

The Auditor's Responsibility is to Apply the Concept of Materiality in Accordance with the Standard (ISA.320) in Determining Analytical Audit Procedures to Reduce Audit Risks

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Abstract. The research aims to clarify the auditor's responsibility for applying the concept of materiality in accordance with the (ISA.320) standard in determining the analytical audit procedures represented by the process of assessing audit risks. To achieve the research aims, the descriptive analytical approach was used to deal with data collection and classification. The main study tool, represented by the questionnaire form, was used to collect data from the study sample, which was analyzed through the SPSS program. The questionnaire was distributed to a number of sample members, and the number was suitable for conducting statistical analysis, as it reached 45 questionnaires, of which 40 questionnaires were suitable for analysis. The most important conclusions were that there is a statistically significant effect of the auditor's analytical procedures when applying the International Auditing Standard Materiality (ISA.320) in assessing audit risks. The study recommended the need for the Accounting and Auditing Council to take measures to verify the compliance of Iraqi audit offices with audit risk assessment procedures through the use of analytical procedures by the auditor in accordance with International Auditing Standard 320 Materiality.

Keywords. Auditor's Responsibility, Materiality, Standard (ISA.320), Audit Procedures

1.Introduction

The analytical procedures aim to verify that there are no fluctuations that require additional examination to verify them, and to ensure their causes and that they do not include manipulation in the financial statements. Therefore, the analytical procedures represent a form of deductive justification to ensure the reasonableness of the financial statements, and the analytical procedures can be applied to Even after the date of preparation Statement of financial position. It is used for its low cost and reduces detailed testing. Relative importance contributes to identifying important accounts that help set priorities for the auditor to develop the necessary analytical procedures for these accounts. The auditor obtains reasonable assurance by obtaining sufficient appropriate audit evidence to reduce audit risk to an acceptable low level. Audit risk is the risk that the auditor will express an inappropriate opinion when the financial statements

are materially misstated. It is a function of the risk of material misstatement and detection risk. Therefore, materiality and audit risks are taken into account throughout the audit process.

1.1 Literature Review

Barzanji, (2009) Studied Analytical procedures and their role in discovering fundamental errors, The study aimed to explain the appropriate analytical procedures used by the auditor in detecting fundamental errors in the financial statements of the economic entity under audit. The sample of the study was the North Oil Company in Kirkuk Governorate and to make comparisons of the financial ratios due to the availability of data and information for the year Financial instruments, and the statistical method was used By analyzing the results and data obtained through studying reports, financial indicators, and the questionnaire form. The study reached the most important conclusions: There is no specific timing for applying analytical procedures, as they are applied in all stages of the audit (planning, implementation, report preparation), and their level of importance and objectives vary from one stage to another and according to their role in achieving the audit objectives.

Obaid and Salman, (2021) Studied The role of the International Auditing Standard (230) and the relative importance in determining the auditor's analytical procedures/ applied research in the Iraqi Seed Production Company, The study aimed to clarify the role of International Auditing Standard No. 320, the relative importance of determining responsibility for planning and implementing the process of auditing financial statements and expressing an impartial technical opinion through the auditor's analytical procedures, which is considered his responsibility to obtain appropriate and reliable audit evidence that helps the auditor to form a A general result of whether the data Finance is consistent with the auditor's understanding of the facility, and one of the most important conclusions of the study is to focus on the inverse relationship between materiality and the quantity or size of evidentiary evidence at the level of the financial statements. The greater the level of materiality, the less evidence that must be obtained. As for the level of items, the relationship between... It's so important The relativity of the item and the evidence has a direct relationship, which is reflected in the analytical procedures. One of the most important recommendations reached by the study is to determine the analytical procedures in accordance with the above relationship of relative importance and evidentiary evidence and to disclose the analytical procedures related to the financial indicators within the financial statements of companies.

Mohammed et al, (2021) Studied The Effect of using Audit Procedures in Accordance with the IAS 545 in Assessing Audit Risk, The study aimed to demonstrate the impact of using audit procedures in accordance with the International Auditing Standard (IAS. No. 545) in auditing measurement and disclosure on the basis of fair value in assessing audit risks. A questionnaire form was used to identify the opinions of the sample in demonstrating the impact of using Or audit procedures in accordance with the auditing standard International Standard (IAS. No. 545) on measurement and disclosure of fair value in assessing audit risk. After analyzing the study variables and testing the hypothesis, the research reached the most important conclusions, which is that most auditors lack the necessary skills to audit fair value accounting estimates, due to the lack of fixed foundations for measuring fair value, which creates difficulty for the auditor to understand the models used in Preparation of fair value estimates by management It affects the assessment of audit risks.

