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The role of the joint audit approach in detecting and reducing creative accounting practices - analytical study

دور مدخل التدقيق المشترك في الكشف عن ممارسات المحاسبة الإبداعية والحد منها – دراسة تحليلية

Le rôle de l'approche d'audit conjoint dans la détection et la limitation des pratiques comptables créatives - une étude analytique

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ملخص:

هدفت هذه الدراسة إلى تحديد دور مدخل التدقيق المشترك في الكشف عن ممارسات المحاسبة الإبداعية والحد منها، وقد تم استخدام المنهج الوصفي التحليلي في ذلك لدراسة الجوانب النظرية لكل من المحاسبة الإبداعية ومدخل التدقيق المشترك، بالإضافة إلى تشخيص وتحليل مساهمة هذا المدخل في الكشف عن ممارسات المحاسبة الإبداعية والحد منها، وقد توصلت الدراسة إلى أن تطبيق مدخل التدقيق المشترك يساهم في الكشف عن ممارسات المحاسبة الإبداعية والحد منها مقارنة بمدخل التدقيق الفردي، وذلك لكونه يساهم في تحسين جودة التدقيق من خلال دعمه لاستقلالية وكفاءة المدقق الخارجي، بالإضافة إلى توفير تأكيد معقول حول خلو القوائم المالية من التحريفات الجوهرية بسبب التضليل أو الخطأ، إلا أنه ولتحقيق فعالية هذا المدخل في الكشف عن ممارسات المحاسبة الإبداعية وجب أن تكون الممارسة المهنية له وفق إطار يسمح له بالكشف عن أي تلاعبات قد تحدث.

الكلمات المفتاحية: تدقيق مشترك؛ محاسبة ابداعية؛ جودة التدقيق؛ قوائم مالية

Abstract:
This study aimed to identify the role of the joint audit approach in detecting and reducing creative accounting practices. A descriptive analytical approach was adopted to study the theoretical aspects of both creative accounting and joint audit approach, in addition to diagnosing and analyzing this approach's contribution to detecting and reducing creative accounting practices. The study concluded that applying this approach contributes to better detecting and reducing creative accounting practices compared to the individual audit approach because it contributes to improving the quality of auditing by supporting the independence and efficiency of external auditors, in addition to providing reasonable assurance about the absence of substantial perversions resulted from delusion or mistakes, however, to achieve the effectiveness of this approach in revealing creative accounting practices, its professional application must be within a framework that allows it to detect any possible manipulations.

Keywords: Joint audit; Creative accounting; Audit quality; Financial statement

Résumé :
Cette étude vise à déterminer le rôle de l'audit conjoint dans la détection et la réduction des pratiques comptables créatives. Une approche descriptive et analytique a été utilisée pour étudier les aspects théoriques de la comptabilité créative et de l'audit conjoint, ainsi que pour diagnostiquer et analyser la contribution de cette méthode à la détection et à la réduction des pratiques comptables créatives. L'étude a conclu que l'application de l'audit conjoint contribue à détecter et à réduire les pratiques comptables créatives par rapport à l'audit individuel, car il améliore la qualité de l'audit en soutenant l'indépendance et l'efficacité de l'auditeur externe, tout en fournissant une confirmation raisonnable que les états financiers ne contiennent pas d'inexactitudes matérielles dues à des erreurs ou des fraudes. Cependant, pour assurer l'efficacité de cette méthode dans la détection des pratiques comptables créatives, il est nécessaire qu'elle soit exercée dans un cadre professionnel qui permette de détecter toute manipulation éventuelle.

Mots clés : Audit conjoint; Comptabilité créative; Qualité d'audit; Etats financiers

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Introduction:

Accounting scandals in the United States of America and Europe have led to the collapse of many major world-class companies such as (Parmalat - Enron - WorldCom), which occurred after the global financial crisis in 2008, the thing that caused raising several questions about the reasons behind these collapses, especially after it was said that the main reason behind this is the existence of manipulations and substantial perversions in the financial statements, especially when many companies considered that if they cannot earn profits, they can at least invent them, which is currently known as creative accounting, whereas this type of accounting is practiced for the purpose of tax evasion or opting out of certain legal obligations, or for any other possible reason.

