


**THE ADEQUACY OF THE REHABILITATION EXTERNAL AUDITOR'S USING ANALYTICAL PROCEDURES IN IDENTIFYING AND EVALUATING BANKING RISKS: A FIELD STUDY ON A SAMPLE OF AUDITING COMPANIES AND OFFICES IN IRAQ**

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ARTICLE INFO	ABSTRACT
<p><b>Article history:</b></p> <p><b>Received</b> 21 November 2022</p> <p><b>Accepted</b> 16 February 2023</p>	<p><b>Purpose:</b> The purpose of the research is to provide information about the Adequacy of the scientific and practical qualifications as well as the significance of the fact that the external auditor (auditor of accounts) should have such qualifications to enable him to carry out the audit process effectively and efficiently. This enables him to use the analytical techniques and their varied ways to recognize and assess the significant banking risks that must be focused on, as well as to pinpoint the areas that require more research and audit tests.</p>
<p><b>Keywords:</b></p> <p>Scientific and Practical Qualification; Analytical Procedures; Banking Risks.</p>	<p><b>Theoretical framework:</b> The research is based on a main hypothesis that meeting the qualification requirements (scientifically and practically) for the external auditor would enable him to employ analytical procedures during the various stages of the audit process to identify and evaluate the banking risks).</p> <p><b>Methodology:</b> The research is based on the descriptive method to cover the theoretical and analytical part in the practical side by creating a questionnaire that was given to a sample of auditors and those working with them in businesses and audit offices in Iraq of the first class using (70) questionnaires. The statistical program (SPSS v.18) (AMOS V.24) was relied upon to analyze the data and test the hypotheses.</p>
	<p><b>Results:</b> The research arrived at the conclusion that the availability of the external auditor's scientific and practical qualifications contributes to employing analytical procedures and using them in the audit process, enabling him to assess banking risks, increase the chance of finding and reporting violations, and prevent deficiencies in the performance of audit duties.</p> <p><b>The impact of the study on community:</b> Emphasizing that bodies and organizations should prepare programs and training courses to increase the auditor's scientific and practical qualification, especially in areas that contribute to acquiring the knowledge and skill necessary to apply analytical procedures and areas that work to improve and enhance their capabilities in the field of auditing.</p> <p><b>Scientific value:</b> One of the motives of the study is to draw the attention of the external auditor to the importance of being sufficiently qualified from a scientific and practical point of view in the field of applying analytical procedures and their various methods and their impact on increasing the results obtained and access to key facts in the banking sector.</p> <p>Doi: <a href="https://doi.org/10.26668/businessreview/2023.v8i2.1090">https://doi.org/10.26668/businessreview/2023.v8i2.1090</a></p>

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**A ADEQUAÇÃO DOS AUDITORES EXTERNOS DE REABILITAÇÃO UTILIZANDO PROCEDIMENTOS ANALÍTICOS NA IDENTIFICAÇÃO E AVALIAÇÃO DE RISCOS BANCÁRIOS: UM ESTUDO DE CAMPO SOBRE UMA AMOSTRA DE EMPRESAS E ESCRITÓRIOS DE AUDITORIA NO IRAQUE**

**RESUMO**

**Objetivo:** O objetivo da pesquisa é fornecer informações sobre a Adequação das qualificações científicas e práticas, bem como o significado do fato de que o auditor externo (auditor de contas) deve ter tais qualificações para permitir que ele realize o processo de auditoria de forma eficaz e eficiente. Isto lhe permite utilizar as técnicas analíticas e suas variadas maneiras de reconhecer e avaliar os riscos bancários significativos que devem ser focalizados, bem como identificar as áreas que requerem mais pesquisa e testes de auditoria.

**Estrutura teórica:** A pesquisa é baseada em uma hipótese principal de que o cumprimento das exigências de qualificação (científica e prática) para o auditor externo lhe permitiria empregar procedimentos analíticos durante as várias etapas do processo de auditoria para identificar e avaliar os riscos bancários).

**Metodologia:** A pesquisa é baseada no método descritivo para cobrir a parte teórica e analítica na parte prática, criando um questionário que foi dado a uma amostra de auditores e àqueles que trabalham com eles em empresas e escritórios de auditoria no Iraque de primeira classe utilizando (70) questionários. O programa estatístico (SPSS v.18) (AMOS V.24) foi utilizado para analisar os dados e testar as hipóteses.

**Resultados:** A pesquisa chegou à conclusão de que a disponibilidade das qualificações científicas e práticas do auditor externo contribui para empregar procedimentos analíticos e utilizá-los no processo de auditoria, permitindo-lhe avaliar os riscos bancários, aumentar as chances de encontrar e relatar violações e prevenir deficiências no desempenho das funções de auditoria.

**O impacto do estudo na comunidade:** Enfatizando que órgãos e organizações devem preparar programas e cursos de treinamento para aumentar a qualificação científica e prática do auditor, especialmente em áreas que contribuem para adquirir os conhecimentos e habilidades necessários para aplicar procedimentos analíticos e áreas que trabalham para melhorar e aprimorar suas capacidades no campo da auditoria.