Goh et al, (2023) Studied Auditor Materiality Threshold and Audit Quality—Evidence from the Revised ISA 700 in the United Kingdom, The study aimed to indicate whether the relative importance in the auditor's report is related to the quality of the audit. This is done by using data from a number of companies listed in the United Kingdom market during the years

from 2013 to 2017, and the most important conclusions were that the minimum level of relative importance is related to high audit quality, as measured by a decrease in absolute discretionary accruals, and a high quality of accruals, and that audit procedures It increases the probability Discovering accounting errors and correcting these errors, in addition to disclosing materiality leads to increasing the quality of the audit and accountability of auditors with regard to assessing materiality in accordance with the revised ISA 700, which in turn leads to auditors making more audit efforts or becoming more conservative in Therefore, they may have incentives to change their materiality levels under the new disclosure requirements.

The problem of the study was clarified, and through the researcher's observation, challenges facing auditors were noted with regard to their responsibility when applying the concept of relative importance in accordance with the (ISA.320) standard in determining analytical review procedures to reduce audit risks. These challenges emerged through defining the concept of relative importance for estimating audit risks, so the research can be formulated with the following question:

“There is no statistically significant effect of using the auditor's analytical procedures when applying the materiality criterion of the International Auditing Standard (ISA.320) in assessing audit risk.”

The Research objectives:-

- ✓ Explaining the concept of materiality in accordance with the (ISA.320) standard in determining analytical audit procedures and evaluating audit risks.
- ✓ A statement of the auditor's responsibility for applying the concept of materiality in accordance with the (ISA.320) standard in determining the analytical audit procedures that evaluate audit risks.

The Importance of Research comes from enhancing the auditor's ability to use analytical procedures for auditing in accordance with the International Auditing Standard (ISA. No. 230), the relative importance and the extent of this in assessing audit risks.

2. Material and Methods

2.1 Research methodology

The researcher used the inductive approach to study and extrapolate some previous studies on the current research topic, as well as the deductive approach to interpret and analyze the research results to test his hypothesis and verify the test results using appropriate statistical analysis of the respondents' responses to the questionnaire questions designed to collect data from the study sample.

The researcher used appropriate statistical methods and analyzes of the respondents' reactions to the questions of the questionnaire designed to collect data from the study sample. (45) a questionnaire was allocated and (40) a valid form was retrieved for analysis. to get to know their opinions about assessing audit risks through the use of analytical procedures. To the auditor at Application of the International Standard on Auditing Materiality (ISA.320)

2.2 Research hypothesis:

The research is based on the following main hypothesis: “There is a statistically significant effect of the auditor's analytical procedures when applying the International Auditing Standard Relative Importance (ISA.320) in assessing audit risks”.

2.3 Research variables

2.3.1 Relative importance according to the standard (ISA.320)

Financial reporting frameworks often discuss the concept of materiality in the process of preparing and presenting financial statements, so they generally explain the following (International Auditing Standard ISA.320, 2022) : -

A - Misstatements are considered material if they are reasonably expected to influence, individually or in the aggregate, the economic decisions taken by users on the basis of the financial statements.

B - Judgments regarding materiality are made in light of the surrounding circumstances and are affected by the size or nature of the misstatement, or both.

T - Judgments regarding matters that are material to users of financial statements are made on the basis of consideration of the common financial information that users need as a group.

2.3.2 Considerations that govern the assessment of relative importance

Judgments of materiality include quantitative and qualitative considerations that must be taken into account when determining materiality and can be presented as follows:

A- Quantitative considerations: When studying the relative value of an item, part or group for the purpose of showing it in the financial statements, the public presentation and disclosure standard requires comparing it with an appropriate base amount. Some basic amounts have been identified that aid in use and govern practical practice in auditing. Which leads to comparing each item Or part of the income statement with the value of net income for the current year. Comparing each item or group of items or groups in the statement of financial position with one of the following values, whichever is lower (Al-Quraishi, 2011: 77):

✓ Total equity of capital owners (net assets)
✓ The total group in which the item is located, such as current assets or non-current liabilities.

B- Qualitative Considerations: A material misstatement that is not considered a quantitative misstatement may be a qualitative material misstatement.

2.3.3 Steps for applying relative importance

A- Determining the initial judgment of materiality: The initial judgment of materiality expresses the maximum value at which the auditor believes that the financial statements could contain a misstatement and not be affected by the decisions of the appropriate users. The reason behind determining the initial judgment of materiality is to assist the auditor in planning the method of collecting appropriate evidence (Arns and Lubeck, 2008: 324).

B- Allocating the initial judgment of materiality to subgroups during the planning stage: Distributing the initial judgment of materiality to qualitative groups is necessary, as the collection of evidence is at the level of subgroups and not at the level of the financial statements as a unit. If the auditor has an initial judgment about the relative importance of each subgroup, this will help determine the appropriate types of evidence to be collected. For example, the auditor will collect more evidence for the receivables balance of \$100,000 if the size of the misstatement is considered to be \$5,000.) Substantial in light of the initial judgment of materiality as to whether the size of the misstatement in the amount of (30,000) was considered material in light of materiality (Arens, et al., 2014, 413).

