

# Auditors' Responsibility in Detecting and Mitigating Creative Accounting Practices: Case Study of a Sample of Professionals in Ouargla, Algeria

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## Abstract:

The study aimed to clarify the role of auditors in assuming their responsibility to detect and limit creative accounting practices in the Algerian context by assessing the extent to which auditors adhere to their professional responsibilities and their ability to identify and exclude creative accounting practices from financial statements. The field study relied on the questionnaire tool, through distributing a survey form to a sample consisting of auditors and professionals in the city of Ouargla. The sample included auditors, accounting experts, and certified accountants. The Statistical Package for the Social Sciences (SPSS) program was also used to process and analyze the data collected based on the opinions of the respondents. The study reached several conclusions, the most important of which is that auditors do play a role in reducing and controlling creative accounting practices by adhering to the required professional care. This necessitates the exercise of professional skepticism, caution, and the exertion of due professional diligence to achieve the objectives of the audit.

**Keywords:** Auditor, Creative Accounting, Professional Responsibility, Financial Statements, Professional Care.

## 1. Introduction:

The debate around the development of accounting has never ceased, especially with the widespread application of international accounting standards. A new form of manipulation has emerged, professionally referred to by several terms such as *creative accounting* and *innovative accounting*. It is considered one of the most recent forms of accounting manipulation, practiced by exploiting accounting flexibility, the variety of alternatives, and the diversity of accounting methods and policies, in order to prepare and present financial statements in a way that does not reflect their true reality. The goal is to improve the image of the institution in front of users, which contributes to the making of erroneous decisions that negatively affect stakeholders. These practices are sometimes discovered, and other times only revealed after the collapse of the institution, as happened with the American companies WorldCom and Enron, followed by the downfall of many other global firms. As a result, the concept of creative accounting has become the focus of attention among accountants, auditors, and researchers, especially in recent years, with increasing interest in its methods, causes of its spread, the motivations driving companies to it, its negative effects, and ways to limit it. Consequently, the auditor has become one of the most important actors playing a vital role in financial, governmental, and economic environments, through professionally auditing accounts with the necessary professional care to provide the best services to clients and all beneficiaries of auditing work, thus enhancing trust in financial statements and ensuring that they reflect the true status of the institution.

### 1.1 Problem Statement

To understand the role of external auditing in limiting creative accounting practices, the central research question to be addressed by this study can be formulated as follows:

**To what extent do auditors comply with their responsibilities in detecting and limiting creative accounting practices in the Algerian business environment?**

### 1.2 Research Hypotheses

In order to address the raised problem, we propose the following hypotheses:

- There is an impact of the Algerian business environment factors on auditors' commitment to the necessary professional care.
- Auditors possess a significant awareness and understanding of their responsibility regarding creative accounting.
- Auditors adhere to the necessary procedures to detect creative accounting practices.

### 1.3 Importance and Objectives of the Study

The importance of this study lies in identifying the role of external auditing in limiting creative accounting practices by examining the methods of creative accounting and the procedures and tests used by auditors to reduce them. The key objectives of this study can be summarized as follows:

- To clarify the practices and behaviors of creative accounting.
- To highlight the responsibilities of the auditor regarding creative accounting practices.
- To identify creative accounting and the procedures to mitigate it.

### 1.4 Study Methodology

To answer the research question posed in this study and to test the proposed hypotheses, this research relied on the descriptive approach, by referring to sources related to external auditing, auditing professionals, and creative accounting in the theoretical part. The analytical approach was also adopted in the field study to clarify the role of external auditing in limiting creative accounting practices.

## 2. Previous Studies

The studies that addressed the topic of the research can be presented as follows:

- **Study by (Marwan Ibrahim Al-Fadhli, Mustafa Fathi Hammouda, 2017)** titled "*The Auditor's Responsibility in Detecting Fraud and Errors in Financial Statements*," a field study on auditing offices in Al-Khums, Zliten, and Msallata in Libya <sup>i</sup>

The study aimed to determine the extent to which auditors adhere to international auditing standards related to detecting embezzlement and fraud, and to identify the nature and types of accounting errors, the methods used for fraud, and the level of professional experience and academic competence that enable auditors to detect fraud and embezzlement in financial statements. The study concluded that auditors comply with auditing financial statements according to international auditing standards, which aligns with the requirements of the environment that imposes auditing for public shareholding companies according to international standards. This strengthens and enables the auditor to detect manipulation and distortion in financial statements. Additionally, prior preparation for conducting the audit process clearly affects their ability to detect fraud and errors.

- **Study by (Amit Kr Nag, 2015)** titled "*Is Creative Accounting Ethical? An Analysis into the Pros and Cons*" <sup>ii</sup>

This research paper aimed to highlight the advantages and disadvantages of creative accounting by listing its importance for different interest groups. The study found that creative accounting helps solve many problems faced by management in today's complex and dynamic environment and enhances understanding of key creative accounting techniques. The study also noted that the dynamic and complex nature of business transactions and the flexibility allowed in accounting standards and procedures make it difficult to deal with the issue of creative accounting. The results showed that misuse of creative accounting cannot be completely eliminated, but efforts can be made to encourage its prudent use.

- **Study by (Brijesh Yadava, 2014)** titled “*Creative Accounting: An Empirical Study from a Professional Perspective*”<sup>iii</sup>

The study aimed to show the impact of creative accounting on the performance of companies using these techniques to manipulate their accounts and achieve desired results. It also discussed different types of creative accounting and the parties involved in it, and examined the relationship between creative accounting and the types of industries that adopt it for financial manipulation, as well as methods to reduce it. To achieve its objectives, a questionnaire was designed to examine the current views of financial consultants and academics regarding the relationship between creative accounting and corporate governance factors. The results of the study showed that creative accounting and corporate governance are interrelated, and that audit standards also play a role in creative accounting.

- **Study by (Ben Jamin P. Foster, 2013)** titled “*The Auditor’s Report on Internal Control & Fraud Detection Responsibility: A Comparison of French and U.S. Users’ Perceptions*”<sup>iv</sup>

The study’s central issue was the extent of auditors’ contribution in detecting user fraud responsibilities. It aimed to compare perceptions of auditing among users in the United States and France and the auditors’ responsibilities in detecting fraud. To address the topic, the researcher conducted a survey comparing the views of a sample of master's students in the U.S. and a sample of master's students in northern France. The main result of the study was that auditors provide an annual report on the internal control system to describe control processes ensuring consistency between financial reports and institutional data.

- **Study by (Joe Sommut, 2012)** titled “*Are Public Company Auditors Complicit in Financial Statement Fraud?*”<sup>v</sup>

This study dealt with financial statements as the primary source of financial data, asserting that financial statements must be reliable and provide assurance of financial results, while considering the auditor’s responsibility to verify the accuracy of an institution’s accounts. The researcher focused on meeting three conditions in the statements: the international auditing standard (IAS 240) on auditor responsibility in detecting fraud in financial statements, and the standard audit statement (SAS 99), known as the fraud triangle: opportunity, motivation, and rationalization. The study examined how the fraud triangle affects auditing and also emphasized the need for a stronger relationship between auditors and investors to gain public trust in financial statements and to exert the necessary efforts to detect fraud.

