



## The Role of the Tax Auditor in Detecting Tax Manipulations Resulting from Creative Accounting an Applied Study on a Sample of Tax Auditors in Iraq

Mohamed Nasr Hussein Al-Jayed

Al-Furat Al-Awsat Technical University

**Corresponding Author:** Mohamed Nasr Hussein Al-Jayed,  
[mohammed.huseen.mis@atu.edu.iq](mailto:mohammed.huseen.mis@atu.edu.iq)

---

### ARTICLE INFO

*Keywords:* Tax Auditor, Creative Accounting, Tax Audit Ethics

*Received :* 1 January

*Revised :* 15 February

*Accepted :* 25 March

©2025 Al-Jayed: This is an open-access article distributed under the terms of the [Creative Commons Attribution 4.0 International](https://creativecommons.org/licenses/by/4.0/)



### ABSTRACT

The research seeks to uncover creative accounting techniques by leveraging the expertise of tax auditors and to detect deceptive financial statements, including earnings management practices. This research aims to assess the influence of independence, integrity, auditor experience, and audit fees on the capacity to detect creative accounting practices both individually and collectively. The research community comprises auditors from the General Directorate of Taxes in Baghdad, Babylon, and Karbala, Iraq. This study employed a field survey to gather data through electronically distributed questionnaires developed using Google Forms. Primary data were gathered from 46 participants. The sample was identified using the purposive sampling method. A approach for conducting a multiple linear regression analysis was developed. The researcher analyzed the collected data utilizing the SPSS software. The research findings indicate that independence, honesty, auditor experience, and audit fees partially affect the ability to identify creative accounting methods. The elements of independence, integrity, auditor expertise, and audit fees collectively affect the ability to identify creative accounting methods

---

## **INTRODUCTION**

Most countries seek several effective economic policies to achieve economic balance to raise the level of progress and development while avoiding risks and financial crises and obtaining effective policies to provide their financial needs to finance their treasuries. It depends on several sources to get the money it needs. It considers taxpayer taxes one of its most important sources of income. Taxpayers must contribute, but some try to avoid it by reduce their income taxable income. Among these concerns, creative accounting practices emerge as a formidable adversary, jeopardizing "the transparency and integrity of financial reporting. Creative accounting, characterized by the intentional alteration of financial statements within the boundaries of legal and accounting regulations aims to present a distorted although ostensibly lawful representation of a company's financial condition. This manipulation not only deceives investors but also erodes confidence in financial markets". Ogun& Atagboro, 2020 asserts that creative accounting methods distort true financial information by manipulating organizations financial results. It also hinders stakeholders' ability to make accurate decisions. (Liu and Zhou, 2020) "Emphasized that auditors' ethical convictions, moral development, and professional commitment are more successful in detecting creative accounting practices. Enhancing auditors' ethical and moral standards can elevate the quality of financial reporting". Bhasin (2016) "conducted a poll on innovative accounting procedures, revealing that 52.95% of the 85 respondents (45 individuals) believed these practices significantly impacted financial reports, while 28.23% (24 individuals) considered them very illegal. The findings of Bhasin's survey are consistent with those of Widyasari et al. (2021), who found that creative accounting procedures lead to an increase in fraud in financial reports and a subsequent decline in their dependability. In this context, tax audits serve as an essential mechanism for maintaining financial integrity, functioning as a safeguard against any distortions resulting from creative accounting(Alastal.et al ,2023)( Mahdi.et al,2022)". "These studies collectively emphasize the importance of tax audits in managing the intricate landscape of financial reporting. Tax auditors help ensure that the financial information presented to investors, regulators, and the general public accurately reflects a company's true financial condition, thereby upholding the principles of financial integrity and transparency".

This research aims to assess the efficacy of tax audits in uncovering and mitigating the repercussions of creative accounting practices, thereby enhancing the integrity of financial reporting and the broader financial system. This study explore how Iraqi auditors respond to alterations in financial statements resulting from creative accounting, drawing on insights from existing research regarding tax auditors' reactions to similar practices. We conducted an experimental study focused on understanding how tax auditors perceive the phenomenon of creative accounting in the companies involved in our research. Limited research in Iraqi accounting has examined various forms of real-world evidence that illustrate the behavior of Iraqi tax auditors as they investigate deceptive accounting practices. This study contributes to the existing research in accounting by examining the research hypotheses regarding auditors'

perceptions of users' interests and the prevalence of creative accounting practices.