**Valor científico:** Um dos motivos do estudo é chamar a atenção do auditor externo para a importância de ser suficientemente qualificado do ponto de vista científico e prático no campo da aplicação de procedimentos analíticos e seus diversos métodos e seu impacto no aumento dos resultados obtidos e no acesso a fatos-chave no setor bancário.

**Palavras-chave:** Qualificação Científica e Prática, Procedimentos Analíticos, Riscos Bancários.

**ADECUACIÓN DEL USO DE PROCEDIMIENTOS ANALÍTICOS POR PARTE DEL AUDITOR EXTERNO DE REHABILITACIÓN EN LA IDENTIFICACIÓN Y EVALUACIÓN DE LOS RIESGOS BANCARIOS: ESTUDIO DE CAMPO SOBRE UNA MUESTRA DE EMPRESAS Y OFICINAS DE AUDITORÍA EN IRAQ**

**RESUMEN**

**Objetivo:** El objetivo de la investigación es proporcionar información sobre la idoneidad de las cualificaciones científicas y prácticas, así como sobre la importancia de que el auditor externo (auditor de cuentas) posea dichas cualificaciones para poder llevar a cabo el proceso de auditoría de forma eficaz y eficiente. Esto le permite utilizar las técnicas analíticas y sus variadas formas para reconocer y evaluar los riesgos bancarios significativos en los que hay que centrarse, así como señalar las áreas que requieren más investigación y pruebas de auditoría.

**Marco teórico:** La investigación parte de la hipótesis principal de que el cumplimiento de los requisitos de cualificación (científica y práctica) del auditor externo le permitiría emplear procedimientos analíticos durante las distintas fases del proceso de auditoría para identificar y evaluar los riesgos bancarios).

**Metodología:** La investigación se basa en el método descriptivo para cubrir la parte teórica y analítica en la parte práctica mediante la creación de un cuestionario que se entregó a una muestra de auditores y de quienes trabajan con ellos en empresas y oficinas de auditoría en Iraq de primera clase utilizando (70) cuestionarios. Se recurrió al programa estadístico (SPSS v.18) (AMOS V.24) para analizar los datos y comprobar las hipótesis.

**Resultados:** La investigación llegó a la conclusión de que la disponibilidad de las cualificaciones científicas y prácticas del auditor externo contribuye a emplear procedimientos analíticos y utilizarlos en el proceso de auditoría, lo que le permite evaluar los riesgos bancarios, aumentar las posibilidades de encontrar y denunciar infracciones y prevenir deficiencias en el desempeño de las funciones de auditoría.

**El impacto del estudio en la comunidad:** Haciendo hincapié en que los organismos y organizaciones deben preparar programas y cursos de formación para aumentar la cualificación científica y práctica del auditor, especialmente en las áreas que contribuyen a adquirir los conocimientos y la habilidad necesarios para aplicar

procedimientos analíticos y las áreas que trabajan para mejorar y aumentar sus capacidades en el campo de la auditoría.

**Valor científico:** Uno de los motivos del estudio es llamar la atención del auditor externo sobre la importancia de estar suficientemente cualificado desde el punto de vista científico y práctico en el ámbito de la aplicación de procedimientos analíticos y sus diversos métodos y su repercusión en el aumento de los resultados obtenidos y el acceso a los hechos clave en el sector bancario.

**Palabras clave:** Cualificación Científica y Práctica, Procedimientos Analíticos, Riesgos Bancarios.

## INTRODUCTION

Public opinion affects how long, strong, and stable the financial system will be. In this context, it is crucial to recognize the distinct functions played by external auditors and supervisors of banking activities. In addition to improving customer and depositor confidence in the bank, the external auditor also significantly contributes to improving the banking system as a whole. This is what sparked interest in the external auditor's role in enhancing and providing credibility as to whether the published financial statements of the bank accurately and fairly reflect the financial position, as well as his role in identifying and assessing the risks or material misstatements contained in these financial statements. This is accomplished through developing a grasp of the bank, its surroundings, and internal controls. The auditor must discover suitable and required solutions to detect, analyze, and control risks via using precise scientific and technological tools and procedures that enable him to do so in order to coordinate efforts (Abd alnabi, 2010) and improve the efficiency and quality of external auditing in banks. These techniques are represented by analytical procedures and their various methods based on the scientific expertise and professional experience the external auditor has gained in the field of auditing work in general and in the field of banking work in particular. The use of these techniques during various stages of auditing has a positive impact on the effectiveness of the auditing process (Musa, 2013). The use of analytical procedures and their various methods during all stages of the audit help in diagnosing important and potential problems with less time, cost and effort on the part of the auditor and increases the ability of the external auditor to reach the required efficiency and quality of the audit process (abu mayala & zabayna, 2013)

external auditing :The concept of external auditing has been discussed by several authors, researchers, professional accounting and auditing bodies, and companies as a result of the development and diversity of auditing responsibilities. The majority of definitions are customized to correspond to a particular circumstance or process in order to outline the precise objectives and duties of auditing. The term "external auditing" has numerous meanings. Some of them described external auditing as a structured method for gathering and assessing unbiased

evidence about claims about economic practices and events in order to check for degree of conformance with predetermined criteria and convey the findings to users and stakeholders. (Hell and Wang, 2009). It is described as the process of analyzing and monitoring the financial accounts of commercial companies to see whether they are in accordance with applicable laws, rules, and regulations, as well as whether a trained and independent accountant has arranged and maintained the accounts soundly (Kesimli, 2019). It is also described as the process of examining the financial statements in accordance with the applicable auditing standards with the intention of expressing an opinion on their fairness in relation to the specified financial reporting framework, legal requirements, procedures, and generally accepted principles. (Pike, 2009).