- **Study by (Stephanie D. Moussalli, O. Rould Cray, and Gokhan, 2012)** titled “*Illuminating the Limits of Auditor Accountability for Fraud Detection*”<sup>vi</sup>

The study aimed to impose constraints on detecting fraud and collusion between management and auditors, as well as the responsibilities placed on them. It also addressed the professional responsibility of auditors and the boundaries of accountability and transparency toward investors, the institution, and management, and the governance stance toward such illegal practices and standards that deter them. The researchers relied on interviews and analysis with major accounting firms in the United States, along with professors and auditors across various datasets. The most significant finding of the study was that the primary function of auditors is to detect fraud, while the responsibility for fraud lies predominantly with management.

- **Study by (Rasha Hamadeh, 2010)** titled “*The Role of Audit Committees in Limiting Creative Accounting Practices*”<sup>vii</sup>

The study aimed to identify the activities carried out by audit committees to reduce creative accounting practices. To achieve this, the researcher distributed a questionnaire to the study population, consisting of eight (08) shareholding companies listed on the Damascus Securities Exchange. The study results showed that all activities performed by audit committees related to

supervising and monitoring financial reports, examining and evaluating internal control systems, have a significant impact in reducing creative accounting practices. The study also recommended generalizing the concept of audit committees to companies operating in both the private and public sectors.

– **Study by (Linda Al-Halabi, 2009)** titled “*The Role of the External Auditor in Reducing the Effects of Creative Accounting on the Reliability of Financial Data Issued by Jordanian Public Shareholding Companies*”<sup>viii</sup>

This study aimed to demonstrate the importance and characteristics of the reliability of financial data and its role in decision-making, and to identify forms of bias in accounting measurement, especially reliability. The study also focused on identifying the creative accounting methods used and their impact on the reliability of financial data, through the motivations of management to use such methods. The study concluded that creative accounting is a method used by accountants to serve the company's interests, given that all members of the study population—Jordanian public shareholding companies—practice creative accounting methods in financial statements to a limited extent. Additionally, all members of the study sample—Jordanian external auditors—carry out all professional procedures to detect creative accounting methods.

– **Study by (Ahmad Dahdouh, 2006)** titled “*The Auditor's Responsibility in Detecting Misrepresentation in Financial Reports of Industrial Companies and the Factors Influencing Its Detection*”<sup>ix</sup>

The study aimed to review and analyze professional publications related to the auditor's responsibility in detecting misrepresentation in financial reports, as well as to identify the factors influencing the detection of misrepresentation and rank these factors by importance, as a step toward providing recommendations to help auditors improve and enhance their ability to detect misrepresentation. A field study was conducted by distributing a questionnaire to a sample of auditors in the Hashemite Kingdom of Jordan and another sample of financial managers in Jordanian public shareholding industrial companies. The study concluded that there are several factors related to the establishment and its management that help auditors detect misrepresentation in financial reports and that these should be considered during the audit process. Religious and social factors were excluded on the basis that they do not impact the process of detecting misrepresentation in financial reports.

### **3. The Theoretical Framework:**

#### **3.1. Definition of Statutory Auditor, Their Characteristics, and Conditions for Practicing the Profession**

**3.1.1. Definition of Statutory Auditor:** There are various definitions of the statutory auditor, including the following:

According to Article 22 of Law No. 10-01 dated July 29, 2010, related to the professions of chartered accountant, statutory auditor, and certified accountant:

"A statutory auditor, within the meaning of this law, is any person who regularly practices in their own name and under their responsibility the task of certifying the accuracy, regularity, and compliance of the accounts of companies and entities with applicable legislation".<sup>x</sup>

The statutory auditor is also referred to by several synonymous titles such as reviewer, controller, accounts examiner, or legal accountant.<sup>xi</sup>

The statutory auditor is defined as "any independent professional person who certifies the truthfulness and legitimacy of the institution's annual statements and documents, whose assignment is delegated by the shareholders' assembly and who is designated from the list of professionals accredited by the courts. They receive a mandate from the shareholders to carry out the assignment and provide their own opinion regarding the company's annual accounts".<sup>xii</sup> The statutory auditor is

also considered a type of external audit, which is mandated by law for certain types of institutions specified by the legislator in each country. Thus, a statutory auditor is an external, independent professional, enjoying full independence in carrying out audit duties. Their main objective is to express an opinion regarding the fairness and accuracy of the financial statements prepared by the management, reflecting the business results and financial position of the audited entity.<sup>xiii</sup> These auditors are characterized by their academic and practical qualifications and intellectual and functional independence, and they conduct financial audits based on international or generally accepted auditing standards.<sup>xiv</sup>

Based on the above, we conclude that the statutory auditor is any person who independently practices the profession of external auditing through examining records and accounting books and certifying the accuracy of the accounts of companies and entities, as well as compliance with applicable laws and regulations, and then issuing a neutral professional opinion in the form of a report, which helps relevant parties make decisions.

### 3.1.2. Characteristics and Conditions for Practicing the Profession of Statutory Auditor:

**A. Characteristics of the Profession:** The profession of the statutory auditor has several defining characteristics that ensure the auditing process is carried out effectively. Among these are independence, professional competence, and confidentiality. Based on the previous definitions and Article 22 of Law 10-01, we can identify several key characteristics, including:

- Professional independence
- Professional competence
- Confidentiality (professional secrecy)
- Relationship with fellow professionals

**B. Conditions for Practicing the Profession:** To ensure statutory auditors possess the required competence, commercial legislation and legal texts have stipulated the following conditions for any individual wishing to practice this profession:

- Must hold Algerian nationality
- Must hold a certificate authorizing the practice of the profession (an Algerian certificate or a recognized equivalent), whether for chartered accountant, statutory auditor, or certified accountant
- The natural person must enjoy full civil and political rights
- Must not have been convicted of any felony or misdemeanor affecting professional integrity
- Must be accredited by the Minister in charge of finance according to the governing conditions before taking the oath
- Must take the oath: after accreditation and before registration in the national association or national chamber or national organization, and before performing any work, the oath is taken before the judicial council with jurisdiction over the location of their offices

Additionally, the Algerian legislator has set specific conditions for foreigners wishing to practice the profession, as provided in Article 8 of Law No. 91-08. The most important of these conditions include:<sup>xv</sup>

- The foreigner must meet all conditions stipulated by law
- There must be treaties between the countries allowing the practice of this profession
- Most importantly, the foreign country must grant Algerian nationals the right to practice the profession as part of the principle of reciprocity

### 3.1.3. Duties and Responsibilities of Statutory Auditors

**A. General Principles of Professional Practice:** These are a set of principles that every auditing professional must uphold. They can be summarized as follows:<sup>xvi</sup>

- **Principle of integrity:** The auditor must be honest, upright, and transparent when carrying out their various duties during the audit process.