### **Problem Statement**

The world has observed numerous financial scandals in the past decade, with auditors frequently culpable for misrepresenting facts or concealing the true financial situation from the public. This necessitates the definition, clarification, and justification of an auditor's participation in the manipulation of financial accounts, together with the provision of effective remedies to mitigate it.

### **LITERATURE REVIEW**

An analytical framework for analyzing power relationships and systemic inequalities in a variety of institutions, including the tax system, is provided by critical theory. With roots in the Frankfurt School, this theory emphasizes how social structures influence compliance practices and the application of regulations. (Dahms, 2017). Tax audits, influenced by inequalities in resource availability, information, and political influence, play a crucial role in ensuring taxpayer compliance and audit efficacy (Fuchs & Lederer 2020) Corruption is a moral and social issue, but critical theory has applied to accounting and auditing. Transparency and accountability can mitigate corruption and build trust in audit processes. Reconstitution of audit practices can improve social equity and tax compliance

#### **Creative Accounting**

"The literature identifies creative accounting through various terminologies; alongside the prevalent term "earnings management," favored particularly in the United States, it is also characterized as enhancing the appearance of the business."

(Khatri, 2015; Akabom, 2017) "financial engineering, income smoothing, fraudulent accounting" (Škoda, & Gabrhelová, 2017) Khaneja and Bhargava (2016) "conducted a literature review on creative accounting to elucidate the motives and instruments of creative accounting, examine perceptions of creative accounting, differentiate between creative accounting and fraud to resolve existing ambiguities, present the effects of creative accounting on financial statements, and discuss the roles of auditors and accountants in this context. Reasons identified in the literature for employing creative accounting include: enhancing investor perception, augmenting share value, reducing costs to evade elevated taxes, fulfilling market expectations, attaining sales and profitability objectives, and stabilizing financial results. The perspectives articulated in the literature by "Khaneja and Bhargava (2016) are solely negative; creative accounting is depicted as manipulating data within the parameters of accounting standards while diverging from their intended purpose to portray the organization in the most advantageous light.

According to (Alzeban, A. 2020) "Accepted accounting techniques known as "creative accounting" enable businesses to display financial results that might not fairly represent the nature of their operations. In the same context" (Ovharhe, 2024) has been defined creative accounting as the intentional manipulation of communication between entities and shareholders by financial statement preparers seeking to alter the information conveyed. Thus, Creative accounting

does not contravene legal statutes or accounting norms. "It mostly relies on identifying loopholes in accounting regulations that allow professional accountants to modify corporations' financial income. Unlike outright fraud or other illegal activities, creative accounting functions within the boundaries of legality and is not inherently in violation of the law. However, it contravenes the intent of the law. A similar debate exists regarding the concepts of tax avoidance and tax evasion. The practice of creative accounting navigates the domains where standards permit alternative treatments and the application of judgment. Due to the complex nature of both the capital markets and company financial management, several unethical accounting practices have flourished". (Popescu & Nisulescu, 2013) The recent scandals within financial institutions have prompted numerous individuals to contend that the practice of creative accounting is associated with poor governance (Spellman, 2012).

There is a growing body of evidence suggesting that creative accounting is not only present but is also on the rise (Yaday, 2014). The potential for misleading users of accounting information presents a significant concern that warrants careful examination. For instance, the practices in creative accounting can lead to economic decisions that are influenced by misleading information, which may cause an inefficient distribution of limited resources, affecting not only specific investments but also broader national and international contexts. The pervasiveness of this wasteful use of financial resources may eventually impede economic expansion and general economic progress. (Esra, et al.2020).

#### **The Capabilities of the Tax Auditor to Detect Manipulation Resulting from CA.**

Tax auditing is considered a recent development when compared to practical auditing. This type of auditing emerged with the increasing importance of taxation as a primary source of state income, due to the large volume of operations carried out by the institution. This requires ensuring the integrity and accuracy of the declared figures to protect the state Treasury's tax resources (Hadeel & Hoda, 2022) A tax audit is an evaluation of a taxpayer's returns by tax authorities to confirm the precision of the information regarding income and deductions recorded in their financial statements and submissions to the tax office. A tax audit is often conducted by tax officers inside their designated tax jurisdiction. A dedicated division is established inside the tax authority to execute tax audit responsibilities (Olympio Attipoe, 2023).