The purpose of auditing is not the objective, but it offers its services to a wide variety of organizations and individuals that make up various economic sectors in the country, whether for decision-makers inside the economic unit or for diverse organizations outside the economic unit. Auditing services have evolved into a method of information delivery, discovering fraud, mistakes, efforts at forgery, and manipulation of accounting books and records were the only goals of auditing in the past. However, this viewpoint has altered as a result of the automatic accomplishment of those objectives during the phases and procedures of putting audits into action. An unbiased technical opinion on the financial accounts is the primary objective or result of the audit process. The growth of the concepts and objectives of other scientific areas, including management and accounting, has likewise influenced the concepts and objectives of auditing. (Mousad and Al-Khatib, 2009). Audit objectives can be divided into two groups, traditional and modern, as follows: There are two types of traditional objectives (Sana et al., 2017). The main objectives include: (1) Proof of precision, correctness, and judgment regarding the dependability of the financial accounts for a particular accounting period and the degree of dependence. (2) Expressing an opinion on the credibility and fairness of the financial statements, which is based on strong evidence for a specific accounting period.

Sub-objectives include: (Sawad, 2009). (1) Error detection: Error detection may or may not be easy, depending on the type of error, as it is easy to identify those errors that result in a mismatch in the total trial balance. (2) Preventing errors: The auditor can suggest appropriate measures to prevent the recurrence of errors made earlier. (3) Fraud detection: Fraud is difficult to detect because in most cases frauds are committed cleverly and with the direct participation of senior management. However, the auditor can detect fraud if he uses reasonable skill and care in the performance of his duties. (4) Fraud Prevention: The auditor can suggest ways to prevent the occurrence and recurrence of fraud. (5) The administration depends on it in deciding

and drawing administrative policies and making decisions presently and in the future.(6) Reassuring the users of the financial statements and enabling them to take appropriate decisions for their investments. Modern objectives: It includes the following aspects: (Al-Quraishi, 2011).(1) Monitoring management plans, following up on their implementation, the extent to which objectives are achieved, and identifying deviations, their causes, and ways to address them.(2) Evaluation of business results in accordance with the set objectives.(3) Achieving the maximum possible production efficiency by preventing waste and extravagance in all aspects of activity.(4)Achieving the maximum possible level of well-being for the members of society. (Nour El-Din, 2015).

The professional standards and guidance for financial audits contained in Government Auditing standards provide a framework for conducting high quality With competence, integrity, objectivity, and independence, applicable to the auditing of Government entities, activities, and functions(AICPA,2019), The American Institute of Certified Public Accountants issued a list of generally accepted external auditing standards, which were divided into three main groups:

**General standards** Some call it the personal standards because it relates to the personal composition of the external auditor in terms of qualifying him scientifically and practically (Jarboua, 2009). These are three criteria as follows : **(1)** Scientific and practical qualification. The external auditor has wide discretion when practicing the auditing profession. He uses this authority when defining audit procedures and when selecting the means and tools to be followed and used. The auditor himself seeks evidence and proofs, trying to collect and extract them from all their sources and determining their suitability and competence, or their incompetency and inability to convince him and form a technical opinion on what is presented to him upon completion of the audit process. Therefore, the external auditor must have the scientific and practical qualifications that qualify him to perform and complete his duties at their best (Faraj et al., 2018). The requirement in the legislation of the professional organizations responsible for regulating the auditing profession that the external auditor should have a certain degree of qualification is due to their realization of the importance of this qualification for the auditor himself and for those interested in the results of the audit. The importance of scientific and practical qualifications can be stated as follows: (Mansour et al., 2006). **1)** It enables the auditor to perform the audit effectively and efficiently. **2)** It enables the auditor to supervise and direct his assistants. **3)** The ability to detect deviations and errors that are difficult to detect. **4)** Increasing the confidence of the various segments of society in the ability of the auditor to perform the audit in a good manner. **5)** Many audit judgments depend on the auditor's personal



judgment. The experience gained is an important influence in this regard. In addition, the acquired experience contributes to improving the quality of decisions, reducing the effort required to make sound decisions. This is ultimately reflected in the efficiency and effectiveness of the profession. (Labib et al., 2018).