- **Principle of objectivity:** The auditor must be fair and just, avoiding bias or prejudice that may affect their objectivity when preparing the audit report.
- **Principle of independence:** The auditor must be free, impartial, and unbiased in performing their duties.
- **Principle of competence:** The auditor must maintain a high level of competence while practicing the profession, by exercising due professional care and performing only the tasks entrusted to them.
- **Principle of confidentiality:** The auditor must maintain the confidentiality of information used during the execution of duties, particularly by not disclosing it to unauthorized parties. This principle also applies to assistants.
- **Respect for professional standards:** The auditor must adhere to the technical and practical standards of the profession while performing their work.

**B. Duties of the Statutory Auditor:** When auditing a company's accounts, the statutory auditor performs several tasks specified in Article 23 of Law 10-01, including:

- Certifying that the annual accounts are regular, accurate, and fully reflect the financial operations and situation of the company
- Verifying the accuracy of the annual accounts and their consistency with the information in the management report presented by directors to shareholders or partners
- Providing an opinion in the form of a special report on internal control procedures approved by the board of directors or executive board
- Evaluating the terms of agreements between the audited company and its affiliated entities, or between entities where company executives have direct or indirect interests
- Informing the directors and general assembly or competent deliberative body of any deficiency discovered, particularly concerning the examination of company documents and checking whether accounting complies with applicable standards, without interfering in management
- When the company prepares consolidated or combined accounts, the statutory auditor must also certify the accuracy and regularity of these accounts, based on accounting records and reports from the auditors of subsidiaries or entities under the same decision-making center

The duties of the statutory auditor result in the preparation of the following:

- A certification report with or without reservations on the regularity and accuracy of the annual financial statements, or, if necessary, a justified refusal to certify
- A certification report on consolidated or combined accounts, if applicable
- A special report on regulated agreements
- A special report on the five highest compensation packages
- A special report on internal control procedures
- A special report in case of a potential threat to business continuity

**C. Termination of the Auditor's Duties:** There are several reasons for ending the duties of a statutory auditor, which can be divided into two types:

- **Ordinary reasons:** The auditor's term ends after the third annual general assembly following their appointment
- **Sudden or exceptional reasons:** Such as death, delisting, suspension, or any other circumstance, including company dissolution or bankruptcy, as stated in Article 76 of Law 10-01

**3.1.4. Liability of Statutory Auditors:** While performing their duties, statutory auditors may commit errors—intentionally or unintentionally—that lead to various liabilities, including: <sup>xvii</sup>

**A. Civil Liability:** To establish civil liability, legal conditions must be met, primarily the existence of a fault by the auditor. Although the Civil Code and the law governing the profession do not

define this fault, French legal scholars have attempted to do so, describing it as a deviation from standard professional behavior. Whether the fault is personal or committed by someone under the auditor's supervision, the auditor is civilly liable if the action causes harm and if the claimant proves a causal link between the act and the damage. However, the auditor may defend themselves by proving the absence of fault or showing that the damage was caused by factors beyond their control. Since there is no specific provision in the profession's law, lawsuits related to civil liability are brought before the ordinary courts.

**B. Ethical Liability:** <sup>xviii</sup> The auditor is ethically (disciplinarily) liable before the disciplinary committee of the National Accounting Council, even after resigning, for any breach or professional misconduct. Disciplinary sanctions—based on their severity and listed in ascending order—include: warning, reprimand, temporary suspension for up to six months, or removal from the register. The auditor retains the right to appeal any disciplinary sanction before the competent court, especially if they believe the penalty is disproportionate to the offense committed.

**C. Criminal Liability:** The statutory auditor may also face criminal liability for violations committed during or in connection with the performance of their duties. This may take two forms:

- **As a principal offender:** The auditor is liable for any crime committed during the exercise of their duties, including failure to meet legal requirements as specified in Article 715 bis 06 of the Commercial Code, or practicing the profession illegally. As a member of society, the auditor must comply with the law and is therefore subject to prosecution for any criminal offense, with general criminal law provisions applying.

### 3-2: The Nature of Creative Accounting

The concept of creative accounting has sparked much debate. On the one hand, researchers have discussed its causes, motives, and methods; on the other, they have examined its ethicality and the extent to which it aligns with or deviates from accounting principles and laws, as well as its effects and the ways to mitigate its impact.

**3-2-1: Definition of Creative Accounting:** The term *creative accounting* refers to the use of accounting knowledge to influence reported figures while remaining within the scope of accounting rules and laws. Instead of reflecting the actual performance or position of a company, it presents what the management wants stakeholders to see. <sup>xix</sup>

Numerous definitions have been provided for creative accounting, including:

- It is defined as the process of manipulating accounting figures by using measurement alternatives and treatment options in the preparation of financial statements and activity results, to present them in a manner that suits the desired portrayal—such as inflating or deflating profits, assets, or liabilities—to guide investors and other users of financial statements as the company management wishes. <sup>xx</sup> This is done by exploiting or ignoring some or all applicable laws. <sup>xxi</sup>

- Creative accounting is also considered the process of converting accounting values from their actual form into a desired one, so that the new values reflect a positive image of the company, without violating accounting principles and rules. <sup>xxii</sup> Accountants use their knowledge of accounting standards to manipulate the figures reported in the company's accounts. <sup>xxiii</sup>

Based on the above, the following definition can be concluded:

Creative accounting is a method of manipulating accounts to obscure the actual performance of companies, aiming to achieve benefits for the company. Practitioners of creative accounting often possess high-level professional accounting skills that enable them to alter and reshape values as they see fit.

**3-2-2: Types of Creative Accounting** <sup>xxiv</sup>: Creative accounting can be categorized into the

following types:

**A. Beneficial Creative Accounting:** This form adds significant informational value by conveying useful information about a company's current and future performance to intended users. It also enhances the informational content of accounting profits.

**B. Opportunistic Creative Accounting:** In this form, managers exploit the flexibility afforded by accounting standards—especially under the accrual basis of accounting—to choose among accounting alternatives in a way that allows them to control the level of reported profits across financial periods. Such practices result in misrepresented financial values that are misleading and undesirable regardless of the benefiting parties. These practices can mislead stakeholders such as tax authorities, lenders, and new investors, preventing them from understanding the true financial position of the company.

Creative accounting can also appear in two main forms:

- **Legal Appearance:** Where creative accounting is practiced by exploiting legal loopholes and permissible options in accounting standards. As a result, auditors approve the financial statements without objection.
- **Illegal Appearance:** Where creative accounting involves manipulating and distorting financial statement figures to present a better image than reality, often with collusion from auditors during the approval of financial statements.

### 3-2-3 : Characteristics and Techniques of Creative Accounting

**A. Characteristics of Creative Accounting :** <sup>xxv</sup> Creative accounting is characterized by several features, which also reflect the traits of the creative accountant:

- The accountant's ability to analyze and synthesize information.
- The accountant's imagination and intuition.
- The accountant's courage and self-confidence.
- Dependence on scientifically based instructions rather than ongoing directives from administrative centers.
- Self-criticism: A creative accountant develops through self-evaluation and refinement of ideas, information, and analytical tools.