"The auditors' report bolsters the credibility of financial information; thus, it is essential that they specify in their audit report if the respective firms have provided accurate and fair representations. Auditors must remain vigilant and execute suitable audit procedures to detect any instances of accounting fraud. Auditors must rigorously examine the accounts to confirm that the financial records accurately reflect the firm's actual status. To prevent the possibility of innovative strategies descending into fraud, the auditor must proactively detect accounting manipulations. Auditors must swiftly recognize any dubious transactions and incorporate them into the audit report. An auditor must have extensive knowledge of current laws and regulations and should continually stay educated.

"(Khaneja.et al.2017) on the other side, "Users of financial statements generally become aware of fraud through media, analysts, and the SEC, rather than from auditors, who are anticipated to be the principal fraud detectors. As a result, the question often arises among investors and other stakeholders, "Where was the auditor?" when they incur significant losses. When an auditor is involved in any type of fraud, their response is consistently, "Everything complied with GAAP." Some auditors agree to pay fines while concurrently denying any admission of wrongdoing. Section 404 of the Sarbanes-Oxley Act mandates that an auditor assess a client's antifraud programs and internal controls regarding financial reporting, and render an opinion on management's assessment of internal control. They must also devise a strategy for the audit to ensure reasonable assurance that the financial statements are free from significant fraud.

This ethical concern is obvious in numerous historical instances where auditors have not: (1) applied professional skepticism towards atypical or linked party transactions; or (2) acquired adequate, competent evidence to substantiate their assessment of the financial statements. Unethical conduct by corporations and auditors can yield only transient success. Ultimately, if they persist in such tactics, the firm's success will be jeopardized (Khaneja.et al.2017). Auditors must possess appropriate qualifications and be knowledgeable about accounting standards and corporate processes, while also adhering closely to ethical guidelines. The auditor is granted solely the authority to verify and detect accounts; all identified instances of creative accounting remain legitimate. Auditors typically refrain from disclosing manipulations identified in a client's financial records due to concerns about jeopardizing their audit fee and facing blame in the event of the firm's failure. Nonetheless, it must be acknowledged that if auditors neglect to provide the company's true figures, it can adversely affect the auditors' reputation, the firm's goodwill, the country's image, and the audit profession as a whole. Today, auditors must demonstrate vigilance, oversight, and prompt guidance.

Various ethical principles must be adhered to in the practice of any profession, regardless of its form or type. When several practitioners within a specific field neglect its ethical standards, that profession diminishes in significance and utility to society at large. Auditing is an essential profession for numerous societies. The audit profession provides various services, including assurance, attestation, assessment of historical financial statements, and additional attestation services. (Arens, 2010). Auditors enhance user trust in financial statements by verifying that the information complies with GAAP and maintains a requisite degree of objectivity and accuracy. The auditors' professional ethics code outlines general principles of outstanding behavior and

particular, enforceable conduct requirements. This code comprises four components: (1) Principles, (2) Rules of Conduct, (3) Interpretations of the Rules of Conduct, and (4) Ethical Rulings. The principles underlying the code of professional conduct for the auditing profession represent ideal ethical norms articulated in philosophical terms. The following principles are unenforceable" (Chan& Song, 2021):

1. Responsibilities . Auditors must apply discerning professional and ethical judgment in the execution of their duties.
2. Public interest. Auditors must conduct their work in a manner that serves and honors the public interest while demonstrating a dedication to the profession.
3. Integrity. Auditors must execute all professional duties with the utmost integrity.
4. Due care. Auditors must adhere to the profession's technical and ethical standards while endeavoring to enhance their abilities and the quality of their services.
5. Scope and characteristics of services. Practicing auditors must adhere to the principles of the code of professional conduct while defining the scope and type of the services they are obligated to deliver.

Based on Agency theory posits that an agency relationship is a contractual arrangement in which one or more individuals (principals) engage another person (agent) to perform specific tasks on their behalf, hence transferring certain decision-making authority to the agent. The principle evaluates the performance of management (agent) based on financial outcomes presented in financial reports, stemming from management's apprehension of revealing information perceived as harmful to their interests . According to (Al Momani,2013)(siti,et al,2023) the dimensions of Tax auditor to detect accounting manipulation as following:Independence: refers to the mindset and conduct in executing an audit that remains impartial and uninfluenced by other parties. Auditors must maintain objectivity and avoid conflicts of interest while fulfilling their professional duties (State Financial Audit Standards, 2017).