Demands stating the necessity to reorganize the auditing profession have increased, especially after the collapse of the financial community's confidence in the credibility of financial information as a result of manipulations and creative accounting practices, which prompted many organizations and professional bodies concerned with the auditing profession around the world to take the necessary measures in order to reduce or limit such practices after they are detected, which is done by adopting several methods and mechanisms, such as activating corporate governance mechanisms, especially external auditing as one of the most important monitoring tools by adhering to external auditing standards and codes of professional conduct.

The joint audit approach is one of the external audit approaches, which was seen in many countries around the world, such as Denmark and France a long time ago, but after the crisis of confidence and the accusation imputed to one of the Big Four audit offices (Arthur Anderson) that it was the reason behind the increasing interest in this approach, as the European Commission in its Green Paper issued in 2010 has proposed adopting the joint audit approach, considering that two pairs of eyes are better than one as they said, and opinions regarding the role of this approach in detecting creative accounting practices varied; if this approach improves the quality of auditing, it is then expected to contribute to detecting manipulations more efficiently and effectively than in the individual audit approach.

The problem of the study

From this standpoint, our study’s problem is the following fundamental question:

What is the role of the joint audit approach in detecting and reducing creative accounting practices?

Sub-questions

The problem of the study can be divided into the following sub-questions:

- What is creative accounting, and what are its most important practices?
- What is a joint audit approach, and why is it important?
- How does the joint audit approach as a modern mechanism contribute to the detection and reduction of creative accounting practices?

Objectives of the study

Our study aims to achieve the following objectives:

- Introducing creative accounting and its most important practices.

- Introducing the joint audit approach and its importance.
- Identifying the contribution of the joint audit approach to the detection and reduction of creative accounting practices.

Study Methodology

The descriptive analytical approach was adopted in our study to address the problem posed, and this is in order to study the theoretical aspects of both creative accounting and the joint audit approach based on a set of available references that include articles, and other websites' publications related to the subject matter of the study, in addition to identifying the role of the joint audit approach and its contribution to detecting and reducing creative accounting practices, through analyzing previous studies that dealt with the relationship between the study variables.

Study structure

Our study is divided into two main topics, the first of which was titled "The Conceptual Framework of Creative Accounting", in which we address the various concepts related to creative accounting, and the other topic is titled (The Joint Audit Approach as a Mechanism for Detecting and Reducing Creative Accounting Practices), which is concerned with defining the joint audit approach and identifying its importance, in addition to the contribution of this approach to detecting and reducing creative accounting practices.

1- The Conceptual Framework of Creative Accounting

Through this topic, creative accounting and its most important characteristics that distinguish it will be introduced, and the most important reasons and motives for resorting to practicing it in various institutions will be identified, in addition to addressing the most important methods of creative accounting practices that are carried out to manipulate financial statements.

1-1. The concept of creative accounting

Creative accounting appeared at the outset of the 1980s, when companies faced difficulties in the period of recession that took place in that period, and there was pressure to achieve better profits while it was difficult to achieve the same, and the last recession lasted for a long time, the thing that forced many companies that reported simulated profits to liquidate. (Naqmoush, 2019, p. 3)

Creative accounting practices in the accounting language have several other terms, such as profit management, income introduction, innovative accounting, fraudulent accounting, cosmetic accounting, and ethical accounting, and its definitions have varied and diversified since their inception, and below are the most important of these definitions:

researchers and academics define creative accounting as: "the process in which accountants use their knowledge of accounting rules to manipulate the figures displayed in the accounts of an institution." (Matar & Al-Halabi, p. 8)