**B. Techniques of Creative Accounting:** Creative accounting techniques are classified based on several criteria and include multiple categories, such as:

**According to François Bonnet (1995):**

- Income Statement and Accounting Principles: Internal and external uses, lease contracts, production valuation, inventory provisions.
- Income Statement and Accounting Policies: Related to changes in income.
- Income Statement and Managerial Decisions: Aimed at improving reported income.
- Balance Sheet Operations: Including capital, long-term debt, working capital needs, and treasury financing.

**According to Hervé Stolow:**

- Techniques affecting income determinants.
- Techniques affecting the presentation of the income statement.
- Techniques affecting the presentation of the balance sheet.
- These techniques also encompass developments in accounting related to communication, measurement, presentation, and disclosure in financial statements and reports, for which the International Accounting Standards Board has issued specific standards.

### 3-2-4 : Contributing Factors, Causes, and Motives of Creative Accounting



**A. Contributing Factors :** <sup>xxvi</sup>: Several factors have facilitated the emergence of creative accounting, including:

- **Freedom in Choosing Accounting Principles:** Accounting rules and policies sometimes allow entities to choose from various accounting methods when preparing their financial statements, enabling them to select methods that align with their goals and present management in the best light.
- **Freedom in Accounting Estimates:** Accounting estimates involve approximating certain figures in the absence of precise measurement tools. Preparing such entries requires a great deal of judgment and forecasting, which management can exploit to meet predetermined objectives.
- **Timing of Executing Real Transactions:** Controlling the timing of real transactions can create a desired impression in financial reports. Management may choose to delay or accelerate transactions to achieve specific goals.
- **Permissible Use of Different Accounting Methods:** Some accounting standards allow entities to choose among several accounting techniques and policies to present a preferred financial image.
- **Fictitious Accounting Entries:** These are used to manipulate balance sheet values and transfer profits across accounting periods, often through cooperation with third parties.
- **Real Accounting Entries:** Can also be employed to give a favorable impression of the accounts.

**B. Causes :** <sup>xxvii</sup>: Companies may use various creative accounting practices to achieve the following goals:

**- Inflating Profits:**

- To increase managers' share of profits.
- To attract another company to acquire the entity.

**- Reducing Profits:**

- To buy back company shares, especially if listed on a stock exchange.
- To evade taxes.

**- Strengthening the Company's Financial Position (artificially):**

- To facilitate access to bank loans.
- To attract new investors.
- To sell the company at a high value based on its apparent net worth.

**C. Motives for Using Creative Accounting :** <sup>xxviii</sup>

- **Tax Evasion:** One of the primary motives behind using creative accounting techniques is tax avoidance, often with the consent of major shareholders and cooperation of external auditors. This is done by understating profits and revenues while overstating expenses to reduce the tax burden.
- **Achieving Personal Gains:** Personal benefits are a key driver for management to engage in creative accounting practices, even at the expense of other stakeholders, and sometimes even the economy and society—as was evident during the 2008 global financial crisis.
- **Meeting Required Obligations:** Companies are bound by various legal, contractual, and competitive obligations necessary for survival and maintaining market share. Creative accounting may be used to meet these requirements when operational and investment conditions do not allow it.
- **Securing or Maintaining Financing:** When facing liquidity issues, companies may resort to creative accounting to enhance the appearance of their financial performance and position to meet the conditions imposed by financial institutions and reassure investors.
- **Positive Impact on Company Reputation in the Market:** Aiming to improve financial performance indicators and enhance the company's image in front of the board of directors.
- **Influencing Share Price in Financial Markets:** The goal is to maximize financial value and improve the market price of the company's shares.

### 3-2-5. Methods, Forms, and Techniques of Creative Accounting

**A. Methods of Creative Accounting:** Earnings management, income smoothing, and accounting for loss disposal in bad years are all considered methods of creative accounting practices. Their main objective is to present a false image of the institution's return or profitability. <sup>xxix</sup>

- **Earnings Management:** Earnings management refers to deliberate practices undertaken by management when preparing and presenting a company's financial reports. It exploits accounting flexibility and the discretionary authority granted to estimate certain elements of financial statements, aiming to influence the company's profits either upward or downward.

- **Income Smoothing:** This is an intentional adjustment of reported income to achieve a desired level or trend. It reflects management's desire to minimize unusual income fluctuations to the extent allowed by accepted accounting principles and management practices. It is a method of creative accounting and a form of income management whose goal is to enhance the overall image of income. It involves removing volatility in natural income sources by lowering income in high-income years and shifting it to poor-income years to maintain a stable profit margin across years. This creates the impression to users of financial statements that management is capable of maintaining income levels regardless of external circumstances.

- **Accounting for Loss Disposal in a Bad Year:** This is a relatively recent practice in accounting thought. It involves reducing profits during certain periods but exaggerating losses. The strategy of disposing of losses during a bad year is a distortion of the income statement to present poor results in a worse light. This technique is used during downturns, and by exaggerating losses, the institution can create profits in the following year.

**B. Forms of Creative Accounting:** Creative accounting takes several forms, including: <sup>xxx</sup>

- **Aggressive Accounting:** This involves a persistent application of specific accounting methods to achieve desired goals such as high profits, regardless of whether the practices align with generally accepted accounting principles.

- **Earnings Management:** This refers to manipulating income to reach a pre-set target by management or a forecast made by a financial analyst.

- **Financial Fraudulent Reporting:** This involves deliberately presenting incorrect data or omitting certain values to mislead data users. It is illegal.

- **Creative Accounting Practices:** These practices deviate from standard accounting methods to generate unreal profits through innovative and sometimes complex methods that manipulate expense and revenue figures.

**C. Techniques Used in Creative Accounting:** Creative accounting practices in financial statements are diverse and complex, making them hard to detect. Practitioners often possess a high level of skill and professional experience in accounting. The following are some common practices: <sup>xxxi</sup>

- **Techniques Used in the Income Statement:** Key methods and techniques used for manipulation within creative accounting include:

- **Premature Revenue Recognition While Sales Are Still Uncertain:** According to standard practices, revenue should be recognized only after a completed exchange of value. In this method, income from a sale is recognized in the books before the transaction is finalized.

- **Recording Fictitious Revenue:** This method involves recognizing non-existent or fake revenue.

- **Boosting Revenue Through One-Time Gains:** Management inflates revenues during a specific financial period using one-time gains. This type of manipulation can be executed through several methods and is common for portraying a positive company image despite poor performance. These gains are often presented as non-operational or insignificant activities.

- **Failure to Record or Inappropriately Reduce Liabilities:** Some company managers selectively disclose changes in liabilities, particularly those linked to legal matters or purchase commitments, for strategic reasons.

