



**THE IMPACT OF THE AUDIT PROFESSION RISKS IN IMPROVING
AUDIT QUALITY
(AN APPLIED STUDY IN THE GENERAL COMPANY FOR ELECTRIC POWER
PRODUCTION / SOUTHERN REGION)**

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ABSTRACT	KEYWORDS
<p>The implementation of control tests is an assisting factor for the auditor in determining the level of compliance with the elements included in the internal control system, which helps the auditor in the initial evaluation process and then reaching the final evaluation of the system to estimate the size of the essential tests to be designed by the auditor. Among the most important results, there is an effect of reducing the auditing profession's risks in improving the audit's quality. Effective and appropriate planning is important and contributes significantly to reducing audit risks in the auditors' report through its contribution to understanding the unit's scope of work and activity, identifying risk areas, and the extent to which unit continuity is possible. Among the most important recommendations is to urge auditors in the public and private sectors to increase cooperation between them by holding workshops for academics specialized in the field of accounting and auditing optimally, improving the performance of the economic unit's work as a whole, and creating and enhancing the added value of the economic unit and reducing its risks that affect the quality of auditing. Furthermore, work to link the audit and internal control department with the company's board of directors, which provides a degree of organizational independence according to the international standards for auditing ISA Standard 1110, thus guarantees the objectivity of the opinion presented.</p>	<p>audit risk; inevitability risk; control risk; discovery risk; audit quality.</p>

Introduction:

The audit profession derives its strength by expressing truthfully and fairly in reporting appropriate and very honest financial disclosures in representations of disclosures to provide users with high-quality information, on which many economic decisions depend greatly; Also, the auditing profession faces risks and technical opinion appears in the financial statements, which may expose many auditors to multiple risks, as any audit process is fraught with many risks, and these risks have become a fait

accomplish that threatens the results of the final auditor's work and is reflected in the result of the submitted report, so it should identify them and the factors influencing them to estimate the degree of risk and identify the areas in which it rises, and take the estimated levels into account when planning and implementing the audit work, and take everything that would reduce its impact on the quality of the audit. Therefore, the audit must be done with high quality, and there must be flexibility, and the laws allow the issuance of instructions restricting the origin of these laws.

The first axis/research methodology

First: the research problem

Despite the efforts made by the auditors that seek to improve the level of audit quality to obtain the satisfaction of all parties using the financial statements, there are complaints by the users of the financial statements represented in their dissatisfaction with the level of service provided by some auditing firms. The auditor is exposed to the risk of litigation for failing to detect misrepresentation in the financial statements or to indicate the company's failure to achieve continuity and its objectives. All that is new in the auditing profession contributes to improving auditing quality. The research problem can be identified in "The Impact of Auditing Profession Risks in Improving Auditing Quality."

Second: the importance of research

The main purpose of the research is concentrated on identifying the nature of the risks of the auditing profession by achieving the following objectives:

- 1) Determining the positive and negative effects on audit quality in reducing the impact of audit risks in Iraqi auditing firms.
- 2) Expanding the scope of the auditor's focus from audit risks, referred to as a deviation in the financial statements, to professional risks that make the company fail to achieve its objectives.

Third: Research objectives

The main objective of the research can be identified as reducing the risks of the auditing profession and its impact on the quality of auditing, and the following objectives are included:

- 1) Studying and analyzing the risks of the auditing profession and limiting them through the auditor carrying out analytical and detailed procedures in the auditing process.
- 2) Identifying the most important recent trends in light of the practices and international standards, the variables of research, the risks of the auditing profession and the quality of auditing.

Fourth: the research hypothesis

The research hypothesis can be defined as follows: "There is a significant effect of risks of the auditing profession in improving auditing quality."

The research sample:

The research sample was represented by (The General Company for Electric Power Production / Southern Region), as it approved a number of auditors' reports in the concerned company issued by the Federal Office of Financial Supervision for the two fiscal years 2015-2016.

The second axis: previous studies

Study (Dahou, 2018) entitled:

An audit based on assessing internal control risks and their role in improving the performance of the economic enterprise.

The study aimed to know the reality of the application of auditing based on assessing the risks of internal control in Algerian economic institutions through a field study on a sample of economic institutions in the state of Mascara and to know the role that this method contributes to raising the efficiency and effectiveness of internal operations. The most important conclusion is that the internal audit function is integrated with the risk management system, as they have a reciprocal role. The internal audit contributes to improving the effectiveness of risk management processes, while the auditor uses the outputs of the risk management process within the framework of his planning and study of the organization. Moreover, work to take appropriate measures, Work on training internal auditors and develop their skills by the modern trends of internal auditing, especially within the framework of the internal audit mission according to the risk approach.

