during 2022, As well as company employees and academics with specialization. the researcher designed a questionnaire that included (14) items to collect the primary information from the study sample and analyze it using the statistical program (SPSS), using arithmetic averages, standard deviations, and coefficient of variation, as well as percentages and the T-test. The study reached a set of results, including the commitment of external auditors to apply the necessary procedures and tests in the elements of the financial statements, which helps them in limiting creative accounting practices in financial deception by exploiting the flexibility given in accounting policies and laws and the freedom to choose between alternatives. In addition to the availability of educational qualifications and professional experience, this enhances their ability to discover creative accounting practices in financial statements. The study concluded with several recommendations, the most important of which is that professional associations hold seminars and educational media programs for their preachers related to clarifying the impact of creative accounting practices on the accounting and auditing professions and educating users of financial statements in general, and investors and lenders in particular of the effects of those practices on their economic decisions.

Keywords: Creative accounting, auditor, auditing, financial statements, corporate companies.

Introduction

Accounting information is the primary means of reducing the uncertainty of external users as essential means of reporting on practice. Information contained in the financial statements and annexed disclosures detailing the operations contained in those lists is considered valuable and

useful if obtained from high-quality financial reports. On this basis, companies' managements may resort to accounting practices to manipulate the financial statements and show them in an untrue picture, with the aim of improving the financial value related to the companies' performance in order to attract investors to invest their money in those companies (world-acc, net: 2012). Most studies show that the sudden losses of some of the world's companies and their exit from the market (Enron) are due to their management exercising complex methods of changing financial lists from that of their management, which is called creative accounting procedures. Based on the foregoing, this study complements previous studies and attempts to highlight the role of accredited auditors and their commitment to apply international auditing standards for tests and procedures in financial lists to reduce the creative accounting exercised by corporate management in financial statement.

Research methodology and previous studies

Research problem:

The economic openness that the country witnessed led to the establishment of many Iraqi joint stock companies listed in the Iraqi Stock Exchange of various classifications, and to attract many beneficiaries from their financial statements by improving their financial position, whether in terms of profitability or in terms of their financial position to achieve their own objectives. This has led to the use of some departments of these companies to practice creative accounting applications with their multiple methods and procedures, and on this basis the research problem can be formulated by answering the following question: (Is there an influential role for external auditors in limiting creative accounting practices in the issued financial statements of the Iraqi joint stock companies).

Research Objective:

The research aims to:

- 1-Define the conceptual framework of creative accounting through concept, relevance, definition, and factors that have helped to emerge and affect the honesty and fairness of financial lists.
- 2-Describe the role of the auditor accredited to these companies in limiting the creative accounting procedures exercised by the boards of the participating companies in the audited financial statements.

Research Importance:

The importance of research underscores the importance of the subject of creative accounting as it represents an important problem, especially after the widespread use of the management of joint stock companies to practice methods that demonstrate the result of the company's activity and financial position in a manner that serves its desires. The research is also important in circumstances where questions abound about the reliance on financial statement published by participating companies and the role of auditors in limiting creative accounting practices to serve the needs of many users of such lists, such as investors, shareholders, creditors, banks, internal trade unions, as well as independent auditors, financial analysts and other categories.

Search Hypothesis: main premise:

(Accredited auditors in Iraqi joint stock companies, during the audit of the financial statements issued by those companies, apply the necessary procedures and methods to reveal the impact of creative accounting practices on those lists).

Search Manner:

The scientific curriculum will be adopted as a method of research. In the first phase of the research, the data and theoretical information derived directly from books, periodicals and previous studies will be drawn from university letters and theses in the field of creative accounting and the role of auditors in reducing their effects on users of financial statements. As for the second stage, a questionnaire was designed and distributed to a sample of external auditors who practice the profession of certified auditors in auditing offices and companies in Iraq. They were randomly selected and who are affiliated with the Board of Audit and Oversight Profession and who audit the financial statements of those joint stock companies, company employees and financial managers and academics with specialization and some dealers with those companies. The results related to the research hypothesis were extracted.

Previous studies:

1- Study (Al-Muwafaqi: 2019)

"The role of the auditor in reducing the impact of creative accounting and its reflection on the reliability of the financial statements" This study aimed to educate the managements of companies operating in the private sector of the risks of using creative accounting methods and practices on the elements contained in the financial statements, which affects the validity and fairness of those statements. The researcher reached a set of conclusions, the most important of which is that most of the respondents were positive and at a high rate about that creative accounting practices have a significant impact on the fairness and honesty of the financial statements. The most important recommendations are to ensure that the requirements of the company's creative accountants are provided so that their work is within the limits of accounting laws, standards and principles that do not reflect the fairness and sincerity of the financial statements published by those companies.