- **Shifting Current Revenues to a Future Period:** This technique aims to reduce current profits and shift them to a later period when the company may face financial strain. It is commonly used when current-year performance is strong, so profits are deferred to future potentially weaker periods.
- **Advancing Future Expenses to the Current Period:** Used during difficult times, this approach anticipates future expenses and records them in the current period, hoping that the company's situation will improve.
- **Techniques Used in the Balance Sheet (Statement of Financial Position):** The balance sheet is essential for providing users with information about an entity's assets and liabilities. However, creative accounting techniques can be applied to manipulate this statement and all its items.<sup>xxxii</sup> The following are examples:
  - **Cash:** Manipulation involves not disclosing restricted cash and tampering with exchange rates used to translate foreign currency cash balances.
  - **Receivables:** This includes failing to disclose doubtful debts to reduce the allowance for doubtful accounts, and deliberately misclassifying long-term receivables as current assets to improve liquidity ratios.
  - **Inventory:** Manipulations are common in the income statement through practices like including obsolete inventory in reports, manipulating valuation methods, or unjustified changes in inventory valuation techniques.
  - **Marketable Securities:** Manipulation involves altering market prices used for valuing investment portfolios and unjustified reductions in allowance for investment devaluation.
  - **Contingent Assets:** This occurs when anticipated gains—such as expected compensation from a lawsuit—are recorded before they are legally confirmed.
  - **Current Liabilities:** Manipulation includes failing to classify the current portion of long-term loans as current liabilities, thus improving liquidity ratios.
  - **Long-Term Liabilities:** This includes obtaining long-term loans before publishing the balance sheet to pay off short-term loans and improve liquidity ratios.
  - **Shareholders' Equity:** Manipulation here involves adding prior year profits to the current year's net income instead of treating them as retained earnings from previous years.

**Techniques Used in the Cash Flow Statement:** These include:

- **Reclassifying Operating Expenses as Investing or Financing Expenses (and vice versa):** These reclassifications do not affect final values but misrepresent the source of cash flows.
- **Capital Development Costs as Investment Outflows:** By recording capital development expenditures as investing outflows, firms boost operating cash flow figures.
- **Manipulating Operating Cash Flows to Partially Avoid Taxes:** Adjustments may include reducing gains from asset sales or equity interests, and reclassifying proceeds from incomplete operations as investing activities. During cash flow calculations, gains or losses from incomplete or discontinued operations are removed from net income.
- **Manipulating Income from Continuing Operations:** This is done by removing non-recurring items and misclassifying owned shares (e.g., as current or non-current investments based on holding duration rather than trading purpose).
- **Techniques Used in the Statement of Changes in Equity:** This statement links the income statement and the balance sheet by tracking changes in equity from the beginning to the end of the financial period, using accrual basis. All equity components are vulnerable to creative accounting through:
  - Fictitious changes in paid-up capital (increase or decrease),
  - Manipulating retained earnings and capital reserves,
  - Reassessing prior period errors or losses,
  - Revaluing balances of foreign currency holdings.

**3-3 Procedures Applied by Auditors to Detect and Limit Creative Accounting Practices:** There is no doubt that combating creative accounting practices is a difficult and complex task. Therefore, those concerned in this field must constantly strive to stay abreast of developments in creative accounting in order to detect such practices and subsequently attempt to mitigate them. The following is a presentation of the most important procedures applied by auditors to limit creative accounting practices, as follows:

**3-3-1: Procedures and Tests Applied by the Auditor to Limit the Effects of Creative Accounting on the Income Statement:** The management's aim in using creative accounting techniques on elements of the income statement (revenues and expenses) is to improve profit by presenting fictitious (unreal) earnings. This is achieved by inflating sales, reducing expenses, or both simultaneously, with the aim of improving financial ratios that rely on sales figures, their costs, and net income—such as profitability ratios and operational efficiency. The table below presents the most significant creative accounting procedures related to the income statement, their objectives, and the counter-procedures to be applied by the external auditor: <sup>xxxiii</sup>

**A. Turnover (Sales):**

- **Creative Accounting Procedures:** Executing fictitious sales transactions before the end of the financial period, which are then canceled in the subsequent period.
- **Objective:** To increase sales figures in the income statement by including fictitious sales. Indicators of such procedures include an unusual increase in sales volume compared to previous years.
- **Counter-Procedures:** Verifying sales invoices, especially for transactions executed with related parties.

**B. Cost of Goods Sold:**

- **Creative Accounting Procedures:** The company reclassifies inventory that was previously valued using a different method.
- **Objective:** To reduce the cost of goods sold in the income statement, thereby increasing profits.
- **Counter-Procedures:** Verifying that the sales transactions are real and not fictitious.

**C. Operating Expenses:**

- **Creative Accounting Procedures:** Capitalizing revenue expenses that do not meet capitalization criteria, such as maintenance costs.
- **Objective:** To reduce operating expenses in order to increase operating profits and thereby net income.
- **Counter-Procedures:** Verifying whether capitalization criteria are met for the said expense.

**D. Exceptional and Unusual Items:**

- **Creative Accounting Procedures:** Including profits from exceptional or unusual items in operating income without disclosing the nature of those items.
- **Objective:** To improve the company's profitability from operational activities using non-operational gains.
- **Counter-Procedures:** Excluding profits from such items from operating income.

**E. Results from Discontinued Operations:**

- **Objective:** Management seeks to maintain or increase current profit levels.
- **Counter-Procedures:** Estimating the impact of production line closure on operating results and factoring it into the analysis.

**3-3-2: Procedures and Tests Applied by the Auditor to Limit the Effects of Creative**

**Accounting on the Balance Sheet:** Management's goal in applying creative accounting practices to balance sheet elements is to improve the company's financial position by inflating asset values, reducing liabilities, or both, to enhance the presentation of derived ratios such as liquidity and profitability ratios. Based on this, the most important counter-procedures and tests applied by external auditors regarding creative accounting practices in the balance sheet include: <sup>xxxiv</sup>

**With Respect to Assets:**

**A. Long-Term Investments:**

- Verifying the accuracy of investment classification by the internal auditor and the financial impact on both the income statement and the balance sheet.
- Adjusting the profit figure by accounting for the parent company's share of losses in subsidiaries or branches.
- Eliminating intercompany transactions when preparing consolidated financial statements and disclosing their impact.
- Verifying whether the company disclosed profits from asset sales through shareholder equity.

**B. Fixed Assets:**

- Verifying adherence to the historical cost principle and ensuring accurate valuation performed by specialists.
- Excluding surplus value from the income statement and including it under shareholders' equity.
- Verifying that commonly accepted depreciation rates are applied and adjusting depreciation expenses accordingly.
- Verifying reasons for any changes in depreciation methods and their cumulative effect on financial statements.
- Ensuring the legitimacy and rationale behind asset reclassification and its impact on the income statement and balance sheet.
- Verifying the existence and ownership of assets through documents and contracts and assessing their impact on relevant ratios.