A study (Bunjaku, 2019) entitled:

Audit components: Literature Review on Audit Plan, Risk and Materiality and Internal Control.

The study aimed to identify the main audit components, such as the audit plan, risks and materiality, and internal control, as each is important to any audit process. In addition, given the corporate dynamics in the modern globalized world, the latter components must be dealt with dynamically. The most important conclusion is that the latter components must be dealt with dynamically given the dynamics of companies in the modern globalized world, and in this way, allows the auditor to draw reasonable conclusions, which bases his opinion on the audit under the International Standards on Auditing. Most Important Recommendations An effective audit should be conducted by adopting a risk-based approach to identify and assess specific risks of material misstatement about the entity's financial statements and address them with audit procedures designed to achieve sufficient, relevant and reliable audit evidence.

A study (Saeed and Algerban, 2020) entitled:

The quality work of internal auditing agencies.

The study aimed to stand and identify weaknesses in internal auditing agencies' work and suggest necessary methods to improve the quality and efficiency of auditing. The most important recommendations are paying attention to important factors and emphasizing the adoption of mechanisms that affect the quality of work of internal auditing agencies.

The study (Sutisman et al., 2021) entitled:

Moderating Effect of Implementation Risk-Based Auditing on Audit Quality.

The study examined the effect of auditors' ability and independence on audit quality using risk-based auditing as a mediating variable in the South Sulawesi Provincial Inspectorate. The most important conclusions are that auditors' ability and independence positively and significantly impact audit quality. Risk-based auditing as a moderator of ability and freedom also positively affects audit quality. The most important recommendation is that the auditor's independence positively and significantly impacts the quality of audits carried out by risk-based audits. The better the independence of the auditor through a risk-based audit process, the better the quality of the audit.

The third axis: the theoretical framework for audit risks

First: Defining audit risks

The American Society of Certified Public Accountants (ALCPA) defines the auditing profession as the risk of the auditor expressing an inappropriate opinion or a negative opinion in the financial statements when these statements are materially distorted as audit risk is the risk that the auditor will conclude an unfavorable opinion about the financial statements due to the auditor obtaining incorrect conclusions during the audit process, it is possible to express an inappropriate opinion about those statements. (Al-Awwad and Al-Mayali, 2020: 140) The researchers believe that audit risks are nothing but the auditor's expression of a non-positive or misleading opinion due to errors or material or material distortion in the financial statements. These risks affect the auditor's opinion, as the auditor cannot completely reduce the audit risk, and therefore the auditor cannot obtain absolute assurance that the financial statements are free from any material errors because these errors can occur in any establishment, either because of the nature of the work The establishment or the weakness of the internal control system, and many reasons lead to these errors. The auditor cannot obtain absolute confirmation regarding the financial statements, but it is possible to obtain reasonable or limited confirmation.

Second: Types of audit risks

1) Inherent Risks (IR).

It measures the auditor's assessment of the possibility of a material misstatement before considering the effectiveness of internal control. It relates these risks to the nature of work, its environment, and the nature of account balances or a group of transactions. , or those representing desirable or moving assets such as jewelry, or those particularly subject to change in light of consumer demand or technology that affects their value; all of these accounts have more inevitable risks than others (Lakhdari and Zain, 22: 2017).

Factors Influencing the Assessment of Inherent Risks:

The auditor should evaluate the factors that lead to the inevitable risks to be able to evaluate these risks. Therefore, there are a group of factors. Many factors affect the inevitable risk (Amirish, 2017: 61-63), which are as follows:

- Factors affecting the industry in which the unit operates
- Unusual pressures on management
- Management experience and knowledge of the changes taking place
- The complexity of accounts and transactions
- Community structure

Adds to the above (Al-Awwad and Al-Mayali, 141:2020) that the auditor must evaluate the factors that lead to these risks, namely:

- The nature of the work of the unit.
- Misstatements in previous years
- The turnover rate of the audited entity
- Transactions and business that take place between the parent company and subsidiaries

Second: Control Risks (CR):

What distinguishes the risk of control as an internal risk. Thus, it is a measure of the efficiency and effectiveness of the internal control system, as this risk is a result of the work environment of the unit

subject to audit. Accordingly, the auditor cannot influence the degree of this risk but rather evaluates it to determine the required amount of audit procedures to reduce this risk to an acceptable level. Then the auditor must know the control procedures to develop the audit plan (Lakhdari 82: 2019).