Scientific qualification means that the auditor must be academically qualified, which is achieved through formal education programs that end with obtaining a specific university degree, such as a bachelor's degree or something else. Of course, the educational qualification must be in the field of accounting and auditing and in some other fields such as finance, taxation, business administration, statistics, and others (Hejazi, 2010). As for the practical qualification, the person who wants to become an auditor should pay attention to practical training through which he can acquire skills to facilitate the practice of the profession in real life and manage the various situations that he may face. (Metwally, 2006). **(2)Independence.** The core of the external auditor's job is to provide an unbiased technical judgment on the degree to which the lists of business outcomes and financial situation accurately represent those of the firm being audited. The auditor should not be subject to the influence of management, his personal desires, or his interests in the audited establishment. Unless the auditor is independent, the reliance of the concerned parties on his opinion expressed in the report on the financial statements is not more beneficial for them than reliance on the financial statements provided by the administration (Abdullah& Masruddin, 2022). **(3)Perform professional due diligence.** When conducting the audit and writing the final report, the auditor must take all necessary professional precautions. Each level of supervision of the job being done must be carefully examined in order to provide this care. The auditor's work papers, the data he gathers to support his conclusion, and what he states about his application of the auditing standards must all be carefully considered in the assistants' judgments. (Jaber, 2004). **Field work standards:** Field work standards are related to the implementation of the audit process, and they represent the audit principles that govern the nature and extent of evidence to be obtained through audit procedures and related to the objectives to be achieved from the use of these procedures. These standards include three criteria: (planning and supervision, studying and evaluating the internal control system, and obtaining sufficient evidence) (Labib et al., 2018).**Reporting standards:** The auditor must evaluate the conclusions drawn from the audit evidence obtained as a basis for the statement of opinion and prepare his report on the financial statements after completing their audit. The report of the external auditor is a legal requirement for the establishment, and the appointed auditor must express his audit opinion on the truth and fairness of the financial statements (Ismail, 2022).

Analytical procedures: Several definitions dealt with the concept of analytical procedures. Most of these definitions focus on describing and defining analytical procedures. It is defined as assessments of financial information by analyzing the expected or reasonable relationships between financial statements and non-financial statements (Utami And Kusuma, 2014). It was also defined as a series of additional procedures carried out by the auditor to gain a certain degree of confidence by obtaining other evidence in addition to the evidence obtained by the auditor. (Musa, 2013) defined it as one of the verification methods used in auditing to test the accuracy of the balances of accounting operations without the need to delve into the details of the transactions that led to these accounts, to identify the accounts that require detailed testing or additional transactions (Najm, 2012). Analytical procedures have received the attention of many writers and researchers in the field of accounting and auditing due to their great importance and for achieving goals that are difficult to count. (Rady, 2011) explained that the aim of the analytical procedures is to assist the auditor in many matters. The most important ones are: (1) Determining the scope of the audit process. (2) Determining the areas of expected and high risks that should be focused on. (3) Determining the extent of operations and balances tests. (4) Determining the areas that need further examination and audit tests. (5) Supporting the results reached through the audit process. (6) Contributing to increasing the level of quality of the audit process by increasing the possibility of discovering and reporting violations. (7) Reducing the cost of the audit process by reducing the volume of procedures that must be performed when carrying out the audit process. (8) Carrying out a comprehensive review of the financial information.

The usefulness of analytical procedures as audit evidence depends on the auditor's ability to formulate an expectation of what the recorded account balances or ratio should be, regardless of the type of analytical procedures used. The auditor formulates this prediction by looking at prior period information, activity trends, budget forecasts prepared by the client, as well as non-financial information. The auditor compares the client's balances and ratios with the expected balances and ratios using one of the following types of analytical procedures: - (Hegazy, 2010).( Comparing the customer's data with the data of the activity in which he works, Comparing customer data with its counterpart in a previous period, Comparing the data of the client being audited with his expectations, Comparing the data of the client being audited with the auditor's expectations.).Comparing the data of the client being audited using non-financial data. The auditor relies on building his expectations of what the financial statements should be based on a set of various methods of analytical procedures. Based on expertise, understanding the client's operation, and the environment in which he operates, the

auditor decides which of these approaches to use. Present-day analytical methods may generally be divided into three main levels: (non-quantitative descriptive analytical methods, simple quantitative methods, and advanced quantitative methods) (Rady, 2011). Analytical procedures can also be performed in one of the following audit stages: (Arens, 2017). **1)** The planning stage of the audit process. **2)** The stage of executing the audit process. **3)** The stage of the final audit of the financial statements at the end of the audit process.