**C. Intangible Assets:**

- Verifying the soundness of valuation methods used for intangible assets and adjusting them to correct values if necessary.
- Ensuring recognition of intangible assets in accordance with international accounting standards and assessing their impact on the company's financial position.
- Verifying reasons for changes in amortization methods, the cumulative effect on financial statements, and the company's profitability.
- Reassessing the amortization rates used and comparing them with standard rates.
- Verifying whether profits from asset sales were disclosed through shareholders' equity.

**D. Marketable Securities :**

- Verifying the correctness of market prices used to value the investment portfolio.
- Verifying justifications for the classification of investment items per international accounting standards.
- Assessing the accuracy of management's estimates for provisions related to the decline in marketable securities' values.

**E. Accounts Receivable:**

- Verifying the accuracy of market prices used in valuing securities portfolios.
- Reviewing receivable statements and verifying the exclusion of receivables from

subsidiaries or affiliates from the parent company's receivables and disclosing them separately.

- Verifying proper classification of receivables in accordance with standard rules, distinguishing between short-term and long-term receivables.

#### **F. Inventory:**

- Reviewing inventory sheets and verifying the actual existence of listed inventory items.
- Ensuring no obsolete or stagnant inventory exists and disclosing it if found.
- Verifying the fairness of pricing used in inventory valuation in comparison to current market prices.
- Verifying the rationale behind any changes in the inventory valuation method, the internal auditor's opinion on the change, and its impact on financial statement data.

#### **G. Cash and Cash Equivalents:**

- Verifying exclusion of restricted cash when calculating liquidity ratios to reflect actual liquidity.
- Verifying the correctness of exchange rates used and correcting errors in the cash item resulting from foreign currency translation.

#### **With Respect to Liabilities:**

##### **A. Shareholders' Equity:**

- Verifying that gains from correcting prior years' errors are included in retained earnings.
- Adjusting profitability, dividend payout, and other equity-related financial ratios accordingly.
- Ensuring that decisions to increase or decrease capital comply with the company's bylaws and corporate law.
- Verifying the accuracy of reserve balances, proper application of the percentage used in their calculation, and their use for designated purposes.
- Recalculating the retained earnings balance to ensure it has not been manipulated.

##### **B. Long-Term Liabilities:**

- Verifying that management did not obtain long-term loans to repay short-term ones just before financial statements are issued in order to manipulate liquidity and leverage ratios.
- Ensuring the accuracy of liabilities reported on the balance sheet and their consistency with prior-year balances.
- Obtaining written confirmation from the lender regarding the outstanding debt amount as of the balance sheet date.

##### **C. Current Liabilities:**

- Studying the effect of failing to include current-year installments of long-term loans in current liabilities on financial statements and ratios.
- Reviewing loan contracts and verifying proper classification and impact on leverage and liquidity ratios.
- Analyzing the effect of deferring recognition of customer advance payments on leverage and other financial ratios.

##### **D. Contingent Assets and Liabilities:**

- Studying the effect of recognizing potential assets before their realization on related financial ratios and requesting proper treatment per accounting standards.
- Assessing the impact of non-disclosure of contingent liabilities on the company's financial performance.
- Verifying whether guarantees are disclosed as contingent liabilities.

## 4. Applied Framework

### 4.1. Methodology and Tools Used in the Study

This section clarifies the opinions of the study sample regarding the phenomenon under investigation, relying on the descriptive-analytical approach and statistical methods to process data, analyze, and interpret the obtained results.

#### 4.1.1. Study Method

**A. Study Population and Sample:** The study population consists of accounting professionals (auditors, chartered accountants, and certified public accountants) in the Algerian context who are relevant to the study's subject and able to respond to the questionnaire items. A random sample of professionals was selected, including auditors, chartered accountants, and certified accountants in the city of Ouargla. A total of 50 questionnaires were distributed to the sample, using both direct hand-delivery and electronic distribution methods. Out of these, 35 valid questionnaires were received and considered the final study sample.

**B. Sources of Information Collection:** Researchers typically use various sources to enrich the study and answer the research problem with precise and specialized information. These sources are categorized as follows:

- **Secondary Sources:** These are used in addressing the theoretical framework and include Arabic and foreign books and references, previous articles and studies related to the topic, and web resources.

- **Primary Sources:** For the analytical aspects of the study, the researcher collects primary data using a questionnaire specifically designed for this purpose and distributed to the study sample.

#### 4.1.2. Tools and Procedures of the Field Study

**A. Questionnaire Tool:** After selecting the questionnaire as the primary research tool, its design and validation process are presented, along with an explanation of its three axes and corresponding questions. The questionnaire form included thirty-seven (37) questions distributed as follows:

- **Part One:** Personal data of the study sample (gender, age, job title, experience, employing institution).

- **Part Two:** Core themes of the study on the extent of auditors' commitment to reducing creative accounting practices. This part is divided into three axes:

- **Axis 1:** Aims to identify factors influencing the auditor's commitment to due professional care in the Algerian environment. (10 items)

- **Axis 2:** Aims to assess auditors' awareness of their responsibilities toward creative accounting practices. (10 items)

- **Axis 3:** Aims to determine the extent to which auditors follow necessary procedures regarding creative accounting practices. (10 items)

**C. Data Entry and Processing:** To analyze and interpret the questionnaire results, data were compiled and tabulated using Microsoft Excel 2007, preparing the dataset for further statistical analysis.

#### 4.1.3. Validity of the Study Tool and Statistical Methods Used

**A. Statistical Software, Tools, and Techniques:** To answer the study questions and test the hypotheses, several statistical techniques were applied using SPSS v20. The procedures included:

- **Percentages:** Used to determine the proportion of respondents selecting each answer option.

- **Frequency Distributions:** To show how frequently each answer was selected.

- **Arithmetic Mean:** To assess the general tendency of responses for each questionnaire item.

- **Standard Deviation:** To measure the deviation of each response from the mean and understand the dispersion.

- **ANOVA Test:** Used to measure differences between groups.

**B. Reliability and Validity of the Questionnaire Tool:** To verify the reliability of the questionnaire, Cronbach's Alpha coefficient was calculated, which indicates the internal consistency and whether the same results would be obtained if the test were repeated. The following table presents the results:

C.

**Table 1.** Cronbach's Alpha Coefficient for the Study Sample

Number of Items	Cronbach's Alpha Coefficient
37	0.682

*Source: Prepared by the researcher based on SPSS output.*

The reliability test for the 37 questionnaire items yielded a Cronbach's Alpha coefficient of 68%, indicating acceptable consistency of responses and validity of the data in addressing the research problem.

#### 4-2: Presentation, Analysis, and Discussion of Study Results

The results obtained from the study are presented and analyzed based on the collected, summarized, and processed data to determine the sample's attitudes toward each study axis. After the statistical processing of the collected questionnaire data, the results of the study axes can be presented and analyzed as follows:

##### 4-2-1. Descriptive Statistical Analysis of the Study Sample's Opinions Toward the Study Axes

##### A. Analysis and Interpretation of Results Related to Respondents' Attitudes Toward the First Axis, "The Effect of Algerian Business Environment Factors on Auditors' Commitment to Due Professional Care."