Factors Affecting the Assessment of Control Risk:

The control risk assessment is an assessment of the effectiveness of the accounting system and the internal control system in the unit sufficient to detect or prevent the occurrence of significant errors and misrepresentations through the auditor's desire that the control risk percentage be less than 5% as part of an audit plan for the unit, provided that the study is for the system Internal control and to develop initial estimates with the equivalent audit tests for lack of assurance by obtaining the following evidence (Al-Ansari, 2021: 54):

- 1- The accounting system should be compatible with the internal control system to prevent or detect errors and material misstatements.
- 2- The extent of the effectiveness and stability of the work of the internal control system during the audit period.
- 3- Checking the accounting system between the cash and expense accounts.
- 4- The data intended for external use should be matched with the internal data.
- 5- Obtaining inquiries from individuals.
- 6- Elements related to asset protection and compliance with regulatory laws and rules.
- 7- Reliance on the evidence of previous audits.
- 8- Checking the accuracy of the accounting system outputs represented in the account balances based on the accuracy of the inputs and financial statements.

Third: Detection Risks (DR):

Louwers et al. see discovery risk as the possibility of the auditor's procedures failing to discover material errors, provided that any of them entered the accounting system the first time and were not prevented, detected, or corrected by the unit's internal control system. In contrast to deterministic and control risks, auditors are responsible for implementing evidence-gathering procedures that manage and substantiate detection risks. These audit procedures allow the auditors to detect material misstatements in the financial statements. In other words, unlike deterministic risk and control risk, auditors can influence the level of detection risk.

What distinguishes this type of risk from the types mentioned above (inevitable censorship) is that it arises from the nature and quality of the auditing procedures and the extent of the auditor's competence, i. Core tests.

Factors affecting the estimation of detection risk:

(Nakhal, 14:2020) believes that the factors affecting the estimation of the risk of discovery are as follows:

- Applying incorrect audit procedures
- Executing audit procedures incorrectly
- Misunderstanding of audit results

The risk of discovery is calculated after selecting the value of the acceptable audit risk and estimating the value of the inevitable risks and the control risks; The auditor can also calculate the value of the

discovery risk that he seeks to reach (planned discovery risk), expressing an audit risk model that can be formulated in practical application: (Arens et al., 2017: 269).

$$PDR = \frac{AAR}{IR \times CR}$$

AS:

- stands for Planned Detection Risk (PDR)
- stands for Acceptable Audit Risk (AAR)
- represents the “Inherent Risk” (IR).
- represents the “Control Risk” (CR).

Third: Understanding the relationship between the various risks and the evidence to be collected:

Al-Ansari, (61: 2021) explains that the audit risk model shows the close relationship between deterministic risks and control risks, as the risks of material misstatement reflect the combined effect of deterministic risks and control risks. Separately, as with inevitable risks, the relationship between control risk and planned discovery risk is inverse, while the relationship between control risk and objective evidence is direct and direct. If the auditor concludes that internal control is effective, the planned discovery risk can be increased and reduced. Evidence, The auditor can increase the risk of planned discovery when internal control is effective because effective internal control reduces the possibility of errors in the financial statements (Arens et al., 2017: 272). The Table below shows the relationship between the components of audit risk.

Identify (assess) audit risks.					
		Maximum	High	Moderate	low
The acceptable level of detection risk to achieve audit risk is low.					
Determine the inevitable risks.	Maximum	Very low	low	low	low
	High	Very low	low	low	Moderate
	Moderate	low	low	Moderate	High
	low	low	Moderate	High	
(X) Substantive validation tests may not be necessary for a particular assurance					

Table (1) The relationship between the components of audit risk Source: (Zahouqi and Zamaleh, 2019: 96) Adapted by researcher

It is clear from Table (1) that there is an inverse relationship between the combined effect of the inevitable risk and the risk of control on the one hand and the risk of planned discovery on the other. Control depends on the accuracy of examining and evaluating the internal control system and identifying its weaknesses; that is, it is a function of the efficiency of the internal control system, which requires the auditor to make the necessary effort. It is appropriate to evaluate these two types of risks and to have an appropriate basis for determining their value. As for determining the discovery risk that the auditor accepts when planning the audit, it depends on the level of effort exerted by the auditor to discover errors and on the result of his assessment of the inevitable errors and control risk. The auditor has to use His professional judgment to estimate audit risks and generalize procedures to confirm that risks have been mitigated to an acceptable minimum. When the auditor decides that the discovery risk

related to financial statements' assertions of a significant account balance or a group of transactions cannot be reduced to an acceptable level, the auditor must express a qualified opinion or not Express an opinion (Boul Habbal, 217: 2018).