2- Study (Mahmoud: 2019)

"Creative Accounting Practices and Their Impact on Earnings per Share in Industrial Companies Listed on the Amman Stock Exchange" This study aimed to identify the role played by industrial companies in creative accounting practices through profit management and income smoothing and its impact on earnings per share. That companies practice creative accounting methods through earnings management only, which affects the earnings per share, As for the most important recommendations of the study, they are obligating the departments of industrial companies to use profit management measurement models in measuring the level of creative accounting practices and the recommendation of external auditors to show the profitability of the profit management measurement ratio in the financial statements because of its impact on the profitability of shares in industrial companies.

3- study (Hadi : 2017).

"The relationship between creative accounting practices and trading volume using the (Miller) model in measuring profit management" This study aimed to shed light on creative accounting practices in financial reports and indicate their impact on trading volume in the Iraqi Stock Exchange, and the study concluded that all companies sample the study It practices creative accounting in its issued financial statements, which affects the trading volume of its shares in the Iraqi market, Either the most important recommendations are the use of the (Miller) model by auditors for the purpose of measuring creative accounting practices in the companies whose accounts they audit, and educating users of financial statements of the effects and repercussions of those practices in their economic decisions.

4- study (Indian: 2016).

"The extent to which legal auditors use analytical procedures to discover creative accounting practices". This study aimed to identify the extent to which legal auditors use analytical procedures to discover creative accounting practices in companies operating in the Palestinian market. The study found that auditors adhere to analytical procedures in financial statements and their role in detecting such practices. The study recommended that the concept of analytical procedures should be deepened and important in the detection of creative accounting practices. The study also recommended the need for continuous education and training of legal auditors and the search for a relationship between local audit companies and global auditing companies to take advantage of their vast potential.

After reviewing some previous studies that dealt with the issue of creative accounting practices in financial statements and their impact on the volume of trading in the Iraqi Stock Exchange, such as a study (Hadi, 2017), and the extent to which external auditors use analytical procedures during the various stages of auditing as a study (Al-Hindi, 2016) , This study complements previous studies and draws on these studies in defining current study curricula and as important references for identifying how the identification, methodology and tools used in these studies are designed to develop the current study tool from hypothesis-building and the formulation of identification questions. But they differed from those studies in terms of methodology, timing, application environment and the study community,

Theoretical framework for research

I. Concept and definition of creative accounting.

The concept of creative accounting has become a focus and attention of accountants and auditors in a very large way in recent years, especially after the events of the collapse of Enron and other international companies and the loading of Arthur Anderson for being the company responsible for auditing the accounts of Enron is part of the responsibility for the collapse of the company. Accusing it of manipulating the company's accounting statements using certain political and accounting processes that show the accounting statements are not in their true and correct form (Ali and Jalapa, 2017:144), The concept of creative accounting is considered one of the controversial concepts, especially after the global controversy that arose about the relationship of creative accounting with many collapses and financial losses of large international companies. And creative accounting in itself is still practically unobjectionable

as a method, but when it becomes unethical methods that infiltrate the resulting accounting details, and make the reality of this thing unreal, while all the data is true in reality, but it conveys and paints different pictures (Ijeoma N , 2014: 38), Many researchers and writers have tried to define the concept of creative accounting, including as innovative and modern practices through which accountants use their knowledge of accounting laws and rules to manipulate the figures recorded in the company's accounts, exploiting the gaps in accounting standards and principles in order to achieve specific objectives that result in an unrealistic picture of the company's position in such a way as to shade the users of financial statements (Ben Mohammed, 2017:48). Creative accounting is an unethical practice in selecting available accounting estimates and policies that provide an opportunity for manipulation and fraud, resulting in incorrect and misleading financial statements (Kvass and Chubut, 2021:49), Creative accounting is the treatment of accounting numbers, measurement processes, and accounting disclosure by exploiting the gaps in accounting standards and principles, choosing standards and clarifications, with the aim of transforming the financial statements from what they should be to the situation that users of financial statements prefer to see (Fatima and Mahout, 2018: 202).

2- Methods of using creative accounting.