The concept of banking risks that have been dealt with varies according to the various researchers' writings in the field of economic sciences and the various specializations and branches thereof. It is difficult to limit the concept of risk to one precise and comprehensive definition. (Six & Kowalski, 2005) indicated that banking risks are the possibility of unwanted damage, which may include damage, injury, or damage to the reputation of the bank, members of its board of directors, employees, and the property or customers of the bank. It was defined by (Ghosh, 2012) as the potential losses that may occur to the bank as a result of the occurrence of some events. Risks arise due to the uncertainty associated with the events that could cause a loss, and the event may or may not occur, and if it occurs, the cause of the loss. Banks may face many types of risks, whether related to their operations or assets, which limit the ability of these banks to perform their tasks and affect their ability to achieve current and potential goals (Osman 2013). Banks are exposed to four main types of risks: **(A)** Financial risks which are (credit risks, liquidity risks, market risks, and capital risks) (Al-Dasouki, 2019). **(B)** Operational risks: Examples of these risks are (strategic risks, internal and external fraud risks, internal systems and operational risks, and technological risks), (Al-Abadi, 2015). **(C)** Business risks: They include all kinds of risks that are outside the scope of the bank, such as (legal risks, reputational risks, state risks, inflation risks, and compliance with regulations) (Al-Sisi, 2011). **(D)** Event risks: include all kinds of external risks for the bank, such as political risks (the fall of a government), banking crises, the collapse of a major bank, and the transmission of infection, or the collapse of the market. They are unexpected risks in most cases, even before the event took place (Khamis, 2018; Najjar, 2014).

The justification behind choosing the research topic the need to draw the attention of the external auditor (accountant auditor) aware of the significance of employing analytical processes in detecting and analyzing banking risks across various phases of the audit process, its significance in carrying out its duty also contributes to and boosts public trust in the auditing process, resulting in the development of the auditing profession. These techniques are regarded as one of the most crucial methods for collecting data that alerts the auditor to uncommon situations that call for more accuracy. The external auditor must possess the



necessary technical and scientific training to conduct the audit process using current tools and techniques. The application of analytical techniques to assess banking risks, manage them by gaining access to their root causes, and support his final judgment on the veracity of the financial statements is foremost.

Research problem: The problem raised by the study is represented in (the extent to which the external auditor has Scientific and practical qualification to enable him to use analytical procedures during the various stages of the audit process to identify and evaluate banking risks). Based on the research problem, the following hypotheses were put forward:

There is a significant effect correlation for the Adequacy of the rehabilitation external auditor's (scientifically and practically) in the use of analytical procedures in the audit process.

There is a significant effect correlation for the Adequacy of the rehabilitation external auditor's (scientifically and practically) in identifying and evaluating banking risks.

There is a significant effect correlation for the use of analytical procedures in the audit process in identifying and evaluating banking risks.

## LITERATURE REVIEW

One of the previous studies addressed the research factors (Arthur, 2002). It demonstrated how professional groups and organizations may help their members become better performers and establish fundamental principles and good attitudes in them that must be converted into professional ethical conduct. These members are professional accountants. The study arrived at the conclusion that professional associations and organizations are interested in continuing professional education. Continuous education is a genuine need for all professional accountants and supports the demands of training and professional growth, but the dedication to it varies amongst those associations and professional organizations.

The study (Qamar Al-Din, 2014) aimed at demonstrating the extent to which the auditor's educational background and professional experience had an influence on the quality of performance and the statement of the components of the quality of professional performance across all auditing operations. It also concentrated on determining how the audit process would be affected by using the quality of professional expertise. The study concluded that an external auditor's scientific and practical qualifications contribute to maintaining his independence. The hiring of competent auditors results from adherence to professional foundations and norms. In order to identify the gaps in the qualification of Algerian references and attempt to fill them by drawing on the experiences of Tunisia and Morocco in this area, A study by Omar (2014) presented the experiences of Algeria, Tunisia, and Morocco in the field of training references,

both academic and professional. It was concluded that, in comparison to Tunisia and Morocco, the auditing profession in Algeria has a significant deficiency with regard to the specific knowledge that a candidate needs to learn in order to perform the profession.

As for the studies focusing on analytical procedures, the study by (Eija, 2007) examined how analytical procedures are integrated into the audit environment in the audit stages, where analytical procedures play their role in obtaining evidence from the external auditor. In order to predict the value of monthly sales, four analytical techniques were compared, including straightforward quantitative techniques like the value of sales for the prior year or the average value for prior years, as well as more contemporary quantitative techniques like regression analysis and the neural network model. The study arrived at the conclusion that results from the regression analysis method and artificial neural networks are superior to those from simple quantitative approaches or methods and are best suited for predicting future values. The study by (Al-Abdali, 2011) aimed at identifying the significance of using analytical procedures by financial controllers in the stages of auditing, from the point of view of the auditors of the Ministry of Finance in the State of Kuwait. It also aimed at the extent to which analytical procedures are applied by identifying the types and sources of data necessary to perform them in order to predict the results of those procedures.