Figure (1) below shows the relative importance of performance and risk to the planned evidence

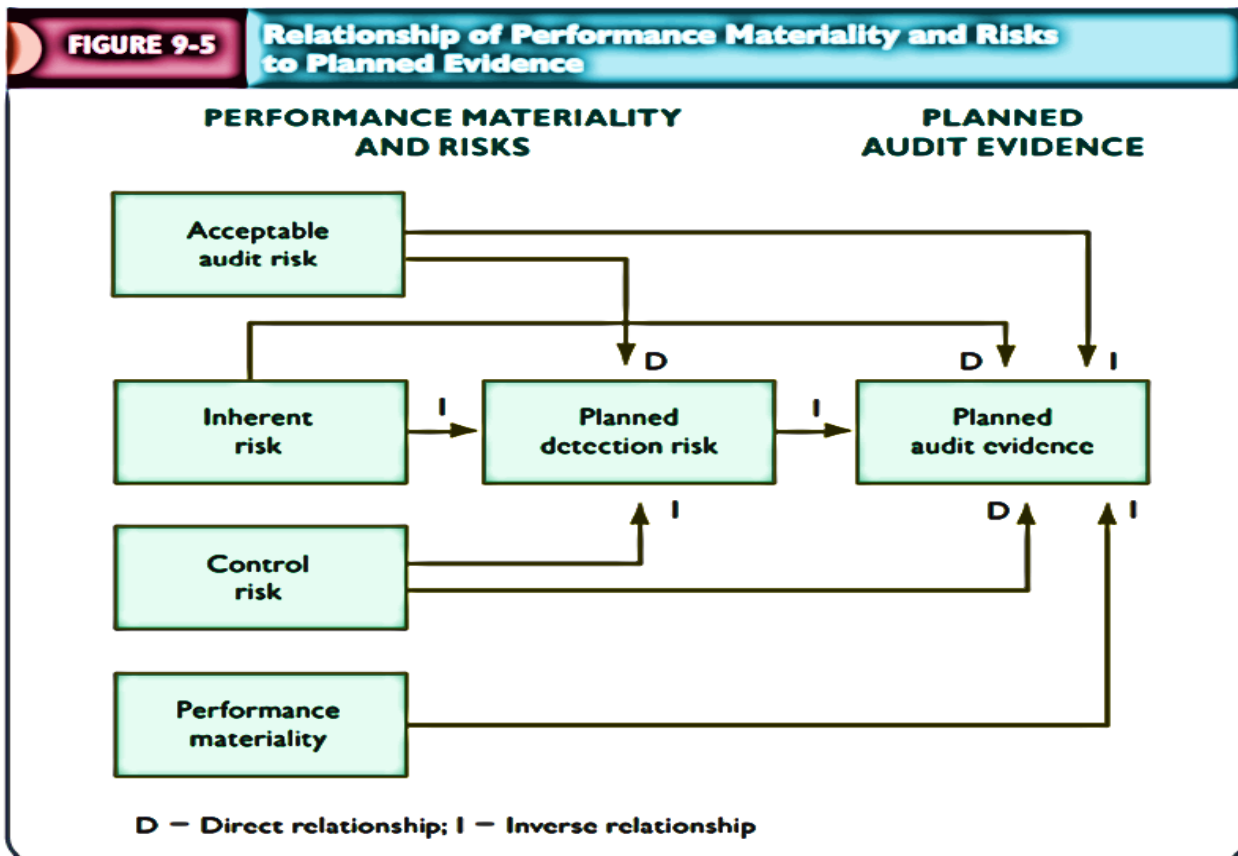


Figure (1) the relationship between the relative importance of performance and risk in the planned audit evidence (Arens et al, 2017: 283)

First: The Definition of Audit Quality

Audit quality is generally defined as the quality of the financial statements audited and issued by the accounting firm. The lower the quality, the lower the value of the audited financial statements and the disclosure of those numbers is inaccurate in describing the results of operations and the financial position of the unit subject to audit (Wiyautoro & Usman, 2018: 419). As defined by the European Organization for Quality Control (EOQC), quality is the total of the advantages and characteristics that affect the ability of a product or service to meet certain needs (Laqweera, 2019: 113).

On the other hand, audit quality, in its way, is defined as the accuracy of the information provided by the auditor to the beneficiary of this information to make more accurate estimates of the value of the unit subject to audit and the absence of financial statements from material errors. Relying on the competence of the auditor and the courage he has to announce it in his report without taking into account the consequences of this matter (Al-Aboudi, 2021: 41), where the possibility of discovering errors and

fraud is a matter of competence, while the possibility of revealing them depends on the independence and objectivity of the auditor (Ghazali and Thawadi, 2019: 607).