Studies on the issue of motivations for the use of creative accounting methods or practices have varied due to conflicts of interest between owners, company management and employees. The shareholders' interest is in paying taxes and lower distributions. The investors' interest is in obtaining larger dividends and capital profits. The interest of the employees is to obtain higher salaries, and the interest of the company's management is to obtain more reward and profits, but what creative accounting does is that it gives one or two groups an appropriate position at the expense of others (Sen and Inanga, 2006: 78), In Idris's view, creative accounting is not to use accounting knowledge to influence the figures in financial reports, but to remain within the scope of accounting laws and rules, and that it reflects what management wants and facilitates the objectives of financial reports developed by management, It relies on accounting methods by which financial information is manipulated and presents a better financial picture by increasing or decreasing profits and concealing relevant information from investors (Idris et. al, 2012: 26), The management's motives for using creative accounting methods varied, the most important of which are the following (Ali and Jalapa, 2017: 154).

- Positive impact on the reputation of companies in the financial markets with the aim of influencing the company's share price and improving the financial value related to the performance of those companies in the financial markets.
- Increased borrowing from banks, which has a positive impact on credit decision-making by granting loans.
- For the purposes of professional classification to obtain an advanced classification over its competitors in the rating processes conducted by specialized international institutions based on financial indicators and criteria extracted from the financial statements published by companies.

Rodger believes there is a motivation to obtain and maintain financing by companies, especially those with cash deficits necessary to sustain their operating and investment operations or to pay their liabilities, that focuses on this motivation to finance their expenditures by relying on financial institutions by using creative accounting methods to improve the outcome of activity and the financial position of accountants away from the truth (Al Tammie, 2021:56).

3- Creative forms of accounting.

Creative accounting is called several names according to its chronology, starting with utilitarian accounting, profit management, income preparation and cosmetic accounting. Earnings Management is the favorite and most commonly used in most literature published in the United States of America, but in Europe the term creative accounting is used (Mouth, 2016:50). The types of manipulation of accounts vary and their classifications. The problem of creative accounting can be presented as follows:

- Aggressive Accounting is a commitment to the choice and application of accounting methods and policies regardless of the integrity and validity of these methods to achieve specific objectives with a view to achieving high profits (Milford & Comiskey, 2002:122).
- Earnings Management means deliberate interference in the preparation of financial statements with a view to reaching a predetermined objective by management, such as obtaining special benefits and misleading stakeholders regarding the company's real economic situation (Al-Atabi, 2016:15).
- Income Smoothing It means an intentional adjustment of the declared income with the aim of reaching the desired level and expresses the desire of management to reduce abnormal deviations in income to the extent possible or permissible within the limits of flexibility available in generally accepted accounting principles (GAAP) regarding It relates to accounting methods and procedures (Hadi, 2017: 45).
- Fraudulent Financial Reporting, which means intentionally showing false statements or omitting or concealing certain values and not disclosing them in the financial statements with the aim of misleading the users of financial statements, (International Federation of Certified Public Accountants, IFAC, 2010: 19).

The researcher believes that creative accounting practices are morally and practically unacceptable behavior, because of the administration's exploitation of flexibility and the multiplicity of accounting alternatives given the freedom to choose the different methods and methods stipulated by the generally accepted accounting principles to achieve certain goals and objectives that benefit a certain group at the expense of other beneficiary communities inside and outside the company, It may lead to significant harm later on that sect and the rest of the other sects, and threatens the entire company with the risk of bankruptcy and collapse. Therefore, these practices and methods used by company managements in the financial statements must be addressed in order to obtain financial statements with a great deal of transparency and reliability.

Creative accounting methods in financial statements.

There are many studies that dealt with creative accounting as a means that can be used to manipulate items or special elements in the financial statements, when the management met the motives for exploiting flexibility and the various accounting alternatives that it applies in preparing its financial statements, which are compatible with its goals and desires, and through which it achieves the best picture of the company's performance, (Al-Aroussi) believes that the creative methods and practices in companies are divided into two types, the first type includes the real practices of creative accounting and it focuses on the use of administrative decisions related to production, investment and sales in order to modify the expected revenues and expenses, and this type of decisions affects profitability, while the second type includes The illusory or artificial practices of creative accounting within the framework of generally accepted accounting standards and principles depend on the flexibility available in those accounting principles, such as voluntary accounting changes such as changes in accounting policies, personal estimates and the life of fixed assets (Al-Arousi, 2019: 145), Some creative accounting methods practiced by companies and their effects on the financial statements will be identified, and these methods do not necessarily conflict with generally accepted accounting principles.

1- Creative accounting practices in the income statement.