It is also defined as: The practices carried out by accountants to deceive the reader of financial statements for any purpose, whether to strengthen the share in the market, maximize the remuneration of the executive board of directors, or for other purposes. (Awad & al, 2022, p. 512)

It is also defined as: the accounting that exploits the gaps in accounting policies and the multiplicity of their alternatives and various weaknesses in order to show the financial statements in a form other than their real form, and in a way that serves a specific group benefiting from these simulated procedures at the expense of the rest of the shareholders in the institution, especially the disclosure of financial statements. (Zarqwad & Shaabani, 2021, p. 719)

It is also defined as the transformation of financial accounting figures from what they actually are to what the makers want by exploiting or benefiting from existing laws or ignoring some or all of them. (Sami, 2017, p. 133)

It is also defined as: practices that change accounting values into values desirable by the management or by both the management and shareholders, but these practices are limited to the framework of generally accepted accounting principles, standards and rules, and therefore they are practices within a legal framework, but they may be unethical and include utilitarian accounting, profit management, income introduction and fraud in financial reports. (Ayachi & Ayachi, 2021, p. 557)

Based on the abovementioned definitions, creative accounting can be defined in general as: the total practices and methods carried out by the accountant legally to manipulate the data of financial statements, by exploiting the accounting basics, principles, rules and policies in a certain way and creatively to distort and falsify the financial statements, for the purpose of showing the institution's assets, liabilities and inputs in a way that does not reflect its real situation, rather according to what those who prepare these financial statements want.

1-2. The characteristics of creative accounting

Through the previous definitions, it is clear that creative accounting has several characteristics that distinguish it, which can be summarized as follows: (Sami, 2017, pp. 134, 135)

- ✓ Creative accounting is a form of manipulation and fraud in both the accounting, auditing and taxation professions.
- ✓ Practicing creative accounting methods is a planned process carried out by the management to achieve its own purposes and interests.
- ✓ All methods of creative accounting practices work to reach unreal accounting values.
- ✓ Creative accounting practices are limited to the practice of selecting between generally accepted accounting principles, standards and rules, therefore, they are considered legal practices.
- ✓ Creative accounting is practiced by accountants who possess high professional abilities that enable them to manipulate and transform values according to what they want.
- ✓ Manipulation, fraud, deception, perversions or misrepresentation and legerdemain of accountants grow in the environment of creative accounting.
- ✓ Management's adoption of creative accounting methods affects the credibility and reliability of the information mentioned in the financial statements, and thus reduces the confidence of its users.

1-3. Reasons and motives for resorting to creative accounting in an institution

Many companies of all kinds resort to using creative accounting for several reasons that prompt them to manipulate the financial statements of the institution in order to achieve the purposes they want to achieve, and the most important of these reasons and motives can be summarized as follows: (Awad & al, 2022, pp. 514, 515)

- ✓ The absence of ethical values of the management, and the difference in its vision in trying to achieve its objectives from the vision of shareholders.

- ✓ Failure of the management to achieve its objectives and attempt to deceive shareholders by pretending that their management is successful.
- ✓ Improving the image of the institution in the market to obtain the necessary financing and to influence stock prices in the financial markets.
- ✓ Increasing the amounts of bank loans.
- ✓ Tax manipulation by reducing profits and revenues and increasing expenditures to reduce withholding margins.
- ✓ Improving the financial performance of the institution with the aim of achieving personal benefits.