Second: The Importance of Auditing Quality

Al-Tayeb believes that the quality of the audit process is important because it is a fundamental pillar in decision-making by the entities or parties benefiting from the data contained in the financial statements. Therefore, the quality of the decision taken depends largely on the quality of the audit process and its reflection on the quality of the information in the financial statements and the extent of their representation. For the real reality of the unit subject to scrutiny, the following paragraphs (Al-Tayeb, 2017: 70):

1. The possibility of discovering errors and irregularities in the financial statements: This element is important for professional organizations because the units subject to audit may face failure in business because quality auditors can detect errors and irregularities in the financial statements better than low-quality auditors (Sunhaji and Amin 77:2017).

2. Auditors: The importance of auditors is as follows (Al-Tamimi, 2018: 56):

(a) The interest of the auditors in the quality of the services they provide leads to the improvement of the auditing service, and then this is reflected in the revenues achieved by the auditing offices and the maintenance of their unity.

(b) The auditors shall be held accountable and avoid professional penalties for failing to perform the tasks entrusted to them through their commitment to professional standards, laws, legislation, and professional codes of conduct.

(C) Increasing the competitiveness of audit offices by providing the best services of high quality, which increases their market share and customer satisfaction.

3. Narrowing the expectations gap in auditing: The expectations gap indicates dissatisfaction with the work of the auditors about what is expected of them, and this gap arises when the auditor issues an opinion without reservation on the financial statements, and then it becomes clear that there are fundamental errors affecting the accounts, and the emergence of weakness in the control system There is a deficiency in the quality of professional performance, and narrowing the expectations gap requires strengthening the independence of the auditor and activating control over the quality of the implementation of the audit process (Masoudi, 204: 2019).

4. Reducing agency conflicts: (Shipli et al. 2019: 2911): It is known that the greater the conflict of interests between the agent represented by the management and users of the financial statements and the audit quality reduces agency conflicts in two ways:

First: By increasing the quality of financial reports and then providing investors and related parties with more reliable information to monitor agents' investment and operating decisions.

Second: By increasing the quality of disclosure, which increases the possibilities for investors to analyze and evaluate the performance of the unit subject to auditing to ensure that agents use resources efficiently (Ramadan & Akway, 9:2019).

5. Contribute to supporting corporate governance: Corporate governance, from an accounting perspective, is intended to provide the necessary ingredients in protecting investors' money, ensuring that they obtain the realized returns, and ensuring that their money cannot be used in the areas of unsafe investments (Al-Aboudi, 2021: 43).

Third: Metrics Quality Auditing:

(Monshed and Yacoub, 110: 2020) defines that a large group of researchers look at the measures and factors that affect audit quality and that the use of these measures requires considering the cost and benefit, and there is little evidence on the validity of building these scales or descriptive accuracy. Therefore, it is necessary to evaluate the ability of these measures to predict detailed and accurate allegations. The most widely used audit quality measures in previous studies are the characteristics of the auditing firm or office, including:

- The size of the company and the audit office.
- Company reputation and audit office.
- Firm and office audit experience.
- The unit retention period.
- Specialization of the company or audit office in the unit activity.

Fourth: Factors Affecting the Quality Audit

Between (Al-Qudah, 2018: 8) that Auditing Standards Regulation No. (65) Issued by the American Institute of Certified Public Accountants (AICPA) as well as the Institute of Internal Auditors (IIA)) identified factors for the quality of the auditing profession in the light of which the factors affecting the auditing process can be classified according to the following:

First: the organizational factors represented in planning the audit process: defining the audit work procedures, determining the size of the audit work, and then determining the time required to complete the audit process and the auditor's skill in determining the starting point of the audit work and how to finish the audit work. (Osama et al., 43:2020).

- (1) Ownership Structure
- (2) Quality of Work Performance:
- (3) The reputation of the audit office:
- (4) The size of the audit office:
- (5) Management Support for Auditing:

Second: Behavioral factors that must be available in the auditor:

- 1) Efficiency of the auditor:
- (2) Independence of the auditor:
- (3) Honesty of the Auditor:
- (4) Objectivity:

Third: The personal factors that must be available in the auditor: He must have the practical experience and educational attainment that qualify him to practice the profession. Auditing training. (Osama et al., 43:2020).

- (1) Eligibility of the Auditor:
- (2) The integrity of the auditor:
- (3) Ability of the Auditor:
- (4) The Auditor's Due Professional Care:

Fourth: The basic factors of the auditing process or profession: such as the commitment to apply generally accepted principles, in particular the application of the principle of objectivity and adherence to professional auditing standards, how to prepare reports regarding the optimal use of available resources in the professional activity, how to rely on the internal control system, and the ability of the auditor to detect fraud and manipulation (Judges, 2018:8).