The income statement displays the results of companies' business of profit or loss for a specific financial period. This list contains basic numbers for the purposes of financial analysis. Creative accounting is practiced in the income statement in multiple ways. Perhaps the most prominent of these methods used in the income statement elements are summarized as follows: (Abu Tammam, 2013: 53) (Abu Nassar and Hemeidat, 2013: 44).

- Net income is manipulated by early recording of sales revenue before the sale process is completed and the exchange for benefit is completed.
- Transfer of current expenses to prior or subsequent accounting periods by capitalizing normal operating costs and changing accounting policies.
- Transfer of current revenue to a later financial period with the aim of reducing current profits, as this practice is usually used when the company's conditions in the current year are excellent.
- Recording the cash received from the operations of financing activities, such as loans, and the cash received from investment operations, such as the sale of assets or investment returns, as cash flows from operating activities.
- Recognizing fictitious revenues by recording revenues from fictitious sales in order to inflate revenues and profits in a particular financial period (Schilit, 2012: 84).

2- Creative accounting practices in the balance sheet statement.

The balance sheet statement (financial position) is considered one of the main statements because it provides important financial information related to available resources and their obligations towards lenders and owners. The study (Gherai & Balaciu, 2011: 37) showed one of the most important means of manipulating tangible assets, which is research and development expenditures through capitalization. Those expenses, and in fixed assets, is the

manipulation of the methods of depreciation (depreciation) of the fixed assets and the estimation of their useful life as well as their life span. The most important practices are:

- Increasing the value of assets with intangible assets before purchasing them, such as recognizing goodwill or overvaluing the items of intangible assets such as a brand. In addition, changes are made to the amortization methods used to reduce these assets (Kieso D, Weygand J, 2009: 55).
- Manipulation of the basis for valuation of the portfolio using unreal market prices. These practices are used by some companies to achieve, inter alia, the reduction of the company's tax (Abu Tamam, 2013:57).
- Failure to adhere to the historical cost principle in determining the value included in the financial position list and following the method of re-valuation and showing the surplus in the income statement rather than in the shareholders' rights (Abdul Hamid, 2017:138).
- Work on obtaining long-term loans before the balance sheet is announced for the purpose of using them to repay short-term loans to improve liquidity ratios. (Kieso, et.al, 2008:196).
- Manipulating the classification of traded investments (short-term) into long-term investments when their prices fell in the money market, as well as the unjustified reduction in the value of the provision for the decline in the prices of securities (Al-Agha, 2011: 83).

3- Creative accounting practices in the cash flow list.

The list of cash flows is one of the most important financial statements on which financial analysts rely lenders and investors in their economic decision-making. It presents all cash inflows and outflows in terms of their sources and uses from major activities (operational, financing, investment). The most important procedures for manipulating the statement of cash flows are as follows:

- To manipulate the classification of the elements of activities entering and exiting the statement of cash flows by considering the financing and investment activities as operational activities or vice versa and in the interest of the company's management, and therefore these practices do not affect or change the final financial values (Talal et al., 2015: 321).
- Include in the element of operating cash flows non-owned by the company, such as cheques exported to suppliers that have not yet been eligible, as well as some companies resorting to cash subsidies to postpone the writing of cheques issued (Matis, et, al., 2009:142).
- Manipulating net income without generating operational cash flow, such as overvaluation of assets, reduction in obligations or arbitrary capitalization of expenses, all of which inflate income without resulting operational cash flows (Abu Tamam, 2013:60).
- Manipulating the cash receipts of debtors resulting from the sale of goods and services that represent the main activity of the company (Al-Hajjawi and Al-Masoudi, 2014: 468).

4- Creative accounting practices in the statement of change in equity.

The statement of change in equity is considered a link between the income statement and the statement of financial position, as it is approved in its presentation on an accrual basis, and it includes all changes that occur in the elements of equity from the beginning of the financial

period to its end, and among the most important of these practices used in the elements of the statement of change in The property rights are: (Matar, 2016: 106).

- Adding realized gains from previous years to the current net profit for the current year instead of showing it within the retained earnings as it is from the profits of previous years.
- Manipulation by not treating the gains or losses of exchange rate fluctuations related to financial transactions made in foreign currencies in the shareholders' equity instead of the income statement.
- Manipulation by not processing the gains of translating the financial statements of the subsidiaries, which are prepared in foreign currencies, into the income statement instead of treating them within the shareholders' equity.
- Manipulating the non-compliance with valuing assets according to the historical cost principle by following the revaluation method and showing the surplus in the income statement instead of showing it within equity.