Table 2 below shows the results related to the first axis of the questionnaire, concerning the influence of Algerian business environment factors on auditors' commitment to due professional care.

No.	Statement	Arithmetic Mean	Standard Deviation	Attitude	Rank
01	The auditor receives high-level training that contributes to acquiring the professional competence required to perform their duties.	2.71	0.387	Agree	5
02	The auditor adheres to professional confidentiality in dealing with the institution's documents and records.	2.89	0.104	Agree	2
03	The auditor seeks to meet clients' needs, which requires understanding and considering their concerns and objectives.	2.60	0.424	Agree	6
04	The auditor reviews the institution's annual reports to assess the effectiveness of its administrative system.	2.74	0.314	Agree	4
05	The auditor's behavior is influenced by labor law texts and their recent amendments.	2.26	0.667	Neutral	7
06	The auditor's behavioral and ethical attitudes are influenced by economic conditions in their operating environment.	2.03	0.793	Neutral	8
07	The auditor's living standards and social environment conditions lead to directing their professional behavior.	1.71	0.857	Neutral	10



08	The auditor's behavior and attitudes are influenced by customs, traditions, and beliefs.	2.00	0.882	Neutral	9
09	Legislation plays a major role in directing the auditor's behavior by clarifying what is right and wrong in performing their duties.	2.77	0.240	Agree	3
10	The auditor exercises the necessary professional care according to Algerian auditing standards to detect manipulations in financial statements.	2.91	0.139	Agree	1
<b>Overall Arithmetic Mean and Standard Deviation</b>		<b>2.4629</b>	<b>0.27662</b>	<b>Agree</b>	

*Source: Prepared by the researcher based on SPSS output.*

By reviewing the above table, we notice that the overall arithmetic mean for the statements of the first axis, which reached 2.4629, indicates that the sample's attitude is positive (agree). This is also reflected by the standard deviation of 0.27662.

#### **B. Analysis and Interpretation of Results Related to Respondents' Attitudes Toward the Second Axis, "The Responsibilities of Auditors Regarding Creative Accounting Practices."**

Table 3 below shows the results obtained concerning the questions of the second axis of the questionnaire, related to the impact of auditors' responsibilities on creative accounting practices.

No.	Statement	Arithmetic Mean	Standard Deviation	Attitude	Rank
01	The auditor attaches great importance to detecting manipulation in financial statements through procedures on financial reports.	2.7714	0.358	Agree	5
02	The auditor always adheres to applying professional skepticism during the performance of their task to ensure no fraud occurs.	2.5714	0.429	Agree	8
03	Failure to detect fraud and misrepresentation in financial statements reinforces the assumption of lack of due professional care.	2.0286	0.617	Neutral	10
04	Legal accountability is taken into consideration in case of failure to detect misrepresentation in financial statements.	2.3714	0.652	Agree	9
05	The auditor's commitment to civil responsibility enhances their chance of detecting misrepresentation and fraud in financial statements.	2.8571	0.185	Agree	3
06	The auditor attaches great importance to detecting material distortions resulting from management manipulation of financial statements.	2.9143	0.139	Agree	1

07	The auditor verifies the extent to which the company applies accounting rules and principles according to the financial accounting system.	2.8857	0.163	Agree	2
08	The auditor commits to their responsibility to verify compliance with laws, regulations, contracts, and others.	2.7714	0.299	Agree	5
09	The auditor's technical responsibility requires following effective procedures to detect distortions and manipulation in financial statements.	2.6857	0.398	Agree	7
10	Responsibility requires the auditor to consult experienced auditors when needed.	2.8286	0.164	Agree	4
<b>Overall Arithmetic Mean and Standard Deviation</b>		<b>2.6686</b>	<b>0.21797</b>	<b>Agree</b>	

*Source: Prepared by the researcher based on SPSS output.*

By reviewing Table 3, we observe that the overall arithmetic mean for the second axis statements, which reached 2.6686, indicates a positive attitude of the sample, as confirmed by the standard deviation of 0.21797.

### **C. Analysis and Interpretation of Results Related to Respondents' Attitudes Toward the Third Axis: "The Extent to Which Auditors Follow Necessary Procedures Regarding Creative Accounting Practices"**

Table 4 below presents the results obtained for the questions of the third axis of the questionnaire, related to the extent to which auditors follow the necessary procedures regarding creative accounting practices.

No.	Statement	Arithmetic Mean	Standard Deviation	Attitude	Rank
01	Verification is done to exclude intercompany transactions between the company and its branches and to reflect their effects on the financial statements.	2.4571	0.491	Agree	7
02	The inventory books and records are examined, and the actual existence of company assets is verified.	2.8286	0.205	Agree	2
03	Verification is conducted on the accuracy of market prices used to evaluate financial elements and items of assets and liabilities.	2.4571	0.491	Agree	7
04	Verification is done to exclude restricted liquidity to verify the actual liquidity available to the company.	2.4857	0.551	Agree	5
05	Verification is performed on the accuracy of liability amounts included in the balance sheet, based on relevant data and evidence.	2.8571	0.126	Agree	1
06	Verification is done to ensure that decisions regarding increasing or decreasing the company's capital were made according to the company's internal regulations.	2.4286	0.782	Agree	9

07	Verification is done to ensure that sales invoices are genuine and not fictitious for transactions conducted with related parties.	2.7143	0.387	Agree	3
08	The auditor verifies the management's justification for changing the inventory valuation method and its effect on financial data.	2.6000	0.424	Agree	4
09	Verification is done regarding the absence of capitalization conditions in revenue expenses.	2.4857	0.492	Agree	5
10	Verification is done to exclude profits from extraordinary and unusual items from the company's operating profit.	2.3143	0.634	Neutral	11
11	Estimation of the impact resulting from non-disclosure on changes in the production strategy on business results.	2.3714	0.652	Agree	10
<b>Overall Arithmetic Mean and Standard Deviation</b>		<b>2.5629</b>	<b>0.30008</b>	<b>Agree</b>	

*Source: Prepared by the researcher based on SPSS output.*

By reviewing Table 4, we notice that the overall arithmetic mean for the statements of the third axis, which reached 2.5629, indicates a positive attitude of the sample (Agree). This is supported by the standard deviation of 0.30008.

**4-2-2 Testing the Study Hypotheses:** To confirm or reject the hypotheses related to the study, and for simplification, the main hypotheses were divided into partial hypotheses. To test them, the ANOVA test (Analysis of Variance) was used for the three axes of the questionnaire answers, related to the variables of job position, experience, and age.

**A- Test of the First Hypothesis:** It states that "There is an effect of the Algerian business environment factors on auditors' commitment to the necessary professional care." Based on this, the following two sub-hypotheses can be formulated:

**Null hypothesis H0:** There are no statistically significant differences regarding the effect of the Algerian business environment factors on auditors' commitment to the necessary professional care.