- (1) Reliance on internal auditing:
- (2) The Auditor's Turnover Rate:
- (3) Specialization and Knowledge of the Auditor:
- (4) Audit Fees:

Fifth: The main factors for determining the strength of audit quality

The five fundamentals are necessary to determine the strength of audit quality that enhances investors' confidence in the regulatory authorities in expressing an opinion that reflects the reality of the financial statements, which are (the culture of the company subject to audit, the skills of the auditor, the reliability of audit reports, the effectiveness of audit processes, and factors outside the control of the auditor (Al-Qatamin, & Salleh, 2020:60), and as shown in Figure (1), the following:



Figure 1: Fundamentals of Audit Quality Source (Mutlag et al.2022:705)

The fifth axis: the applied side of the research

In this axis, the most important observations, reservations, and clarifications contained in the reports of the auditors and auditors of the study sample, which were represented by the General Company for Electric Power Production in the southern region, were extrapolated, which were obtained from the company's employees in the Financial Control Department and the Internal Control Department. It will deal with each of the reports of the Audit Bureau Federal Finance that pertains to the company and the company's reports of the company for the two years (2015-2016).

First: Extrapolation of the reports of the Federal Office of Financial Supervision, the Audit Department of the second region, with the number: B / 12824/11/15/14 on the date 19/Safar/1442 AH corresponding to 6/10/2020 AD - on the financial statements of the General Directorate of Electric Power Production in Basra for the year ended On December 31, 2015.

Directorate activity:

First: The Directorate achieved a deficit of (2963) million dinars for its operational activities (two billion nine hundred and sixty-three million dinars), a decrease of (99%) from the deficit achieved in the previous year, amounting to (199028) million dinars (one hundred and ninety-nine billion and twenty-eight million dinars). The reason for the decrease in the deficit is due to the decrease in operating expenses, except for commodity requirements, compared to the increase in current revenues, as shown below:

Accounting book number	account name	Year / 2015 thousand dinars	Year / 2014 thousand dinars	percentage change %
31	Salaries and wages	53228137	57829682	(8)
32	Commodity supplies	254794473	214535639	19
33	Service supplies	9911338	10314788	(4)
37	extinctions	65963494	155076767	(57)
384	Taxes and Fees	3761	466411	(99)
	Total	383901203	438223287	(12)
45_41	Revenue from current activity	380937813	239194827	59

We have the following on that:

1_ Decrease in depreciations for the year / 2015 by the amount of (89,113,273) thousand dinars (eighty-nine billion, one hundred and thirteen million, two hundred and seventy-three thousand dinars), with a decrease rate of (57%) compared to the previous year due to the capitalization of stations (North Amarah Diesel, Al-Kahla Ghaziyeh, Bazarkan Ghaziyeh) year / 2014, which led to an increase in extinction in year / 2014 compared to year / 2015

2_ the increase in the selling price of the electric power unit (megawatt-hour) produced in the directorate's stations, amounting to (26,785) dinars (twenty-six thousand seven hundred and eighty-five dinars).

Per (megawatt-hour) in the year 2015 at a rate of (36%) over the selling price of the previous year, amounting to (19710) dinars (nineteen thousand seven hundred and ten dinars) per (mega-watt-hour) due to the decrease in current expenses, transfer and other expenses, and transfer revenues and the other as shown below:

Accounting book number	account name	Year / 2015 thousand dinars	Year / 2014 thousand dinars	percentage change %
384__31	current expenses	383901203	438223287	(12)
39__38	Other expenses	5598029	9721538	(42)
49__48	Other revenue	8560323	208743994	(96)

This led to an increase in the selling price for the year / 2015 compared to the year / 2014, according to the equation approved by the Ministry of Electricity from the year / 2011

The audited entity's answer to a first:

1 - The capitalization of (Diesel North Amarah, Al-Kahla Ghaziyeh, and Bazarkan Ghaziyeh) stations in 2014 led to an increase in depreciation in 2014 compared to 2015.

2- The increase in the selling price due to the decrease in other revenues (48-49) for the year 2015 by an amount of (200 billion) over the year 2014, and this sorter was excluded from the expenses according to the formula adopted in determining the price.

Risks of inevitability: The Directorate achieved a deficit in its operational activities

The reason: the deficit is due to the decrease in operating expenses, except commodity requirements, compared to the increase in current revenues

Reducing risks to achieve quality: Since the inevitable risk is evaluated based on the auditor's assessment of the special circumstances of the unit, this reduction takes place only during the planning stage and usually does not change unless there are new facts discovered during the audit process. The primary goal of analytical procedures is to diagnose errors. Moreover, misrepresentations at all stages of the audit enable the auditor to predict the failure of the economic unit and reduce detailed tests.