To achieve the foregoing, the researcher considers that all companies operating in the Iraqi market seek to show the best picture of the financial position in order to express their economic stability. Accordingly, the management of the company under certain operational conditions has chosen from among the accounting standards and the accepted accounting principles the appropriate alternative, which leads to the figures it deems appropriate for the company's profits, losses and financial position, This allows for the manipulation of accounting data by using the appropriate accounting alternative and providing misleading information to users of the financial statements published by the company, resulting in irrational decisions.

The procedures applied by the auditor to limit the practice of creative accounting in the financial statements.

The following are the most important procedures and tests that the auditors use to limit the impact of the company's management's use of creative accounting practices in the financial statements: (Fares and Hamza, 2020: 400) (Ma'ad, 2020: 4).

1- Procedures and tests used by auditors in the income statement:

- Verification of sales receipts, especially operations with related parties such as affiliates and associates.
- Verify the terms of the real cash and term sale process, not fictitious, and compare them with the conditions in force in the company in terms of payment terms, discounts of all kinds, and the adequacy of the provision for doubtful debts.
- Recalculation of depreciation and amortization expenses according to the rates of depreciation and amortization of tangible and intangible assets that are customary in the sector to which the company belongs.
- Recalculating the net income resulting from the operating activity after excluding the gains resulting from the extraordinary or exceptional elements.

2- Procedures and tests used by auditors in the statement of financial position:

- Validate the exchange rates used to translate the cash elements available in foreign currencies and correct the error that exists.

- Validation of market prices used in valuing the items of traded investments in the components of a stock portfolio.
- Verify the actual existence of items and types in the commodity stock by examining the actual inventory statements and that they are free of stagnant or obsolete merchandise, and if any, make sure that they are disclosed.
- Verifying the statements of accounts receivables and ensuring that there are no bad or bad debts and verifying that the accounts receivable for subsidiaries and associates are excluded from the debtors balance and disclosed in a separate item.
- Verifying the validity of the bases used in evaluating the elements of intangible assets and adjusting their value according to the correct bases. (Al-Tammie, 2017: 39).

3- Procedures used by the auditors in the statement of shareholders' equity and cash flow:

- Verification of the treatment of gains or losses arising from foreign currency operations in shareholders' equity instead than in the income statement and their impact on profitability ratios.
- adjusting the current net profit for the current year by excluding the gains from previous years, and adjusting the profitability ratios, the dividend distribution ratio and other ratios related to shareholders' equity.
- Ascertain the main sources of cash and the validity of classifying those sources into (operational, financing or investment) and indicate the impact of the reclassification on the company's financial statements. (Mohammed and Fatima, 2017: 636).
- Verifying the correctness of the creditors' accounts and the absence of checks issued to them, decreasing those creditors' accounts by the value of the instruments issued to them, as well as verifying the debtors' accounts and comparing them with cash, verifying their due dates and obtaining approvals from the debtors.

According to the researcher, the authorized auditors' offices must assess the extent to which the company's management to be audited can rely on the various statements, information and disclosures required in statements attached to the financial statements, the absence of any irregularities or misrepresentation in those lists and the absence of any creative accounting practice. The external audit process does not fully guarantee the discovery of all creative accounting practices under the best procedures of the auditor required by professional auditing standards.

Practical Framework for Research

Society of Study and Sample

The study community consists of all important companies listed on the Iraqi Stock Exchange. The sample study was represented by some companies operating in the industrial and commercial sector. The identification was distributed to authorized auditors and practitioners of the audit profession and affiliated to the Board of the Iraq Audit and Audit Profession, the employees of those companies and academics with competence. Were distribution (45) A questionnaire designed according to a particular structure to reflect the results of the study, the results of which have been used (40) as their results have been analyzed.

Data collection method:

The research was adopted in practice using the identification list in data collection, which is the most appropriate method in such research. This identification included questions regarding the most important indicators relating to creative accounting practices and methods in the published financial lists of shareholders on the Iraqi securities market relevant to the research. The number of questionnaires distributed, recovered, and analyzed is summarized below.

Table (1) the target sample and the degree of actual response

Statement	Number	Percentage
Distributed identification	45	100%
Retrieved identification	5	% 11
Analyzed identification	40	89%

Statistical methods:

Many statistical methods and metrics have been used to analyze field study data by programmed (SPSS), the most important of which are: (Arithmetic mean, Standard deviation, Coefficient of variation, Percentages), (Toma et al., 2014, 74).