1. Integrity: "involves upholding and enhancing public trust, necessitating that members fulfill all professional obligations with utmost integrity. Integrity is a quality derived from public trust and represents the paramount value for professionals in evaluating all actions".( Public Accountant Professional Code of Ethics, Session 100, 2011)
2. Experience: "is a learning process that enhances an individual's capacity to engage in formal or informal education, consequently elevating their behavioral patterns" (Sari, 2014). Seasoned auditors can identify solutions to challenges encountered due to their expertise, competencies, and skills acquired from prior instances.
3. Audit fees: "are remuneration earned by public accountants for performing audit services, constituting compensation or salaries" (Mulyadi, 2016). Agoes (2012) stated that audit fees constitute a kind of compensation that auditors receive from clients, and the amount of these fees may fluctuate

based on the assignment's risk, the complexity of the services rendered, and the requisite level of skill to perform these services.

### Conceptual Framework and Hypothesis

#### The model of Research

This research seeks to evaluate and assess the impact of the tax auditor on the capacity to identify innovative accounting methods both partially and concurrently

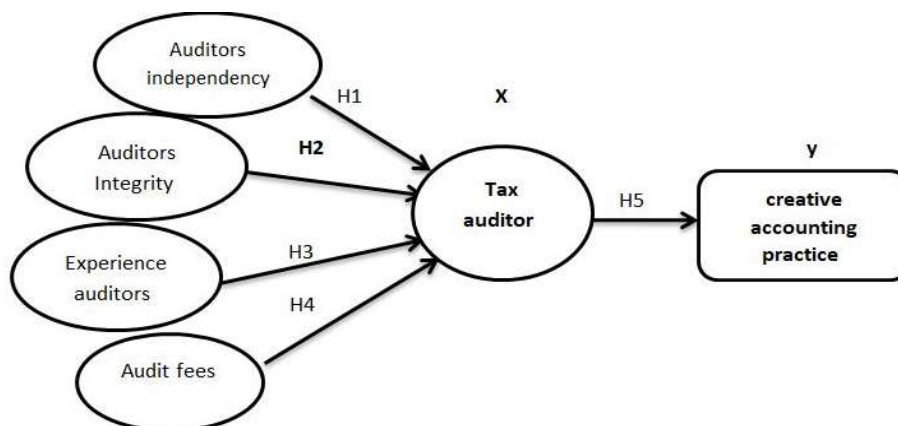


Figure 1. The Model of Study

#### Research Hypothesis

- H1: There is a significant effect of auditor independence in detecting CA practices.
- H2: There is a significant effect of auditor integrity in detecting CA practices.
- H3: There is a significant effect of auditor experience in discovering CA practices.
- H4: There is a significant effect of audit fees in discovering CA practices
- H5: there is a significant effect of tax auditor in detecting CA practices

#### METHODOLOGY

##### Population and Sample of the Study

The research population consists of tax auditors working in branches (Baghdad, Babylon and Karbala) especially those who work in financial auditing of taxable organizations. We have chosen this category because of their exceptional knowledge of accounting tasks and their ability to identify potential financial irregularities. There is a scarcity of research on the impact of tax auditors on identifying new accounting techniques. The study sample consisted of 46 individuals.

##### Data Collection Methods

To complete the requirements of the current research, the researcher prepared a questionnaire consisting of three parts. The first part addressed the demographic characteristics of the sample, the second part included questions about the independent variable (tax auditor), and the third part included questions about the dependent variable (creative accounting practices). We designed the questionnaire using a Google form and distributed it via an

electronic link to three tax branches in the governorates of Baghdad, Babylon and Karbala. The link to the electronic questionnaire was distributed via email, in addition to various social media platforms (WhatsApp, LinkedIn, Facebook and Instagram). The period took 10 days, and the sample targeted tax auditors in those departments, as there were 46 responses.