Violations in the application of the Federal Bureau of Financial Supervision Law No. (31) for the year / 2011 (amended):

The Directorate's failure to respond to our inquiries listed below directed to the office of the Director General and other departments, contrary to Article (2 _ Fourth) of the law above, which states (it is considered a financial violation for this law to abstain or delay in responding to the reports and correspondences of the Bureau, its objections and observations within the specified period):-

No. and the date	secured
(8) on 13.10.2021	The Directorate's delay in capitalizing fixed assets purchased from the investment budget allocations
(9) on 13.10.2021	The balance of the documentary credits account for the purchase of materials is still suspended from the year 2000
(10) on 13.10.2021	The Directorate sent its letter No. (17948) on 18/11/2015 to obtain confirmations of its balances appearing in its financial records as of 12/31/2015 and did not receive an answer to the letter above
(13) on 13.10.2021	There is an increase of (8,649,360) megawatts/hour between the amount of total product resulting from the process of collecting the production of the General Directorate of Electric Power Production in Basra with the production of barges shown in the Table of quantities of energy produced and sold during the year 2015 and the correct total.
(16) on 13.10.2021	Within the balance of the non-current activity debtors' account, an amount of (96,677) thousand dinars (ninety-six million, six hundred and seventy-seven thousand dinars) suspended from the year 2009 until 31/12/2015 for the shares of the general directorates affiliated to the Ministry of Electricity from the hospitality wages of the Minister of Electricity and sports delegations
(23) on 14.11.2021	Tabulating the amount of (351,761) thousand dinars (three hundred and fifty-one million and seven hundred and sixty-one thousand dinars) as deductions for politically dismissed employees who are not eligible due to the issuance of decisions by the Verification Committee on account of accrued expenses H / 2663 instead of tabulating it on account of deductions from employees for the account of others H / 2671 and the amounts of the State Employees' Pension Fund that were not paid to the public treasury, the National Retirement Authority until 12/31/2015
(24) on 14.11.2021	The salaries of the missing (Muhammad Ibrahim Abdullah) for the year 2004 amounting to (3740) thousand dinars (three million seven hundred and forty thousand dinars) have not been settled.
(25) on 14.11.2021	Promote retirement transactions for employees of legal age without clearing their financial liability.

(29) 14.11.2021	on	Non-liquidation of the balance of the long-term allocations account H / 234 amounting to (3436678) thousand dinars (three billion four hundred thirty-six million six hundred eight hundred and seventy thousand dinars) as on 12/31/2015
(31) 14.11.2021	on	Rented cars continue to work for some employees who have held administrative positions after changing positions or moving from one department to another at their request.
(40) 14.11.2021	on	The Directorate classified the amounts of legal fees collected from the drivers of mass transit lines at the expense of incidental revenues H / 492 from the account of deductions from non-affiliates for the account of third parties H / 2672 to pay them to the Ministry of Justice.
(42) 14.11.2021	on	There is a difference between the amounts shown in the cash flow statement and the balances of some accounts in the financial statements.

We recommend that the Bureau's inquiries be answered promptly in the future.

The audited body's response to We would like to inform you of the change of all the staff in the control department, and the Federal Financial Supervision Bureau is now answering regularly.

Discovery Risks: It is considered a financial violation for this law to refrain from or delay in responding to the Bureau's reports, correspondences, objections and observations within the specified period.

Reducing risks to achieve quality: Analytical procedures aim to reduce detection risks by increasing audit efficiency and effectiveness because they lead to discovering errors and material misstatements in the financial statements as the main objective of the analytical procedures lies in diagnosing the discovery of errors and misrepresentations at all stages of the audit, which enables the auditor to predict the failure of the economic unit and reduce the detailed tests.

Second: Extrapolation of the reports of the Federal Office of Financial Supervision, the Audit Department of the second region, with the number: B / 11/45/21205/14 on the date 3 / Rabi` al-Akher / 1444 AH corresponding to 9/28/2022 AD on the financial statements of the General Directorate of Electric Power Production in Basra for the year ended On December 31, 2016.

Directorate activity

First: The Directorate achieved in its operational activity a deficit of about (111087) million dinars (one hundred and eleven billion and eighty-seven million dinars) and a percentage increase of (3649%) over the deficit achieved in the previous year, amounting to about (2963) million dinars (five billion three hundred and sixty million dinars).) The continued deficit is due to the increase in some operating expenses compared to revenues, as shown below, and our inquiry No. (2) on 6/8/2022 was not answered until the date of preparing the report:-

Accounting book number	account name	The year 2016 Million dinars	The year 2015 Million dinars	percentage change %
31	Salaries and wages	51343	53228	(4)
32	Commodity supplies	335336	254795	32
33	Service supplies	6372	9911	(36)
37	extinctions	66070	65963	-
384	Taxes and Fees	2	4	(50)
	Total	459123	383901	20
45 -41	Taxes and Fees	348035	380938	(9)

This height is focused on the following:

(1) The increase in commodity supplies by the amount of (80542) million dinars (eighty billion five hundred and forty-two million dinars), the increase concentrated in my account (raw materials and raw materials) to increase operating fuel expenses for the operation of most of the generating units and the Directorate's response to our inquiry No. (2) on 6/8/ 2022 due to (the increase in the production of electric energy for the year 2016, which amounted to (16,992,521) gigawatts per hour over the production of the year 2015, which amounted to (11,606925) megawatts per hour.