For the purpose of measuring the opinions of the sample members and identifying the extent of the influence of auditors in limiting the creative accounting practices in the Iraqi joint stock companies, the research sample was included in the measurement tool (the questionnaire) within (14) paragraphs. The answers obtained were summarized and the results of their statistical analysis, The researcher relied on the Likert scale as in table (2) of (1-5) where (5) indicated strongly agreed and (1) indicated strongly disagreed and were classified into three categories by computational circles, counting each factor with an average calculation of more than (3.5) of high importance, It is limited to between (2.5) and (3.5) average importance, and the factor below (2.5) low importance (Al-Jabri, 2014, 73).

Table (2) categories of answers and the corresponding score

Categories	Measurement degree	first part	second part
from 100% - 81%	5	Strongly Agree	very high
from 80% - 61%	4	Agree	high
from 60% - 41%	3	neutral	medium
from 40% - 21%	2	not agree	lower
from 20% - 0%	1	Strongly Disagree	non-existent

Here are the results related to the research hypothesis axis, as the arithmetic averages, standard deviations, coefficients of variation and importance of the hypothesis axis were found (accredited auditors in Iraqi joint stock companies, during the audit of the financial statements issued by those companies, apply the procedures and methods necessary to detect the impact of creative accounting practices on those lists).

Table (3) Analysis of Sample Individuals' Opinions on the Role of Auditors in Reducing Creative Accounting Practices

No.	Questions	mean	standard deviation	Variation coefficient	ranking	ratio	Importance
1	The auditor takes the necessary professional care in planning the audit process, examining the internal control system, and collecting evidence to discover creative accounting practices.	4.35	0.421	9.678	1	87%	Too high
2	The External Auditor's commitment to apply local and international auditing standards raises the disclosure and transparency principles of financial statements and contributes to reducing creative accounting practices.	4.28	0.429	10.023	2	86%	Too high
3	The auditor's experience, competence, technical training and independence and integrity enable him to discover creative accounting methods in the company's financial statements.	4,15	0,645	15,542	10	83%	high
4	Work tasks are allocated and divided between accredited auditors and their assistants according to their scientific qualifications and diverse experiences to facilitate the task of discovering creative accounting practices in financial statements.	4,88	0,530	10,860	3	97.5 %	Too high
5	The auditor verifies the validity of financial operations by tracking them from the beginning of their inception to their end, and then makes comparisons between the values recorded in the financial statements and the expectations reached by the auditor.	4,29	0,681	15,874	11	85.5 %	high
6	The auditor verifies that the installments due for long-term loans are included in current liabilities and that this loan is not used to pay off a short-term loan and verifies its impact on the liquidity ratio.	3,32	0,567	17,078	12	66,5 %	high
7	Obtaining sufficient and appropriate evidence and evidence through documentary examination, observation, inquiry, and confirmations helps the auditor to reveal creative accounting practices.	4,20	0,761	18,119	13	84%	high
8	If the auditor discovers that there are distortions in the financial statements, he does not hesitate to inform the management if it is the party responsible for the occurrence of these distortions	4,72	0,729	15,444	8	94.5 %	high

	resulting from creative accounting practices and asks them to amend those lists according to the new discovered circumstances.						
9	The selection of accounting policies that are appropriate to the achievement of the company's and its owners' objectives and the utilization of the flexibility of accounting practices provide opportunities for manipulation and an unrealistic picture of financial statements.	3,26	0,601	18,435	14	65.5 %	high
10	Creative accounting practices are legal practices that do not affect the reliability of financial statements and are limited to the framework of accepted accounting principles and standards.	4,12	0,637	15,461	9	82%	high
11	The company owns a separate unit for internal audit purposes. Its members enjoy independence and the required academic and professional qualifications. There is always coordination between the internal audit unit and the accredited auditors.	4,27	0,631	14,777	6	85.5 %	high
12	The auditor discusses the company's management in the reasons for choosing the accounting policies and accounting estimates for the preparation of the financial statements and evaluates their consistency with the applicable accounting principles and standards.	4,60	0,520	11,304	4	92%	Too high
13	The auditor makes sure that the gains or losses of price fluctuations in non-trading investments are not included in the income statement, and the auditor also verifies that the gains of previous years are not included in the retained earnings and that they are excluded from the income statement.	3,57	0,545	15,266	7	71.5 %	high
14	Auditors use technical means and modern methods of auditing, to understand and evaluate the company's internal control system by collecting information on the important characteristics that must be available in the client's internal control system.	4,43	0,654	14,762	5	88.5 %	Too high
	for all paragraphs	4.174	0.596	14.473		84%	high

Source: Preparation of researcher based on the results of the statistical analysis of SPSS.