### Data Analysis Methods

The present study examined the data to fulfill the objectives and address the research issues. The data was examined using IBM SPSS. Furthermore, descriptive statistical metrics were employed, including standard deviation and measures of central tendency, particularly the mean. A Cronbach's alpha test was conducted to verify the reliability of the structures. This study did not include control variables, as its objective was not to create a predictive model for the two dependent variables based on the independent variable; instead, it concentrated on discerning any correlations between the variables of interest.

A Pearson's correlation coefficient test was performed to assess the statistical correlations among the variables of interest. To substantiate the assumptions concerning the direct relationships of interest, three linear regression analyses were employed. Finally, to examine the proposed mediating links in this study, a mediation analysis was performed.

## RESULT

### Reliability Analysis

The stability of the scale refers to its reliability and internal consistency, indicating that it will yield identical results when administered to the same sample, hence signifying both stability and consistency. Cronbach's Alpha is a renowned measure of questionnaire reliability. If the test value is below 0.60, the scale is considered poorly stable; it is acceptable if it surpasses 0.70 and deemed good if it attains 0.80 or more. Validity refers to the extent to which the study scale accurately measures the intended construct; in other words, it assesses whether the scale evaluates the phenomenon under investigation rather than an alternative variable.

Table 1. The Reliability and Validity Coefficients for the Research Variables.

Dimensions	Cronbach's Alpha	validity coefficients
Auditors independency	0.914	0.96
Auditors integrity	0.951	0.98
Experience Auditors	0.906	0.95
Audit fees	0.900	0.95
tax auditor	0.884	0.94
creative accounting	0.856	0.93

Table (1) demonstrates that all Cronbach's Alpha coefficients, at the dimensional level, fall within statistically acceptable thresholds, indicating that the scale employed to assess the research paragraphs possesses high reliability and validity, thereby allowing the researcher to depend on the forthcoming results for informed decision-making.

### Demographical Finding

Table 2 presents the demographic characteristics of the 46 tax auditors who participated in the study. Demographical characteristics were collected for analytical purposes, taking into account gender and experience.

Table 2. Sample Demographical Characteristics: Gender, Experience

		Frequency	percent
Gender	Female	19	41%
	Male	27	59%
	Total	46	100%
Experience	Less than 10 years	9	20%
	11-21 years	13	28%
	More than 21 years	24	52%
	Total	46	100%

As shown in Table No. (1), the sample included (46) tax auditors in tax departments operating in three governorates, as shown in the methodology. As shown, it is clear that the number of males who participated in the questionnaire exceeded the number of females, as females represented 41% and males represented 59% of the sample. As for practical experience, the percentage of participants with less than 10 years of experience was 20%, and those with 11–21 years of experience were 28%, which is the highest percentage, followed by 52% of those with more than 21 years of experience.

### Descriptive statistics

This section includes a presentation of the arithmetic averages of the questionnaire items, their standard deviation, the coefficient of variation, the level of the arithmetic average, and the ordinal importance of the research variables (tax auditor, creative accounting).

#### 1. Descriptive Analysis of the Tax Auditor Variable and its Dimensions.

The variable consists of four main dimensions, as shown in Table (3).

Table 3. Arithmetic Means, Standard Deviations and Relative Importance of the Tax Audit Variable N= 46.

Main dimension	Mean	St. deviation	Ordinal importance
Auditors independency	3.99	0.721	Third
Auditors integrity	4.11	0.693	First
Experience Auditors	4.07	0.600	Second
Audit fees	3.95	0.658	Fourth
Tax auditor	4.03	0.668	

In general, the tax audit variable achieved a general weighted arithmetic mean of (4.03) and a standard deviation of (0.668). The above results indicate the strength of the availability of tax audit dimensions in the branches of the General Tax Authority under study. The above table also shows that all dimensions are available in the organization and that there was a high level of response. However, the auditor's integrity dimension got the most responses in terms of

how important it was, based on the answers of the research sample. As for the lowest dimension, it was the audit fee dimension. This highlights the ethical practices of auditors, their use of integrity in their work, and their refusal to place a significant emphasis on audit fees

## 2. Descriptive Analysis of the Creative Account Variable and its Dimensions

The variable consists of three dimensions as shown in Table (4)

Table 4. Arithmetic Means, Standard Deviations and Ordinal Importance of the Creative Accounting Variable