(The decrease in the sale price of the electric power unit (megawatt/hour) produced in the directorate's stations amounting to (17866) dinars (seventeen thousand eight hundred and sixty-six dinars) per (megawatt/hour) in the year 2016 by (100%) from the selling price for the year The previous amount is (26785) dinars (twenty-six thousand dinars, seven hundred and eighty-five dinars) for (megawatt The regulated entity's response to: First:

1- The increase in commodity requirements and the increase in spent fuel is the result of the increase in exported energy, which increased from (11606925) (m.w h) for the year 2016.

2- The decrease in the selling price as a result of receiving grants from the Ministry of Finance for salaries, the payment of (64 billion) to the Ministry of Oil for spent fuel according to the Ministry's letter No. (3227) on 16/1/2017.

Control Risks: The Directorate achieved a deficit in its operational activity/ hour) and the Directorate answered our inquiry No. (2) on 6/8/2022 due to (receiving grants from the Ministry of Finance.

Reducing risks to achieve quality: The SAI must ensure that the entire audit team has the necessary professional competence to perform the audit mission. The SAI needs to appoint staff with appropriate qualifications, develop and train staff, prepare manuals and other written instructions and instructions related to conducting audit missions, allocate Adequate and appropriate resources. The SAI must also arrange for auditors to maintain their professional competence through continuing professional development.

Loans

1- The balance of the long-term loans received account amounting to (332563) million dinars (three hundred and thirty-two billion five hundred and sixty-three million dinars) as of 12/31/2016 still exceeded the balance of the paid-up capital account amounting to (629) million dinars (six hundred and twenty-nine million Dinars) on the same date at a rate of (52772%), contrary to the provisions of Article (17) of the Public Companies Law No. (22) for the year / 1997 (amended), which stipulates (for the company for borrowing or obtaining funds to finance its activities from financial institutions and public companies under contracts and conditions An agreement on it not exceeding (50%) of its paid-up capital) and our inquiry No. (22) on 9/6/2022 was not answered until the date of preparing the report. Which requires an increase in the paid-up capital and the liquidation of the loan balance in implementation of the provisions of the article mentioned above.

The response of the audited entity to:

1- We inform you that the amount of the loans, according to the analyzes, was directed by the Ministry to load them into the account of the loans, and they were not received according to the signature of the

loans from the donors, and they will be recorded in records after informing us by the Ministry, for capital increase.

Risks of inevitability: the balance of the loan account exceeded the balance of the paid-up capital.

Reducing Risks to Achieve Quality: Good planning helps ensure that control efforts are allocated based on risks, that potential problems are identified and resolved promptly, and that control is properly organized and managed so that it is implemented economically and effectively. The nature and extent of planning activities vary according to the size of the subject matter. The SAI should allocate sufficiently skilled resources that are available when needed at the various audit stages. If the specialized techniques, methods or skills are not available in the team or SAI, external experts can be used to provide knowledge or perform specific work. When external expertise is required, the SAI will have different ways of assessing whether the experts have the necessary independence, competence, capabilities, and objectivity.

Discussion:

In light of the analyzed data and to reduce the audit risks in the auditor's report by increasing the confidence of the beneficiaries of the financial statements that they are free from the risks of discovering material misstatements that affect the fairness of presenting these data, as the use of different analytical and detailed procedures leads to the reduction of various risks Which the financial data is exposed to and enhances the honesty and fairness of its presentation. In addition, the researchers also conclude that effective and appropriate planning is important and contributes significantly to reducing audit risks in the auditors' report through its contribution to understanding the unit's field of work and its activity, identifying areas of risk, and the extent of The possibility of unit continuity, as well as determining the initial volume of evidence to be collected, and its contribution to designing an audit program that suits each process, in addition to its role in reducing detailed tests and proper planning. Based on the previous conclusions, the two researchers recommend the need to use analytical and detailed procedures by auditors when auditing the financial statements of the units subject to audit, as the research hypothesis was accepted, "There is a significant effect of the risks of the auditing profession in improving the audit quality," and this confirms the validity of the research hypothesis.

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