1-4. Methods of creative accounting practices

There are many creative accounting practices to manipulate the financial information listed in the financial statements, in each of the items of the financial position statement, income statement, cash flow statement, and statement of changes in equity. Below are the most important practices that can be practiced: (Manahil, 2022, p. 79)

- ✓ Entering fictitious operations in order to manipulate the statement of financial position.
- ✓ Choosing the timing of the occurrence of real exchanges in order to give a desirable impression in the accounts.
- ✓ Choosing accounting policies that show the best image of the organization.
- ✓ The existence of certain entries in the accounts that include a degree of personal report.
- ✓ Entering fictious transactions either to manipulate the amounts of the statement of financial position or to move profits between accounting periods.
- ✓ Using certain inputs that are related to assessment and forecasting.
- ✓ Manipulating the determination of transactions with the aim of determining a specific year to include profits and losses in it.
- ✓ Planning certain operations such as asset leasing to influence accounts and causing bias in accounting estimates.
- ✓ Manipulating the timing of operations to influence the accounts.
- ✓ Insufficient disclosure to strengthen the Board of Directors.

2- The Joint Audit Approach as a Mechanism for Detecting and Reducing Creative Accounting Practices

Through this topic, all concepts related to the joint audit approach and its importance will be addressed, in addition to identifying the contribution of this approach as one of the most important proposed mechanisms for detecting and limiting creative accounting practices.

2-1. Nature of the joint audit approach

Despite the multiplicity and diversity of definitions of the joint audit approach due to the different opinions of academists and professionals, they all imply one meaning, and they all agree in most of the characteristics and objectives, and we will try to present the most important of these definitions below:

Joint audit refers to an audit process in which two independent auditors review the financial statements with joint effort, and they sign one mutual audit report, and they both bear joint responsibility in the event of audit failure. (Lobo & &, 2017, p. 1)

Joint audit is defined as: auditing the audited entity by two or more auditors to produce a single audit report, thereby they share responsibility for the audit. (Ekwueme & Olufemi, 2020, p. 2)

It is also defined as: the systematic process carried out by two or more audit firms by reviewing the financial statements in a manner that includes the planning and implementation of audit work with joint efforts, the distribution of work and tasks between them, the existence of mutual quality control between them, and the issuance of a joint audit report signed by the two joint audit firms who share joint liability. (Hassoun & Zabin, 2021, p. 202)

It is also defined as: the participation of more than one audit firm to perform the auditing process, starting from the development of the audit plan until the drafting of the final audit report, so that each firm is jointly responsible for all work related to the audit process, including the work carried out by the other office, and for the report issued to all concerned entities. (Tarroush & Ramadan, 2021)

Therefore, we can define the joint audit approach as the appointment of two independent audit firms to jointly audit the financial statements of an institution, and then prepare one mutual audit report with one opinion for both joint offices, provided that they are jointly liable for the audit process and for the issued report.

2-2. The Importance of the Joint audit approach

The importance of applying the joint audit approach is due to increasing the chances of detecting mistakes and fraud, which is more efficient and effective in joint audit than in individual audit, and joint auditing allows enhancing the quality of the audit process by improving the accuracy of evidence, and reducing the risks resulting from not detecting substantial perversions and mistakes in the financial statements that may arise when following the individual audit approach (Nashwan, 2017, p. 576), as it is possible for one of the two joint offices to discover mistakes and manipulations that the other office was unable to detect, which allows Issuing a stronger audit report, as it brings together the technical and financial expertise of both firms involved in the audit process. (Ghaly, 2018, p. 22)

2-3. Preference factors between the joint audit approach and the individual audit approach

Despite the great difference between the joint audit approach and the individual audit approach, in which the audit work is carried out throughout all of its stages through contracting with one audit office, however, applying the joint audit approach is carried out in the same method as the individual audit approach, and it is noticeable in the professional practice of the auditing profession, that the choice between the joint audit approach or the individual audit approach depends on a set of factors that allow preference between the two approaches, which can be classified as follows: (Arafat, 2019, pp. 168 - 174) (Shalqami, 2016, p. 152) and (Shalqami M. , 2020, pp. 49 - 55)

- **Size of the institution under audit**

The size of the institution has an important role in determining the appropriate audit approach. The larger the size of the institution and the more complex its operations and the more activities it performs, the more it requires the application of the joint audit approach. As for small-sized institutions, they resort to applying the individual audit approach, and for such institutions, applying the joint audit approach is optional.