Main dimension	Mean	St. Deviation	Ordinal importance
<b>Income Statement</b>	4.14	0.539	First
<b>Balance Sheet</b>	3.97	0.602	Second
<b>Cash Flow Statement</b>	3.88	0.607	Third
<b>Creative Account</b>	4.00	0.58	

A general weighted arithmetic mean of 4.00 and a standard deviation of 0.58 were found for the discovery of creative accounting practices. This makes researchers think that auditors should put this on their list of things to do. This indicates interest in the creative accounting variable among the responding auditors. The table above also shows that all dimensions were available to the researched sample and that a high level of response was received. However, the answers from the research sample showed that the financial statements dimension was the most important, followed by the cash flow statement dimension. This suggests that auditors are interested in finding creative accounting practices.

### Hypotheses Test

#### 1. Correlation Test

Table (5) below presents the simple correlation coefficient matrix, which evaluates the correlation hypothesis and demonstrates that all correlations were positive and statistically significant at the 1% level. At the sub-level, a robust correlation (0.632) existed between the auditor's experience and the revelation of creative accounting procedures in the financial statements. This is a substantial value at the 1% significance level. The weakest association was seen between the auditor's honesty and the disclosure of innovative accounting procedures in the cash flow statement, with a value of 0.362, which is statistically significant at the 1% level. The link between the auditor's expertise and the disclosure of creative accounting procedures was 0.682, a statistically significant value at the 1% level. In light of the aforementioned results, the researcher finds that the alternative hypothesis is upheld, indicating a considerable association between tax auditing and the exposure of creative accounting procedures.

Table 5. Correlation Test

Independent Dependent	Income statement	balance sheet	cash flow statement	Creative account
Auditors independency	0.526	0.476	0.546	0.585
Auditors integrity	0.616	0.442	0.362	0.530
Experience Auditors	0.632	0.617	0.560	0.682
Audit fees	0.551	0.493	0.369	0.530
Tax auditor	0.671	0.582	0.530	0.670

## 2. Regression Test

The researcher used simple regression to find out how much each aspect of the independent variable (tax auditor) affected the finding of creative accounting practices (dependent variable). This was done to test the hypotheses.

Table 6. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.722 <sup>a</sup>	.521	.475	.373

a. Predictors: (Constant), xx4, xx1, xx3, xx2

The model summary in Table 5 shows that the composite correlation coefficient  $R = 0.722$ , which means that there is a strong positive linear relationship between the independent variable and the dependent variable. The determination coefficient  $R^2 = 0.521$ , which shows the percentage of change in the dependent variable that is due to the change in the independent variable. This means that for every one-point increase in the tax audit, creative accounting practices are avoided by 0.521, and the rest of that value is due to variables that were not part of the study. The standard error of the estimate was 0.373, which explains every decrease in that value, indicating that the size of the estimated error is less.

Table 7. ANOVA<sup>a</sup>

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	6.204	4	1.551	11.162	.000 <sup>b</sup>
Residual	5.698	41	.139		
Total	11.902	45			

a. Dependent Variable: y

b. Predictors: (Constant), xx4, xx1, xx3, xx2

Table 7 (ANOVA) shows that the significance level is 0.000, which means that there is a statistically significant relationship between the variables of the tax

auditor and the disclosure of creative accounting practices. It also explains that the quality of the model can be relied upon in measuring the impact of the independent variable of the tax auditor on the dependent variable of creative accounting. Furthermore, the square of the residual mean was 11.902, which is the estimate's standard error.

Table 8. Coefficients <sup>a</sup>

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.343	.408		3.288	.002
xx1	.320	.121	.264	1.557	.004
xx2	.410	.155	.312	3.784	.000
xx3	.423	.133	.493	3.184	.003
xx4	.173	.130	.222	1.329	.191

a. Dependent Variable: y

Table (8) presents the coefficients upon which the hypothesis test is founded as follows:

