



**THE PROCEDURES OF THE EXTERNAL AUDITOR IN
ACCORDANCE WITH THE INTERNATIONAL AUDITING
STANDARD (710) IN AUDITING THE COMPARATIVE
INFORMATION OF THE GOVERNMENT FINANCIAL
STATEMENTS**

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ABSTRACT	KEY WORDS
<p>The research aims to demonstrate the most important effective auditing procedures in accordance with the International Standard (710) for auditing, which defines the responsibility of the independent external auditor when auditing the current financial statements and matching them with the basic financial information included in the financial reports for the previous period in order to strengthen his opinion about the financial statements in general, as well as highlighting Light on the most important control observations issued by Iraqi Federal Financial Supervision Bureau resulting from auditing the comparative financial information of the current and previous government final account by matching the amounts in the financial records of some government institutions, which showed the presence of debit and credit account balances, advances and trusts that are contrary to their accounting nature, because the financial expenditures exceed the financial financing The receipt from the Ministry of Finance, based on the rights of others with these government institutions, despite the fact that the Iraqi Federal Financial Supervision Bureau held several meetings between institutions whose records show debit balances, advances, and trusts that are contrary to their nature.</p>	<p>comparative information, other information, the responsibility of the external auditor.</p>

Introduction

The independent external auditor should obtain sufficient and appropriate audit evidence related to the financial statements for the previous period and the current period, as the International Auditing Standard (315) indicates that the external independent must obtain an understanding of the economic entity and its environment, including its internal control, sufficient to identify and assess the risks of material misstatement. Comparative information in the current financial statements by comparing them with the amounts and disclosures of the previous financial statements and including them as an integral part of the financial statements for the current period. Accordingly, (Hasan, Atshan, & Abd, 2023). the external auditor should evaluate whether the accounting policies for the previous period are consistent with the accounting policies for the current period, and in the event that the independent auditor fails to detect misstatements. material resulting from fraud, and his issuance of a clean opinion despite the existence of these distortions mentioned in this framework, (Haron, Chambers, Ramsi, & Ismail, 2004). or his failure to exert due professional care in his implementation of these procedures, and it was possible for the auditor to discover this fraud if he adhered to the performance of the instructions and procedures mentioned, then he is responsible for this fraud, and bears All the legal responsibilities ensuing from that, and from this standpoint, what is the concept of comparative information will be discussed according to the international auditing standard (710) and what are the responsibilities and procedures of the external auditor when auditing the lists and financial statements in government institutions.

Theoretical Framework

First: the concept of comparative information

International Standard (710) on auditing defines the responsibility of the independent external auditor for dealing with comparative information in the financial statements of the economic entity subject to audit. When not auditing the financial statements for the previous period, (Appelbaum, Kogan, & Vasarhelyi, 2018) the external auditor should obtain sufficient and appropriate audit evidence related to the financial statements for the previous period, as the comparative information means the amounts And the disclosures contained in the financial statements that relate to a previous year or more, which are compared to that information in the financial statements for the current period and included in the statements of the financial statements for the current period, (Haron, Chambers, Ramsi, & Ismail, 2004) Accordingly, the external auditor should evaluate whether the accounting policies for the previous period are consistent with the accounting policies for the current period. The external auditor is also liable for material misstatements related to other information in documents containing audited financial statements, (Malaescu & Sutton, 2015) The other information refers to the information contained in the audited financial statements, in which material inconsistency may raise doubts about the audit conclusions, and doubts may extend to the external auditor's opinion on the financial statements. which are included in the statement of financial position as of 31/12 raise doubts based on the opinion of the external auditor in the financial statements as a whole, (Lin & Fraser, 2003) Other information may include

various forms, including elements such as management reports or documents related to the economic entity.

Second: Disclosure of comparative information in the financial statements:

There are several methods that can be used to disclose comparative financial information in financial reports, depending on the nature of the information and its relative importance.