In light of studies pertaining to banking risks, it was concluded that the efficiency and effectiveness of auditing and control in the Ministry of Finance in the State of Kuwait were influenced by the financial controllers' use of analytical procedures when identifying and diagnosing potential problems. As for the study by (Al-Malali, 2018), it showed the possibility of employing analytical procedures to enhance the effectiveness of environmental performance auditing as an auxiliary tool that could be inferred by auditors to verify environmental performance information when conducting environmental auditing in industrial activities. The study came up with the conclusion that using analytical procedures in the environmental audit process allowed for a better understanding of the operations of the entity being audited, the identification of risk areas, the focus on particular accounts that point to potential errors in them, the assessment of the scope of testing operations and balances, the identification of areas that need further examination by the auditor, and the confirmation and strengthening of audit evidence. As for the studies that dealt with banking risks, such as a study by (Najjar, 2014), the significance of the Basel Committee standards was made clear by emphasizing that any risk control system must be based on identifying and managing all the risks facing banks. In addition, it presents the principles of the Basel II agreement, indicators and methods for measuring each type of major banking risks, assesses the status of risk management in Algerian

commercial banks, and develops a general vision of the future status of risk management methods. The study arrived at the conclusion that risk management in Algerian commercial banks is almost entirely restricted to banking control, whether internal or external, and that Algerian public commercial banks' responses to the precautionary rules of banking management, particularly with regard to the solvency ratio and their focus on credit risks without actually managing them, are mixed. The study by (Khalaf and Ali, 2014) showed the significance of emphasizing the role of the external auditor in protecting banks from banking risks and highlighting the legislation and recommendations of the Basel Committee (II) in setting unified standards and rules to control the performance of banking work. It was concluded that there was no independent risk management directly linked with the senior management board in some local banks operating in Iraq. It performs the process of identifying, evaluating, measuring, controlling, and limiting various banking risks and limiting them.

## **MATERIAL AND METHODOLOGY**

To cover the theoretical part of explaining the study topic and supporting its ideas, the research is based on a descriptive approach. On the practical side, it was based on a questionnaire given to (70) respondents, who were selected at random from among first-class auditors employed by auditing firms and offices. This method was analytical and descriptive. A research questionnaire was distributed to them to get their opinions on the research aspects. It has been adapted in line with the research objectives and formulated according to the five-point Likert scale. It is extracted, and its results are analyzed via the program (SPSS), through which the relationship between the research variables can be shown. The questionnaire included three main axes, as follows:

The first axis: the Adequacy of the rehabilitation external auditor's as the independent variable in the study, which included two dimensions: scientific qualification, training and scientific experience (practical qualification)

The Second axis: using analytical procedures in the audit process

The third axis: identifying and evaluating the banking risks.

## **RESULTS AND DISCUSSION**

1- Describe and analyze the response of the sample to the research variables

The reality of the research variables in the researched sample will be identified by analyzing the results and tabulating the questionnaire data in the form of tables for the answers of the sample members in order to determine the weighted total arithmetic mean of the research

variables (the Adequacy of the rehabilitation external auditor's, the analytical procedures in the audit process, and the assessment of banking risks). This is to indicate the extent of awareness and support for a sample of research about each of the research variables.

**First:** A description of the research sample response to the dimensions of the Adequacy of the rehabilitation external auditor's. In order to determine which qualification criterion for the external auditor is more significant than others in the eyes of the auditors and those who deal with them, this paragraph will assess the requirements for the Adequacy of the rehabilitation external auditor's from the perspective of the studied sample.

#### **A- The scientific qualification**

Generally, the value of the general arithmetic mean for all paragraphs of the dimension of academic qualification was (4.52), with a percentage of (90.4), which indicated that this dimension had a high degree of support from the respondents for the content of the paragraphs of this dimension. The value of the general standard deviation of the dimension, which was (0.236), showed the extent of the lack of dispersion in the respondent's answers, and then the homogeneity of their opinions to a large extent in the whole, and limited differences in perception regarding the paragraphs, reflecting the consensus in the opinions of the sample members, as shown in Table No. (1).

#### **B- The training and practical experience (practical qualification)**

Overall, the value of the general arithmetic mean for all paragraphs of the training and practical experience dimension (practical qualification) was (4.51), with a general percentage of (90.2), which indicated that this dimension achieved high intensity support expressed by the auditors and those working with them. The value of the general standard deviation of the dimension was (0.187), which indicated a very little dispersion in the opinions of the respondents. Consequently, there is a very large homogeneity in their perceptions of the content of the dimension as a whole, as shown in Table No. (1).

#### **Arranging the dimensions of the Adequacy of the rehabilitation external auditor's**

In order to indicate which dimension of the Adequacy of the rehabilitation external auditor's is more important than others, according to the opinion of the auditors and those working with them, the coefficient of difference was used depending on the arithmetic mean and standard deviation as in Table (1). The dimension of training and practical experience (practical qualification) achieved great importance in the first place, according to the opinion

of the respondents, because the value of its coefficient of difference is smaller than the value of the other dimension (4.14). The scientific qualification dimension came second with a coefficient of difference of (5.22) according to the perception and perception of the researched sample in terms of importance, noting that there is a great convergence between the dispersion across the coefficient of difference for both dimensions of the variable of the Adequacy of the rehabilitation external auditor's. This indicates that the observers and those who work with them see that practical training is slightly more important than scientific training.