❖ **Number of branches of the institution under audit**

The more branches the institution under audit has, the more consolidated financial statements are required to be prepared, therefore, it becomes necessary to conduct joint audit by two audit offices instead of individual auditing, as is the case for multinational companies that have branches in several countries, where it is required to translate financial statements on one hand, and preparing consolidated financial statements on the other hand, whenever conducting a joint audit is required.

❖ **Structure and percentage of ownership in the institution under audit**

The composition of the ownership structure of the institution being audited and the type of the owners have a major role in the preference between the joint audit approach and the individual audit approach, as the adoption of a specific audit approach stems mainly from the owners, as this percentage constitutes a means of pressure on the company’s management to achieve the interests of the owners in the event of an increase of this percentage, through its ability to impose monitoring on the performance of the management and on preparing reports, and thus their dependence on the services of the external auditor decreases, and the increase of this percentage may be negatively linked with the management’s ability to manage profits, and thus the institution’s ability to manipulate profits decreases with the increase in the percentage of ownership, which in turn leads to an increase in the confidence of the rest of the owners in the quality of the audit process and the audit report, which prompts them to prefer the individual audit approach over the joint audit approach in order to save the high costs.

❖ **Requirements of laws and regulations governing the auditing profession**

Although the European Commission did not decide that applying the joint audit approach is mandatory, however, it encouraged applying it voluntarily, and each country then either imposed it mandatorily or kept it only optional, or adopted mixed application so that it is mandatory in specific sectors and optional in other sectors.

❖ **The size of the audit committee and the financial expertise of its members**

Audit committees have an important role in verifying that the auditor does not perform other services other than auditing unless he is qualified for such services and if these services are suitable for him. Audit Committees also verify that the tasks of the institution are conducted in accordance with governance rules and accounting and auditing principles, and if the audit committee is large and its members have great financial expertise, it should have an effective role when contracting with the two joint audit offices and it should assign each of them with its share of the work, and supervise the achievement of each office of the part assigned to it.

❖ **Size of the audit office**

Major audit offices seek to maintain their reputation among their clients, and applying the joint audit approach requires that one of the auditing offices that are conducting the audit is one of the Big Four auditing offices.

- **Reputation of the audit office**

The quality of the audit is a reflection of several factors, including the reputation of the audit office, which is considered one of the factors of preference between audit offices, as some link the reputation of the office to the collapse of major companies such as (Enron),

- **Geographical scope of the audit office**

The geographical scope of the audit office is one of the indications of the large size of the audit office, which is considered one of the preference factors between the joint audit approach and the individual audit approach. The more branches the audit office has in several countries the more it requires translating financial statements and preparing consolidated financial statements, therefore, it is then necessary to conduct joint audit by two auditing offices, at least one of which is a major auditing firm.

- **Professional competence of the auditor and his assistants**

The professional competence of the auditor means the adequate and specialized knowledge in the field of accounting and auditing, the skill in applying that knowledge in various cases, fields and circumstances, the availability of the auditor’s professional decision supports to make certain decisions during the audit process, as well as the behavior that the auditor acquires from adequate education and training. The professional competence of the auditor affects the confidence of the parties that deal with the institution under audit, and the joint audit helps exchanging expertise between the two audit offices that conduct it.

- **Credibility of the audit report**

the more the report is documented, the more this indicates an increase in the quality and value of the audit, and the documentation is useful because it allows referring to it after a certain period, and this helps in the conducting the amendments referred to by the audit report.

- **Audit fees**

The fees that the audit office receives from the client pose risks that threaten its independence, and thus the independence of the members of the audit team in the office. There are many factors that affect the amount of audit fees, such as: the size of the audit office, the complexity of the unit under audit, and the size of the institution under audit.