1. Evaluating the initial sub-hypothesis (There is a significant effect of auditor independence in detecting CA practices). The findings indicate that auditor independence has a significant impact on the identification of creative accounting practices, quantified at a value of 0.320. This dimension holds considerable importance as the significance value is below the threshold of 0.05. Consequently, we affirm the hypothesis of existence while dismissing the null hypothesis.
2. Evaluating the second sub-hypothesis (There is a significant effect of auditor integrity in detecting CA practices.). The findings indicated that this dimension influences the dependent variable by a magnitude of 0.410. This dimension is noteworthy as the significance value is below the threshold of 0.05. This elucidates the endorsement of the idea of existence.
3. Evaluating the third sub-hypothesis (There is a significant effect of auditor experience in discovering CA practices.). The findings indicate that the auditor's experience dimension influences the dependent variable by a magnitude of 0.423, and this dimension is statistically significant, as the significance value is below the 0.05 threshold. The researcher determines that the third sub-hypothesis is accepted.
4. Testing the fourth sub-hypothesis (There is a significant effect of audit fees in discovering CA practices). Table (8) indicates that audit fees influence the dependent variable by a magnitude of (0.173), demonstrating a weak effect. The dimension is not significant, as the significance value exceeds 0.05. This suggests the hypothesis is rejected, indicating that audit fees do not influence the detection of creative accounting practices.

The audit fees dimension is the least influential in detecting creative accounting practices, while the auditor's experience dimension is the most influential. This indicates that experience plays a significant role in identifying manipulation in accounting statements and reports, and that the size of the client's fee, whether small or large, does not influence the quality of the tax auditor's work

## **CONCLUSION**

The relationship between auditor independence and the ability to identify innovative accounting practices in the sample organization in Iraq is significantly positive. This means that when auditors maintain a high degree of independence from the organization they audit, they are more effective in identifying potential new and unconventional accounting practices. Independence allows auditors to exercise unbiased judgment and apply rigorous scrutiny, resulting in more accurate and comprehensive assessments of an organization's accounting practices. Similarly, auditor integrity plays a critical role in identifying innovative accounting practices. Auditors who adhere to strong ethical standards and demonstrate honesty in their work are more likely to detect innovative accounting techniques in the organizations they audit. This integrity ensures that auditors remain vigilant and committed to uncovering the true financial state of the organization, regardless of any pressure to overlook irregularities. Furthermore, auditor expertise is positively related to their ability to effectively identify innovative accounting practices. Experienced auditors bring a wealth of knowledge and practical insights gained from previous audits, enabling them to more easily identify unusual patterns or deviations from standard accounting practices. Their experienced perspective allows them to assess the complexities of financial statements with greater accuracy and confidence. However, audit fees have a paradoxical effect. In the sample organizations in Iraq, higher audit fees appear to have a detrimental effect on auditors' ability to detect innovative accounting techniques. This may be due to a potential conflict of interest whereby higher fees may influence auditors to compromise their thoroughness or objectivity in favor of maintaining a profitable client relationship.

## **RECOMMENDATION**

Further testing of the variables by adding additional factors that affect the ability to find novel accounting practices in both public and private companies, such as the complexity of the work, gender, the professional skepticism of the auditors, and auditor accountability. We have high hopes that more research will result in a greater number of people responding to the survey. There is a hope that more study would broaden the scope of the research targets, such as internal auditors working for private and state-owned businesses, for instance.

## REFERENCES

- Akabom, I. (2017). The impact of creative accounting and earnings management on modern financial reporting. *The Nigerian Academic Forum*, 20(1), 1-6.
- Al Momani, M. A., & Obeidat, M. I. (2013). The effect of auditors' ethics on their detection of creative accounting practices: A field study. *International Journal of Business and Management*, 8(13), 118-136.
- Alastal, A. Y. M., Farhan, J. A., & Allaymoun, M. H. (2023). Auditors' perceptions in Gulf countries towards using artificial intelligence in audit process. In *Artificial Intelligence and Transforming Digital Marketing* (pp. 867-878). Cham: Springer Nature Switzerland.
- Alzeban, A. (2020). Creating accounting practices in Nigeria banks. *An International Multidisciplinary Journal*, Ethiopia, 6(3), 23-41.
- Arens, A. A., Best, P., Shailer, G., Fiedler, B., Elder, R. J., & Beasley, M. (2007). *Auditing and assurance services in Australia: an integrated approach*. Pearson Education Australia.
- Bhasin, Madan LAL. (2016). Survey of Creative Accounting Practices: An Empirical Study. *European Journal of Accounting, Finance and Business* Vol. 4 Issue 1.
- Chan, S. H., & Song, Q. (2021). Implications of tax audit risk, consequences, aggressive behavior and ethics for compliance. *International Journal of Accounting & Information Management*, 29(5), 823-847.
- Dahms, H. F. (2017). Critical theory in the twenty-first century: The logic of capital between classical social theory, the early Frankfurt school critique of political economy and the prospect of artifice. *The social ontology of capitalism*, 47-74.
- Esra, A. Dinç E. Esra A. and Engin D. (2020). Financial Information Manipulation and Its Effects on Investor Demands: The Case of BIST Bank. In *Contemporary Issues in Audit Management and Forensic Accounting*. Emerald Publishing Limited, vol. 102, pp. 41-56.
- Fuchs, D., Schlipphak, B., Treib, O., Long, L. A. N., & Lederer, M. (2020). Which way forward in measuring the quality of life? A critical analysis of sustainability and well-being indicator sets. *Global Environmental Politics*, 20(2), 12-36.
- Hadeel and Hoda (2022) The role of tax auditing in mitigating the negatives of creative accounting, a field study at the Tax Center in Guelma State, a master's thesis submitted to Guelma University, Faculty of Economics and Management.