**Second:** Describing the response of the research sample to the variable of using analytical procedures in the audit process

In total, the value of the general arithmetic mean for all paragraphs of the analytical procedures variable in the audit process was (4.12), which was greater than the value of the hypothetical mean of (3) on the measurement area with a general percentage of (82.4). This indicates a high degree of the respondents' support for this variable, but there are some shortcomings, according to their opinion, in enabling the auditor's analytical procedures to accept or reject the audit task. Additionally, the last step of the audit process (the stage of preparing the report) may involve the use of analytical processes. Alternatively, data from the bank may be compared to data from the activity in which it engages as an analytical measure. In addition to the decline in the use of analytical processes, contemporary statistical and mathematical methods (regression, time series, cash flow model, and financial planning model) are used as one of the ways of analytical procedures. These paragraphs need more attention and development by the respondents. The value of the general standard deviation of the variable was (0.183), which indicated very little dispersion and great consistency in the auditors' opinions and those working with them regarding all the content of the paragraphs of this variable, as shown in Table No. (1).

**Third:** Describing the response of the research sample to the variable of identifying and evaluating banking risks

In total, the value of the general arithmetic mean for all paragraphs of the banking risk assessment variable was (4.41) with a general percentage of (88.2), which was a value greater than the value of the hypothetical mean of (3) on the measurement area. This indicates a high degree of support for the respondents from among the auditors and those working with them on this variable. The value of the general standard deviation for the axis or variable was (0.171), which indicated a slight dispersion and homogeneity in the opinions of the auditors and those working with them regarding all the content of the paragraphs of this variable, as shown in Table No. (1).



Table (1): Frequency distribution, arithmetic mean, standard deviation, and the percentage of the research variables

Variables	Variation coefficient	Percentage	Standard deviation	Arithmetic mean
1- Scientific qualification dimension (dimension order 2)	5.22	90.4	0.236	4.52
2- Practical qualification dimension (dimension order 1)	4.14	90.2	0.187	4.51
3- The total of "the Adequacy of the rehabilitation external auditor's" variable.	3.37	90.3	0.152	4.51
4- The variable of using analytical procedures	4.44	82.4	0.183	4.12
5- The variable of identifying and evaluating banking risks	3.87	88.2	0.171	4.41

Source: Prepared by the authors (2022)

Source: The table was prepared by the researcher depending on the results of the (SPSS) program.

## 2- Testing the hypotheses of effect between the studied variables.

The effect hypotheses among the variables studied are tested by calculating the simple linear regression equation, which is:

$$a + \beta_i X_i = Y$$

and then by testing the effect relationship by using the (F) test to show the significance of the calculated (effect) regression equation, as well as using the coefficient of determination (R<sup>2</sup>) to explain the amount of variation between the research variables.

**First:** Testing the first hypothesis, which states that (there is a significant effect relationship for the Adequacy of the rehabilitation external auditor's (scientifically and practically) in using analytical procedures in the audit process).

Table (2) the results of the values of the coefficients used in measuring the effect of the dimensions of the Adequacy of the rehabilitation external auditor's in the variable of using analytical procedures in the audit process.

Variables		Coefficients				
Z	X Dimensions of the Adequacy of the rehabilitation external auditor's	Coefficient of determination (R <sup>2</sup> )	Calculated value (F)	Beta regression coefficient	fixed limit A	Significance
The use of analytical procedures in the audit process	Scientific qualification	0.29	4.01	0.24	2.66	Sig.
	Training and practical experience (practical qualification)	0.34	4.33	0.26	2.61	Sig.
	The total Adequacy of the rehabilitation external auditor's	0.43	8.27	0.41	1.78	Sig.

Source: Prepared by the author (2022)

### Tabular value of (F) at two degrees of freedom (68.1) and a significant level (0.05) = 3.98

The results of the statistical analysis in Table (2) showed that there was a statistically significant effect at a significant level (0.05) for the total variable (the Adequacy of the rehabilitation external auditor's) in the variable (using analytical procedures in the audit process), because the calculated (F) value of (8.27) was greater than its tabular counterpart, which is equal to (3.98) at a significant level (0.05). The independent variable (the Adequacy of the rehabilitation external auditor's) showed that (43%), or nearly half of the total changes that occur in the values of the intermediate variable (the use of analytical procedures in the audit process) for the auditors, which was reflected in the value of the coefficient of determination. As for the remaining percentage (57%), it is attributed to the contribution of other variables not included in the model. The value of the regression coefficient in the above equation, which is (0.41), indicates that an increase in the interest in the Adequacy of the rehabilitation external auditor's by one unit will be accompanied by an increase in the use of analytical procedures in the audit process by (41%). Thus, we conclude that the first sub-hypothesis is accepted.

**Second:** Testing the second hypothesis, which states that "there is a significant effect correlation for the Adequacy of the rehabilitation external auditor's (scientifically and practically) in identifying and evaluating banking risks."

Table (3) results of coefficient values used to measure the impact of the dimensions of the Adequacy of the rehabilitation external auditor's in the variable of identifying and evaluating banking risks.

Variables		Coefficients				
Z	X Dimensions of the Adequacy of the rehabilitation external auditor's	Coefficient of determination (R <sup>2</sup> )	Calculated value (F)	Beta regression coefficient	fixed limit A	Significance
Identification and evaluation of banking risks	Scientific qualification	0.38	5.54	0.28	2.51	Sig.
	Training and practical experience (practical qualification)	0.47	5.93	0.29	3.24	Sig.
	The total Adequacy of the rehabilitation external auditor's	0.60	12.05	0.39	2.44	Sig.