**Alternative hypothesis H1:** There are statistically significant differences regarding the effect of the Algerian business environment factors on auditors' commitment to the necessary professional care. The results of the ANOVA test are shown in the following table:

**Table No. (05):** Results of the ANOVA test for the first hypothesis

Variable	Calculated Value	Degrees of Freedom	P-value
Position	0.127	34	0.882
Experience	0.795	34	0.460
Age	0.427	34	0.656

*Source: Prepared by the researcher based on SPSS outputs.*

From Table No. (05) above, it is clear that there are no statistically significant differences regarding the effect of the Algerian business environment factors on auditors' commitment to the necessary professional care attributed to personal variables represented by position, experience, and age. The calculated F-values were for position (0.127), experience (0.795), and age (0.427), which are less than their corresponding p-values: position (0.882), experience (0.460), and age (0.656), all greater than the significance level adopted in the study (0.05), thus statistically insignificant. Accordingly, the null hypothesis is accepted and the alternative

hypothesis is rejected, meaning there are no statistically significant differences between accountants' opinions about the effect of Algerian business environment factors on auditors' commitment to the necessary professional care. On the other hand, the overall mean (2.4629) is higher than the hypothetical mean (2.34), which confirms the effect of Algerian business environment factors on auditors' commitment to the necessary professional care.

**B- Test of the Second Hypothesis:** It states that "Auditors have awareness and thorough understanding of the importance of their responsibility towards creative accounting practices." Based on this, the following two sub-hypotheses can be formulated:

**Null hypothesis H0:** There are no statistically significant differences regarding auditors' awareness and thorough understanding of the importance of their responsibility towards creative accounting practices.

**Alternative hypothesis H1:** There are statistically significant differences regarding auditors' awareness and thorough understanding of the importance of their responsibility towards creative accounting practices. The results of the ANOVA test are shown in the following table:

**Table No. (06):** Results of the ANOVA test for the second hypothesis

Variable	Calculated Value	Degrees of Freedom	P-value
Position	1.878	34	0.169
Experience	0.75	34	0.928
Age	0.547	34	0.584

*Source: Prepared by the researcher based on SPSS v20 outputs.*

From Table No. (06) above, it is clear that there are no statistically significant differences regarding auditors' awareness and thorough understanding of the importance of their responsibility towards creative accounting practices attributed to the personal variables represented by position, experience, and age. The calculated F-values were for position (1.878), experience (0.75), and age (0.547), all less than their corresponding p-values: position (0.169), experience (0.928), and age (0.584), all greater than the significance level adopted in the study (0.05), thus statistically insignificant. Accordingly, the null hypothesis is accepted and the alternative hypothesis is rejected, meaning there are no statistically significant differences regarding accountants' opinions about auditors' awareness and thorough understanding of the importance of their responsibility towards creative accounting practices. On the other hand, the overall mean (2.6686) is higher than the hypothetical mean (2.34), which confirms the importance of auditors' awareness and thorough understanding of their responsibility towards creative accounting practices and performing their tasks completely.

**C- Test of the Third Hypothesis:** It states that "Auditors commit to following the necessary procedures to detect creative accounting practices." Based on this, the following two sub-hypotheses can be formulated:

**Null hypothesis H0:** There are no statistically significant differences regarding auditors' commitment to following the necessary procedures to detect creative accounting practices.

**Alternative hypothesis H1:** There are statistically significant differences regarding auditors' commitment to following the necessary procedures to detect creative accounting practices. The results of the ANOVA test are shown in the following table:

**Table No. (07):** Results of the ANOVA test for the third hypothesis

Variable	Calculated Value	Degrees of Freedom	P-value
Position	2.603	34	0.090
Experience	0.023	34	0.978
Age	2.253	34	0.121

*Source: Prepared by the researcher based on SPSS outputs*

From Table No. (07) above, it is clear that there are no statistically significant differences regarding auditors' commitment to following the necessary procedures to detect creative accounting practices attributed to personal variables represented by position, experience, and age. The calculated F-values were for position (2.603), experience (0.023), and age (2.253), all less than their corresponding p-values: position (0.090), experience (0.978), and age (0.121), all greater than the significance level adopted in the study (0.05), thus statistically insignificant. Accordingly, the null hypothesis is accepted and the alternative hypothesis is rejected, meaning there are no statistically significant differences between accountants' opinions regarding auditors' commitment to following the necessary procedures to detect creative accounting practices. On the other hand, the overall mean (2.5629) is higher than the hypothetical mean (2.34), which confirms auditors' commitment to following the necessary procedures to detect creative accounting practices.

**4-2-3- Discussion of Results:** After conducting analysis, interpretation, and testing of the study hypotheses, a set of results were derived, which can be discussed as follows:

**A- Regarding the effect of Algerian business environment factors on auditors' commitment to the necessary professional care, the results proved that there is an effect of Algerian business environment factors on auditors' commitment to professional care.** This agrees with the result reached by the study of (Ahmed Dahdouh, 2006). Accordingly, maintaining knowledge and professional skills at the required level ensures that clients or employers receive professional services of high competence. On the other hand, it contradicts the result reached by the study of (Rasha Hamada, 2010), which confirmed the absence of the effect of Algerian business environment factors on auditors' commitment to the necessary professional care.

**B- Regarding auditors' awareness and thorough understanding of the importance of their responsibility towards creative accounting practices,** the results proved that there is somewhat awareness and thorough understanding of auditors' responsibilities towards creative accounting practices. This agrees with the results reached by the studies of (Marwan Ibrahim Al-Fadhli, Mustafa Fathi Hamouda, 2017) and (2012 Stephanie D, Moussalli, O. Rould Cray, and Gokhan). Accordingly, the auditor's work is a special task aimed at giving a neutral technical opinion on the fairness of the financial statements, as their work is considered a message to the users of the financial statements, from which responsibilities arise from every action they take.

**C- Regarding the reality of auditors' commitment to following the necessary procedures to detect creative accounting practices, the results proved that there is some commitment by auditors to the necessary procedures to detect creative accounting practices.** This agrees with what was concluded by the studies of (Maysa Mohamed Saad Abu Tamam, 2013) and (Amit kr Nag, 2015). Accordingly, the procedures followed by the auditor significantly contribute to limiting creative accounting practices.

## 5- Conclusion:

This study sought to identify the extent of auditors' commitment to their responsibility in limiting creative accounting practices within the context of audit operations conducted by auditors, which consist of examining the financial statements prepared by the management of the institution and expressing their professional opinion on their compliance with generally accepted accounting

principles and their reflection of the institution's financial position. After addressing the field study methodology, the study's results were analyzed and discussed to understand the opinions of the study sample members regarding the reality of creative accounting practices in financial reports and contributing to limiting these practices. From the foregoing, several conclusions were drawn, including:

The main tasks and procedures of auditors lie in examining and reviewing the accounts and preparing a report that includes their professional opinion with full integrity and objectivity, made available to the users of the financial statements; however, during the data review process, they face problems and obstacles that affect their performance and professional responsibility. Moreover, auditors have an important responsibility and role in verifying and detecting creative accounting practices

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