The following are the methods used in disclosing

comparative financial information: (El Toby, Kareem, & Abd, 2022)

- Comprehensive disclosure: This type of disclosure is based on the design and numbers of financial statements so as to accurately portray the economic events during the fiscal year, and therefore all appropriate information must be presented. Full disclosure may be seen as meaning excessive information is displayed, and therefore it is inappropriate. Too much information is harmful, because displaying unimportant details hides essential information, and thus makes financial reports difficult to interpret, (Sheu, Chung, & Liu, 2010)
- Adequate disclosure: It means the disclosure of the minimum amount of information that must be disclosed as a group within the financial statements and reports, as this type of disclosure is more common in use, but it assumes a minimum level of disclosure in order to comply with the objectives of financial reports, as it is Not distorted, (Kawamoto, 2001).
- mandatory disclosure: This type of disclosure occurs as a result of the economic entity exposure to pressures by many parties and forces, not only the shareholders, but other parties such as workers, customers, professional organizations, non-governmental organizations, lenders, and suppliers, who have begun to demand that economic entities disclose information that exceeds the information required by the standards. And throw Information required by standards and laws.
- Voluntary disclosure: It is defined as the amount of information that is disclosed in the financial statements and reports specified by the competent professional bodies and in accordance with international and local standards for each country.
- Disclosure through notes of the financial statements: as the notes or margins of the financial statements explain the items appearing in the body of those statements, if the financial statements do not give a complete picture of the performance of the economic entity and its financial position, the notes provide additional information to clarify that picture, and therefore this information is not required It should be quantitative and not classified as a component of the financial statements, (Thuy, Khuong,, Canh, & Liem, 2021)

Third: The responsibility of the external auditor according to the International Auditing Standard 710:

When the independent external auditor audits the financial statements for the current period, he should be aware of the circumstances and events related to the financial statements for the previous period, and these circumstances may include differing opinions

of the auditor, updated opinion, and changes in previous auditors. The external auditor should also obtain sufficient and appropriate audit evidence That the corresponding figures meet the requirements of the applicable financial reporting framework, (Kassem & Higson, 2016). and the external auditor must also ensure that the accounting policies used for the corresponding figures are in line with those for the current period, or whether appropriate adjustments have been made or adequately disclosed. The corresponding figures are consistent with the amounts and other disclosures presented in previous periods, or whether appropriate adjustments have been made and disclosed. If the auditor is unable to obtain sufficient appropriate audit evidence with respect to the opening balances, he is required, under Audit Standard (705), (Fakhfakh, 2016). to express a qualified opinion, or to refrain from expressing an opinion on the financial statements, as the case may be. The external auditor must also maintain On the tendency of professional skepticism in accordance with International Standard on Auditing No. (200), as the auditor must adopt professional doubt during the audit, aware of the possibility that there may be material errors due to fraud, despite the auditor's previous experience with regard to the honesty and integrity of the management of the economic entity and those charged with governance. Unless the auditor has reason to believe otherwise, (Obaidat, 2007). he may accept records and documents as authentic, but if circumstances identified during the audit cause the auditor to believe that a document is incorrect, or that terms in the document have been modified but not disclosed to the auditor, then he The auditor should conduct further investigations. Also, the auditor should evaluate the extent to which the financial statements and reports were presented and classified fairly and correctly when compared with the comparative information, and he should verify the financial information included in the previous financial statements according to the materiality standard (320), as following the materiality Not only when planning and executing the audit work, but also when issuing the audit report, and there are two basic types of materiality that can be clarified as follows: (Lakis & Masiulevičius, 2017)

- **Relative importance at the level of transactions and account balances:**

as it indicates the amount of deviation that the auditor will accept in the group of operations or disclosure in the financial statements before concluding that the appropriate disclosure in the financial statements may mislead its users, and it also provides the basis for setting the maximum amount of deviation that the auditor will accept in the group of operations Or disclose the financial statements before concluding that the appropriate disclosure has been deviated in a manner that is material, and materiality at this level determines the nature, timing and scope of the audit procedures to be performed in connection with the group of operations or disclosure of the financial statements. In the event that the external auditor does not discover any material misrepresentation in the comparative information of the financial statements, (Mburu , Birner, & Zeller, 2003) but there are possibilities of misrepresentation resulting from fraud, then the auditor should collect additional evidence based on the guidelines described in this framework, to confirm or dispel these possibilities, and if confirmed, issue The auditor may obtain a conservative or adverse opinion according to the impact of distortions on the financial statements as a whole or on one or some of the assertions contained therein. If these possibilities are

absent, the auditor will issue a clean opinion, and if he cannot confirm or deny it despite the additional evidence, he should refrain from expressing an opinion. Mentioning the reasons in each case, (Hasan, Atshan, & Abd, 2023)