- Khaneja, S., & Bhargava, V. (2016). A Comprehensive Review of Literature on Creative Accounting. *International Journal of Business Insights and Transformation*, 10(1), 46-60.
- Khaneja, S., Bhargava, V., & Gupta, L. (2017). Redefining the role of auditor in curbing creative accounting practices. *International Journal of Management and Social Sciences Research (IJMSSR)*, 6(3), 32-37.
- Khatri, D.K. (2015). Creative Accounting Leading to Financial Scams-Evidences from India and USA. *Journal of Accounting - Business & Management*, 22(2), 1-10.
- Liu, M., & Zhou, J. (2020). Effect of auditors' ethical values, moral development, and professional commitment on their detection of creative accounting practices. *Sustainability*, 12(11),4427. <https://doi.org/10.3390/su12114427>.
- Mahdi, S. M. A., Al-Absy, M. S. M., & Alastal, A. Y. (2022, March). Corporate social responsibility and firm's performance: evidence from Bahrain. In *International conference on business and technology* (pp. 957-967). Cham: Springer International Publishing.
- Ogoun, S., & Atagboro, E. (2020). Internal audit and creative accounting practices in ministries, departments and agencies (MDAS): an empirical analysis. *Open Journal of Business and Management*, 8(2), 552-568.
- Olympio Attipoe(2023) Developing Tax Audit Skills Tax Audit Training Manual for the General Commission for Taxes of Iraq<https://www.giz.de/en/downloads/giz2023-en-tax-audit-training-manual-GCT-iraq.pdf>
- O'Reilly-Allen, M., and Zikmund, P. E. (2009). Whose responsibility is it to deter and detect fraud? The role of management, the auditor and the fraud examiner. *Journal of Global Business Management*, 5(1).
- Ovharhe, O. H., & Ugo, C. C. (2024)Creative Accounting and Creative Entrepreneurship.
- Popescu, L. M., & Nisulescu, I. A. (2013). Detecting Creative Accounting Practices and Their Impact on the Quality of Information Presented in Financial Statements. *Journal of Knowledge Management, Economics and Information Technology*, 3(6), 1-13.
- Riahi-Belkaoui, A. (2004). Relationship between tax compliance internationally and selected determinants of tax morale. *Journal of international accounting, auditing and taxation*, 13(2), 135-143.
- Škoda, M., Lengyelfalusy, T., & Gabrhelová, G. (2017). Creative accounting practices in Slovakia after passing financial crisis. *Copernican Journal of Finance & Accounting*, 6(2), 71-86.

- Spellman, J. D. (2012). Bad Governance to Blame for Creative Accounting. *The Financial Times*.
- Widyasari, Fiderika Dewi., Murtadho, Ali., and Warno. (2021). The Impact of Creative Accounting and Creative Tax Techniques on the Reliability of Financial Reports with Religiosity as a Moderating Variable (Case Study: Accountants in Semarang City). *Indonesian Accounting Literacy Journal*, 2(1), 78-92
- Yaya, R. (2004). Would the Objectives and Characteristics of Islamic Accounting for Islamic Business Organizations Meet the Islamic Socio-Economic Objectives? *Jurnal Akuntansi & Auditing Indonesia (JAAI)*, 8(2), 141-163.