Source: Prepared by the author (2022)

Tabular value of (F) at two degrees of freedom (68.1) and a significant level (0.05) = 3.98.

The results of the statistical analysis in Table (3) indicated that there was a statistically significant effect at a significant level (0.05) for the total variable (Adequacy of the rehabilitation external auditor's) in the variable (identifying and assessing banking risks), because the calculated (F) value of (12.05) was greater than its tabular counterpart, which was equal to (3.98) at a significant level (0.05). The independent variable (Adequacy of the rehabilitation external auditor's) showed that (60%), or nearly two-thirds of the total changes that occur in the values of the approved variable (identifying and assessing the banking risks) among auditors, according to the value of the coefficient of determination. The remaining percentage (40%) is attributed to the contribution of other variables not included in the model. The value of the regression coefficient in the above equation, which is (0.39), indicates that an increase in interest in the Adequacy of the rehabilitation external auditor's by one unit will be accompanied by an increase in identifying and assessing the banking risks by (39%). Thus, we conclude that the second sub-hypothesis is accepted.

**Third:** Testing the third hypothesis, which states that "there is a significant influence relationship for the use of analytical procedures in the audit process in identifying and assessing the banking risks.

Table (4) results of coefficient values used to measure the effect of using analytical procedures in the audit process on the variable of identifying and assessing the banking risks

Variables		Coefficients				
Y	Z	Coefficient of determination (R <sup>2</sup> )	Calculated value (F)	Beta regression coefficient	fixed limit A	Significance
Identification and evaluation of banking risks	The use of analytical procedures in the audit process	0.41	7.09	0.31	2.23	Sig.

Source: Prepared by the author (2022)

**The tabular value of (F) at the degree of freedom (68.1) and the level of significance (0.05) = 3.98**

The results of the statistical analysis in Table (4) indicated that there was a statistically significant effect at the level of significance (0.05) for the variable (using analytical procedures in the audit process) in the variable (identifying and evaluating the banking risks), due to the fact that the calculated (F) value of (7.09) was greater than its tabular counterpart of (3.98) at a significant level (0.05). The intermediate variable (using analytical procedures in the audit process) showed that (41%) was slightly more than a third of the total changes that occur in the values of the approved variable (identifying and evaluating banking risks) among auditors according to the value of the coefficient of determination. As for the remaining percentage (59%), it was attributed to the contribution of other variables not included in the model. The value of the regression coefficient in the above equation, which was (0.31), indicated that an increase in the interest in the use of analytical procedures in the audit process by auditors by one unit will be accompanied by an increase in identifying and evaluating banking risks by (31%). Thus, we conclude that the third sub-hypothesis is accepted.

## CONCLUSIONS

The availability of the scientific and practical qualifications of the external auditor contributes to employing analytical procedures and using the audit process. Thus, he can identify, evaluate banking risks, increase the possibility of discovering and reporting violations, and avoid deficiencies in the performance of his audit duties.

Enhancing the scientific and practical qualifications of the external auditor and assigning the audit task to a person who is scientifically and practically qualified in the work

he performs helps in discovering errors and material misrepresentations in the financial statements and limiting these misrepresentations, which is reflected in conferring confidence and credibility in the financial statements.

According to the responses to the sample questionnaire, the results of the research showed that the most used stages of auditing for analytical procedures were the stage of planning the audit process and the stage of implementing the audit process. As for the audit stages that use the analytical procedures the least, is the final stage of the audit process (preparing the report), which may indicate the lack of conviction of the auditors or lack of awareness of the importance of applying analytical procedures at that stage. And The results of the research showed that there was a deficiency in the use of analytical procedures that depended on advanced quantitative methods represented by modern statistical and mathematical methods. This was due to neglecting the significance of these methods and due to the weakness of scientific training and practical experience in how to apply them.

As The results of the research revealed that there was a decrease and defect in the use of analytical procedures and their various methods by the external auditor during the stages of the audit process. The highest percentage of use of analytical procedures, as shown by the research sample answers, was through 25% to 50%. This may be due to neglecting the significance of these procedures and their methods, or as a result of a lack of awareness and lack of qualifications on the part of the auditor himself.

Based on the above results, the researcher calls and emphasizes the role of the professional bodies and organizations responsible for organizing the accounting and auditing profession by preparing programs and training courses to increase the scientific and practical qualification of auditors, especially in areas that contribute to acquiring the knowledge and skill necessary to apply analytical procedures. Moreover, there is a need for more research to study the auditor's awareness of the importance of Scientific and practical qualification in improving the efficiency of using analytical procedures. And need also to study the importance of using modern analytical procedures methods to assessing the risk of material misstatement.

As for the limitations of the research, it is represented by the difficulty of accessing audit offices and companies and the absence of most of the auditors who are interviewed during the visit them more than once, as well as the delay in the answers of the research sample members of the auditors working in the audit offices and companies due to their time constraints and their preoccupation with work



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