- **Other services other than auditing**

Services other than auditing are professional consulting services provided by the audit office to its clients. These services also include advice, guidance and technical assistance that the office can provide. These services reduce investors' expectations and confidence in the independence of the auditor, therefore, disclosure about the nature and type of services other than auditing and the fees charged by the auditor for performing those services is required.

- **Effectiveness of companies’ governance**

The demand for the joint audit approach depends to a large extent on the effectiveness of the governance methods applied in the institution under audit, through the contribution of these various mechanisms to reducing the obstacles associated with the joint audit approach. On one hand, the existence of an effective governance may cause reducing the effort required from the auditor, in this case, it is preferable to apply the individual audit approach instead of the joint audit in order to avoid its high costs, while the high effectiveness of companies' governance mechanisms, especially the board of directors and audit committees, may lead to an increase in the ability of the institution under audit to overcome the obstacles that prevent the achieving the benefits of joint audit (such as high fees, the difficulty of coordinating between the joint auditors, etc...).

2-4. The contribution of the joint audit approach to the detection and reduction of creative accounting practices

Many studies on the role of the joint audit approach in detecting and reducing creative accounting practices have reached conflicting results, as some studies have found a positive impact of applying this approach in detecting and reducing creative accounting practices, while other studies have found a negative impact or lack of any significant impact of the approach in detecting and reducing creative accounting practices, there is no difference between the joint audit approach and the individual audit approach in detecting or reducing it. Other studies have also found that the impact of applying the joint audit approach in detecting and reducing creative accounting practices is related to the combination of joint audit firms participating in the audit process, as the impact differs in the case that both offices are from the Big Four audit firms, or only one of them is from the Big Four and the other is Non Big-Four, or in case both firms are not among the Big Four. (Mandour, 2016, p. 1137)

Despite the multiplicity and variety of the results reached by various studies, however, in this article we will try to focus on the most important studies that found that the adoption of the joint audit approach has a positive role in detecting and reducing creative accounting practices due to the presence of many justifications and advantages provided by this approach as one of the most important control mechanisms compared to the individual audit approach.

According to the findings of (Asaad, 2021) study, applying the joint audit approach allows detecting and reducing creative accounting practices related to the recognition of income and expenditures, which the institution's management practices to reduce fluctuations and unfavorable disparities in income to gain the confidence of the investors, thereby increasing the reliability of financial reports.

The study of (Faqir & Ihab, 2020) has also found a significant relationship between the joint audit approach and detecting and reducing creative accounting practices through optional accruals, as the joint audit approach provides a dual control method to reduce collusion that may take place between the two joint audit firms and the management, which leads to increasing stakeholders' confidence, and also allows obtaining reasonable confirmation about whether the financial statements as a whole are free of substantial perversions. The study has also found that the optional application of the joint audit approach gives the opportunity for corporate managements to manipulate profits through optional accruals as opposed to the mandatory application of this approach.

According to (Abu Zeid, 2020) study, the joint audit approach provides the ability to detect perversions in financial statements resulting from creative accounting practices, and to increase confidence and suitability in financial reports, which is done through detecting tax avoidance practices through book-tax differences as a measure of tax avoidance, which reveals creative accounting practices as a result of the use of deferred tax expenses in accordance with accounting standards, and then income is managed through these standards without affecting taxable income.

- ✓ The study of (Limia, 2019) added that the joint audit approach leads to the accuracy of capitalization and deferring of expenses for later periods, and overestimation of the value of allocations, which limits creative accounting practices in terms of expenses, and the joint audit approach reduces manipulation in the processing of submitted revenues and accrued revenues and recording revenues from incomplete sales, which reduces creative accounting practices when registering revenues, and the joint audit approach also reduces falsified and simulated revenue registration operations.