Note from table (3) that the average calculation is (4,35) of paragraph (1), standard deviation of (0.421) and difference factor (9,678%) which states: (The auditors shall undertake the necessary professional care in the planning of the audit process, examination of the internal control system and collection of evidence to detect creative accounting practices), With an endorsement ratio of up to (87%) indicating that the degree of approval of the paragraph is very high, either the following paragraph came with an average arithmetic (4,28), a standard deviation (0,429) and a difference factor (10,023%, which states: (The External Auditor's commitment to apply local and international auditing standards raises the level of disclosure

and transparency principles of financial statements and contributes to the reduction of creative accounting practices) and an endorsement ratio of up to (86%), the endorsement rate obtained by dividing the average calculation by the value of the variable and equal to five. Hence, the hypothesis test was achieved as the percentage of supporters for it was (84%) and with an arithmetic mean (4.174), and a coefficient of difference (14.47%) for all paragraphs.

Table (4) shows the hypothesis test result

No	Questions	mean	T calculated	T tabular	The result
1	The auditor takes the necessary professional care in planning the audit process, examining the internal control system, and collecting evidence to discover creative accounting practices.	4,35	14.120	9.678	Accept
2	The External Auditor's commitment to apply local and international auditing standards raises the disclosure and transparency principles of financial statements and contributes to reducing creative accounting practices.	4,28	13.426	10.023	Accept
3	The auditor's experience, competence, technical training and independence and integrity enable him to discover creative accounting methods in the company's financial statements.	4,15	14.254	15,542	Accept
4	Work tasks are allocated and divided between accredited auditors and their assistants according to their scientific qualifications and diverse experiences to facilitate the task of discovering creative accounting practices in financial statements.	4,88	13.554	10,860	Accept
5	The auditor verifies the validity of financial operations by tracking them from the beginning of their inception to their end, and then makes comparisons between the values recorded in the financial statements and the expectations reached by the auditor.	4,29	14.421	15,874	Accept
6	The auditor verifies that the installments due for long-term loans are included in current liabilities and that this loan is not used to pay off a short-term loan and verifies its impact on the liquidity ratio.	3,32	13.467	17,078	Accept
7	Obtaining sufficient and appropriate evidence and evidence through documentary examination, observation, inquiry and confirmations helps the auditor to reveal creative accounting practices.	4,20	14.364	18,119	Accept
8	If the auditor discovers that there are distortions in the financial statements, he does not hesitate to inform the management if it is the party responsible for the occurrence of these distortions resulting from creative accounting practices and asks them to amend those lists according to the new discovered circumstances.	4,72	14.628	15,444	Accept
9	The selection of accounting policies that are appropriate to the achievement of the company's and its owners' objectives and the utilization of the flexibility of accounting practices provide opportunities for manipulation and an unrealistic picture of financial statements.	3,26	13.345	18,435	Accept
10	Creative accounting practices are legal practices that do not affect the reliability of financial statements and are limited to the framework of accepted accounting principles and standards.	4,12	14.175	15,461	Accept

11	The company owns a separate unit for internal audit purposes. Its members enjoy independence and the required academic and professional qualifications. There is always coordination between the internal audit unit and the accredited auditors.	4,27	14.152	14,777	Accept
12	The auditor discusses the company's management in the reasons for choosing the accounting policies and accounting estimates for the preparation of the financial statements and evaluates their consistency with the applicable accounting principles and standards.	4,60	14.865	11,304	Accept
13	The auditor makes sure that the gains or losses of price fluctuations in non-trading investments are not included in the income statement, and the auditor also verifies that the gains of previous years are not included in the retained earnings and that they are excluded from the income statement.	3,57	12.582	15,266	Accept
14	Auditors use technical means and modern methods of auditing, to understand and evaluate the company's internal control system by collecting information on the important characteristics that must be available in the client's internal control system.	4,43	13.725	14,762	Accept
	for all paragraphs	4.174	13.934	1.451	Accept

Source: Preparation of researcher based on the results of the statistical analysis of SPSS.