- **Avoiding audit risks at the level of financial statements:**

audit risks at the level of financial statements are taken into account during the planning stage, and the auditor must, at this stage, carry out a comprehensive assessment of audit risks in the light of his knowledge of the company's business, the industrial sector in which it operates, its management, and the environment surrounding. This evaluation shall be the basis for providing the necessary information for the general approach to the audit mission, the needs related to the audit staff, and drawing the general framework according to which the relative importance is determined and the risks are estimated at the level of account balances or at the level of the group of operations. Audit risks are at the level of the account balance or the type of operations, (El Toby, Kareem, & Abd, 2022)

- **Third: External Auditor Procedures for Comparative Information in Government Financial Statements:**

The process of classifying government financial statements differs from one country to another, but despite this difference, government financial statements can be divided into two groups, which are the budget accounts. The financial position includes the list of government financial position. For the purposes of auditing and control, the external auditor performs a set of procedures to ensure that the information of the elements of the financial position statement for the current year is compared with the information of the elements of the financial position statement for previous years, as follows: (Abd, Kareemb, & Kadhim, 2019)

- Checking the balances of the advance account statement, which includes various advances, including advances for the implementation of works and services, advances for employees, advances for contractors, other temporary advances etc. and it consists of four fields the first is for the type of advance (details) and the second is for the balance at the beginning of the year The third is for the movement during the year and the fourth is for the balance at the end of the year, and making sure that the total is posted to the financial position statement on the liabilities side.

- Checking the balances of the withholding account statement, which includes various withholding, including revenue collection withholding, tax withholding, customs withholding, DFI withholding, court withholding, execution withholding, endowment withholding ...etc. It consists of four fields, the first for the type of trust (details). The second is for the balance at the beginning of the fiscal year, the third is for the movement during the year, and the fourth is for the balance at the end of the year, making sure that the total is posted to the financial position statement on the liabilities side.
- Checking the balances of the debtors statement, which includes the statement of debtors to the treasury account resulting from a shortage of cash in the fund as a result of accounting errors or embezzlement.
- Checking the balances of the creditors' account statement, which includes the movement of creditors (creditors of returned salaries, statutory insurance for contractors, the real estate bank, deductions for late fines ... etc.) and consists of four fields, the first for details, the second for the balance at the beginning of the fiscal year, the third for the movement during the year, and the fourth for the balance in End of year.
- Checking the balances of the revenue statement, which includes the total revenues for the current age compared to the previous year and includes other fees (stamp duty, health insurance fee), as for capital revenues, it includes (selling capital assets such as furniture, cars, machinery, weapons and equipment, means of transportation, etc.) and rental income State funds (such as renting buildings and squares) while transfer revenues include retirement endowments and delayed interest. There are also unclassified revenues that include miscellaneous revenues, and make sure that the total is transferred to the accounting department under the revenue item during the year in the statement of financial position.
- Checking the bank note balances (debit and credit), as the debit and credit bank notes are used as an accounting document to record expenses or revenues that are made by the bank.
- Checking the balances of the cash register in the fund Accounting / 66: This register is used for the purpose of recording the amount received by the cashier in the fund according to the receipts of accounting / 37a, as the amounts received are recorded in the field of receipts, whether cash or checks, as they are After that, the amounts received are collected and deposited in the bank according to the deposit receipts, and then the entry document is organized with the amounts deposited in the bank, and thus the record is closed. A copy of this record and the deposit receipts are attached with the entry document for control purposes.