Below are some of the justifications for using the joint audit approach as a mechanism to detect and reduce creative accounting practices:

- ✓ The contribution of the joint audit approach to improving the quality of the audit process compared to the individual audit approach, as it is considered an external monitoring mechanism, which works to prevent causing harm to the rights of stakeholders, because companies that apply this approach have a high degree of discretion and a low degree of risks compared to companies that apply the individual audit approach. (Mandour, 2016, p. 1137)
- ✓ The joint audit approach aims to obtain reasonable assurance that the financial statements are free of substantial perversions that may result from delusion or mistakes, this is due to the high effectiveness of mutual quality control and the expertise of team members in both firms, and to submit a mutual audit report with joint effort with bearing joint liability responsibility. (Limia, 2019, p. 224)
- ✓ The responsibility of the external auditor is limited to providing reasonable assurance that the financial statements have been prepared in accordance with generally accepted accounting principles, and that they truthfully reflect the company's actual activities, and that he is not required to assess management's motivations for making decisions regarding actual operating activities. (Mandour, 2016, p. 1141)
- ✓ despite the fact that the responsibility for preventing and detecting fraud lies mainly with both; the management and governance staff, which is done by developing appropriate mechanisms that lower the chances of committing fraud because there is a high probability of detecting it and penalizing its perpetrators, and the external auditor cannot be responsible for preventing fraud and mistakes in the financial statements, but he can have a positive role in preventing them by playing a deterrent role by revealing cases, events or circumstances that indicate the existence of fraud or mistakes. (Youcef, p. 451)
- ✓ The joint audit approach is a form of advanced governance, and this is by supporting and promoting the independence of the external auditor in particular, and his ability to face the pressures that companies may exert in the event of negotiations between the client and the auditor on accounting practices (Al-Yassari, 2018, p. 658), as it may be difficult to exert administrative pressure on both joint firms at the same time, and it is rare for both firms to fail to report cases in which financial statements are not conforming with legal and accounting standards. (Bisogno & De Luca, 2016, p. 4)

Conclusion:

Despite the multiplicity of trends, means and methods used to detect creative accounting practices, however, reducing them permanently is difficult, and for this reason, the interested academists and professionals in this field constantly seek to know the developments of creative accounting practices in order to detect them and try to reduce them in a timely manner, and through our study that aims to identify the role of the joint audit approach as one of the important and modern mechanisms used in detecting creative accounting practices, we concluded a set of findings and recommendations, which can be summarized as follows:

1- Key Findings

- ✓ There are several creative accounting practices practiced by the management, which are committed through manipulating all items of the organization's financial statements.
- ✓ The joint audit approach is one of the most important modern mechanisms adopted to reduce creative accounting practices and manipulation of financial statements.
- ✓ Implementing the joint audit approach reduces creative accounting practices better than the individual audit approach does, which can be done if the two joint audit firms collaborate in implementing audit procedures jointly.
- ✓ Implementing the joint audit approach mandatorily detects and reduces creative accounting practices better than implementing the joint audit approach optionally.
- ✓ It is the responsibility of the joint auditors to exercise the necessary professional diligence to detect creative accounting practices, so that both of them must possess great knowledge and competence that enables them to detect all manipulations that management may carry out on the one hand, and they shall have the independence that enables them to reveal and report cases of fraud and manipulation on the other hand.

2- Recommendations

- ✓ Raising awareness among external auditors of the importance of the joint audit approach as one of the proposed mechanisms for detecting and reducing creative accounting practices.
- ✓ Expanding the use of the joint audit approach mandatorily in view of the many benefits it brings to all of the parties concerned with the audit process, which can be done by restoring confidence in the audit profession and its reflection on the value of the audited institution.
- ✓ It is necessary to issue an auditing standard that addresses the guidelines and responsibilities of external auditors when implementing the joint audit approach, to achieve high quality through better cooperation between both of them and better information exchange.
- ✓ Developing applicable models and standards to measure creative accounting practices.
- ✓ It is necessary to conduct further research by academists and professionals alike to discover other methods of creative accounting practices beyond the known manipulative accounting gaps.

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