By testing the hypothesis by T.test (SPSS) system to measure deviations and computational average, the researcher considers that there is a correlation between the role of auditors and the reduction of creative accounting practices in financial statements published by shareholders, as the calculated value (13, 934) is greater than the tabular value (1,451) under (T, SiG) (0.000), Since the general rule of acceptance of the hypothesis is that, if the calculated value is greater than the tabular value, the hypothesis is valid (the auditors accredited to Iraqi joint stock companies during the audit of the companies' financial statements apply the necessary procedures and methods to detect the impact of creative accounting practices on those lists).

Table (6) Hypothesis result

T calculated	T tabular	T SiG	HO Hypothesis result
13.934	1,451	0,000	Accept

Conclusions and recommendations

Conclusions:

The researcher reached many conclusions relating to the theoretical aspect and to the analysis of the data associated with the practical aspect of the research, as follows:

- 1- Most of the creative accounting practices carried out by corporate departments that go beyond the limits of accounting laws and standards are considered unethical behavior that contradicts the rules of professional and ethical conduct.
- 2- The experience and efficiency of auditors in discovering creative accounting methods and practices is the most important and effective means of combating such practices and limiting the ability of the company's management to take advantage of gaps in accounting principles and standards.

3- The main research hypothesis test scale showed that there were no significant statistically significant differences between the answers of the sample members towards the practices of corporate departments for creative accounting methods and procedures when preparing the published financial statements of those companies.

4- The sample of the study is all as a single unit, which considers that certified auditors plan the audit process at a significant and influential level before it begins and apply procedures and tests in the financial list items, all of which together help it reduce manipulation and risk to the lowest levels.

5- The results of the test showed that the availability of scientific qualifications, professional experience, and technical competence of accredited auditors, helps them to know the areas of manipulation of accounts and financial statements of the audited companies, leading to the discovery of negative methods of creative accounting and limiting them in those lists, with a percentage of their impact reaching (83%), which is a percentage of High.

6- The auditors adhere to international auditing standards when performing the audit of the audited companies, which helps them to discover and reduce creative accounting practices in the financial statements, where the approval rate reached (86%), which is a very high percentage.

7- Auditors employ modern technical means and methods of auditing to understand and evaluate the company's internal control system by collecting information on important characteristics to be available in the client's internal control system, where the paragraph is endorsed ((88.5), thus determining the extent to which it is relied upon in evaluating highly credible evidence.

8- The Comptroller discusses the Company's management in the reasons for selecting accounting policies and accounting estimates that are appropriate for achieving the objectives of the Company's owners or owners or exploiting legal gaps in the issuance of financial statements and assesses their compatibility with established accounting principles and standards. The approval rate for paragraph (92%) is very high.

Recommendations:

Based on conclusions reached from the theoretical and practical aspect of the research, the researcher recommends that:

1- Work to increase interest in scientific and professional qualification by continuously activating programmers and training courses related to clarifying the impact of creative accounting practices on accounting and auditing professions and demonstrating the role of such practices in the collapse of some international companies such as (Enron).

2- It is necessary to work on the issuance of firm legislation by professional councils and associations such as the Council of Profession, Monitoring and Auditing and the Iraqi Association of Certified Public Accountants, which includes imposing severe penalties on companies that practice creative accounting methods in their financial statements, which are inconsistent with the rules of professional and ethical conduct.

3- Accounting disclosure of changes in methods, accounting policies and accounting estimates, which are considered to be one of the most important areas of use of creative

accounting used by companies in the issuance of financial lists, helps to detect the use of creative accounting practices in those statements.

4- Continuous education and training of legal auditors and their assistants who work in audit offices so that they are highly competent, experienced, and familiar with statistical methods and tools that qualify them to detect and reduce creative accounting practices.

5- Emphasis on the concept of analytical procedures and methods in the audit environment and their importance in revealing creative accounting practices, thus achieving a high level of credibility and reliability in the financial statements for the users of these lists and the financial community.

6- Audit companies and offices must pay attention to checking the financial lists of joint stock companies and identify indicators indicating the use of creative accounting in the Iraqi securities market and tighten penalties for contrary companies.

7- The motivation of using creative accounting that prevents corporate administrations from their practices must be addressed by working to spread scientific and intellectual awareness among investors and corporate owners by holding seminars in trade unions and accounting associations for the purpose of sensitizing investors in those companies.

8- Auditors conduct a comprehensive survey of the company whose financial lists are to be audited prior to the preparation of the audit plan for the implementation of the field work through frequent visits and periodic checks of the company under scrutiny to clarify management errors and to identify management problems and means of addressing them.

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