- Checking the cash balance certificate in the bank Accounting / 44: This certificate is used to perform the process of matching the cash balance of the bank account according to the records (general daily record 86) with the cash balance of the bank account in the bank statement that is sent by the bank monthly.

Practical side

In the practical aspect, reliance will be made on what was published by the Federal board of supreme audit of control reports during the third quarter of the year (for the period from 1/7 to (9/30/2018), which included the most important common observations between government institutions, which are control observations resulting from a comparison of the information they contain. Previous financial reports with current financial reports as follows:

1-The annual movement of the advances account in the current and investment budgets in the Iraqi state institutions. The table below shows the balance of the annual movement of the advances account in the current and investment budgets and the rates of increase in them. So the balance of the unified cash advances account for the current and investment budgets amounted to (113000) Iraqi dinars (one hundred and thirteen trillion Iraqi dinars) until 12/31/2013 compared to the amount (60000) billion Iraqi dinars (sixty trillion Iraqi dinars) as in 12/31/2010, and the increase was a percentage (35%) for the year 2010, and it increased by (23%) compared to the account balance for the previous year (2012). respectively, while the percentage of increase in the balance of advances to the investment budget was (3, 39, 27%) for the same years, respectively. The accumulation of advances in these huge sums leads to distortion of the budget execution account and showing the expenditures in a way that is not true. It is an indication of those units of agreement in settling the advance balances, in addition to the weak role of the Ministry of Finance in following up the advance balances and the process of paying them in a timely manner.

year	Current budget Amounts (billion Iraqi dinars)	Growth rate over the previous year	Investment budget (billion Iraqi dinars)	Growth rate over the previous year	Total (billion Iraqi dinars)
2010	41000	—	19000	—	60000
2011	47000	15	27000	43	74000
2012	53000	13	38000	39	91000
2013	64000	21	48000	27	113000

2- The planned expenditures for the accounts (other allocations / 3119, workers' wages / 3121) were exceeded in most municipal institutions without obtaining the original approvals for this during the year 2016, and the municipalities of Wasit justified this by receiving sums from the treasury grant and the cleaning grant from the governorate and the Ministry of Finance not accepting Transfers on account (31), as well as and as indicated in the table below:

account name	Planned Expenses Million Dinars	Iraqi	Actual Expenses Million Dinars	Iraqi	Dinars Excess Percentage
Other provisions / 3119	352		618		75%
Workers wages / 3121	660		1901		188%

3- The failure of some institutions affiliated to ministries and independent bodies to take advantage of the annual financial allocations allocated to them by the Ministry of Finance, which indicates the lack of adoption of scientific bases in monitoring these allocations, which leads to the non-benefit of other parties from them. Also, checks in the amount of (2178) million dinars (two billion, one hundred and seventy-eight million dinars) were revoked, and the amounts of those checks were reversed, and the competent supervisory authority was not informed of the reasons for that.

4- Amounts were disbursed for projects dating back to the year / 2016 in contravention of the provisions of Article (2-1- Third) Section Two of the Federal Budget Implementation Instructions for the year / 2017, which stipulated adherence to the appropriations allocated in the federal general budget, and the financial commitment should not be entered into in excess of the financial budget allocations except in The case of resorting to transfers after obtaining the approval of the Ministry of Finance.

Conclusions:

The financial information is generally disclosed through the financial statements and the additional financial statements attached, as it provides details of some of the items that were mentioned in the body of the financial statements and reports, and includes detailed statements of the items of fixed assets and their accumulated depreciation. In government institutions, current financial information is disclosed. And the previous one through the record of annual accounts consolidation, in which the accounting data is recorded from the trial balance and the analytical account statements attached to it for the month of December of each year and for the period of the final accounts of the same year, in order to achieve the integration of the accounting cycle by rotating those corresponding financial statements from year to year. other,. This requires the external auditor to avoid audit risks at the level of the account balance and at the level of the financial statements. As the financial records of some government formations showed balances for debit and credit accounts, advances, and withholding that violate their accounting nature, due to the disbursement of more than the funding received from the Ministry of Finance, depending on the rights of others with these institutions.

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