B- Estimating the misstatement and comparison: The first and second steps are to apply materiality in planning, while the third step is the results of implementing the audit tests. When the auditor performs audit procedures in each subgroup, a list is kept in which all the misstatements that have been discovered are recorded, so the auditor is responsible for this. Estimating the total misstatements or errors in the accounts under audit, also called a direct

projection estimate, and comparing this with an initial judgment of materiality (Arens et al., 2010: 330).

Net misstatements in the sample \div total sample \times estimated direct projection = total recorded value.

To extract the value of the total estimated distortion = sampling error + estimated direct perception.

2.3.4 Analytical audit procedures

2.3.4.1 Audit procedures

Auditing is defined as examining the internal control systems, data, documents, accounts and books of the project in a systematic and critical examination, with the aim of coming out with an impartial technical opinion on the fairness of the financial statements and their representation of the financial position of that project at the end of a certain period of time, and the extent to which it depicts the results of its work in terms of profit or loss for that period. (Abdullah, 2000: 13) It is also defined as a systematic process of obtaining evidence related to the elements indicative of economic events, and evaluating them in an objective manner with the aim of ensuring the degree of compliance of these elements with the established standards, and then communicating the results of that to the concerned parties (Al-Sabban, 2002: 6).

It is the auditor's responsibility to plan and conduct the audit to obtain reasonable assurance about whether the financial statements are free from any material errors, whether they are the result of fraud or fraudulent operations were committed by management's override of current controls using the following techniques, as stated in the Auditing Standard (SAS No. 99., 2022):-

- ✓ Record fictitious entries in the general journal, especially those recorded near the end of the accounting period to process operating results.
- ✓ Intentionally biased assumptions and judgments used to estimate account balances
- ✓ Change appropriate and unusual records and terminology.

The PCAOB stressed the necessity of responding to risks through changing the nature, timing, and scope of audit procedures (Hoffman, & Zimbelman, 2009: 26) :-

- ✓ The nature of the audit refers to the type of procedure used, or the characteristics of the sample chosen.
- ✓ Timing means either that the auditor collects evidence during the year or that he does so at the end of the year.
- ✓ Scope refers to the amount of evidence collected.

2.3.4.2 Definition of analytical procedures:

It is the process of evaluating financial information through analyzing the logical relationships between data, whether financial or non-financial. Analytical procedures also include verifying identified fluctuations, relationships that are inconsistent with other relevant information, or differ from expected values by a significant amount (ISA 520:2020). Analytical procedures can also be defined as: analyzing important ratios and indicators, including research results for fluctuations and relationships that conflict with other relevant information, or that deviate from the predicted amounts (Al-Qadi and Dahdouh, 2009: 246).

2.3.4.3 The purpose and timing of the analytical procedures

A-Understanding the scope of work of the entity subject to audit and the activity it carries out: This is through the auditor applying analytical procedures and comparing unaudited information related to the current year. With the same information that was audited in previous years. Through this, he can identify changes in it. For example, a decrease in the gross profit margin

percentage from the previous year may indicate an increase in competition in the field in which the economic entity operates. Thus, the auditor is required, during the performance of the audit process, to exercise the necessary professional care (Barzanji, 2009 : 20).

B- Indicating possible distortions in the financial statements: The difference between the unexpected financial data that has not been audited and relates to the current year and the data used in making the comparison is indicated to identify unusual fluctuations. Unusual fluctuations occur when there are fundamental differences and the reason may be due to the presence of errors or errors. Violations. If the value of the difference is large, the auditor must identify the reason for this. The reason may be related to an economic event and not the result of an error or violation (Arns and Lubeck, 2008: 255).

2.4 Audit risks

Audit risk means that the auditor gives an inappropriate opinion on financial statements that are severely distorted. In order for the auditor to be able to express his opinion about the financial statements, he designs procedures that help him to provide reasonable satisfaction that the financial statements are prepared correctly in all material respects. However, he is numb with consideration The possibility of the presence of material errors that may not be discovered for reasons related to the nature of the choices and inertia in the audit procedures or the procedures of the internal control system, and when there is any evidence indicating this, it is necessary for him to expand his procedures to strengthen or deny this evidence. (ISA 400: 2022)

Risks are also defined by the International Federation of Accountants (IFAC) in the International Auditing Standard No. (400), which is labeled Risk Assessment and Internal Control, as the risks of incorrect information that occurs in an account balance or a group of transactions that may be material on their own or when combined with incorrect transactions. In other balances or groups, which can only be prevented, detected and corrected by the accounting system or internal control system in a timely manner (Al-Hajjami and Sattar, 2015, 198).

He defined it as the risk of the external auditor's failure to unintentionally change his opinion on materially distorted financial statements, and that there are three components of audit risk, which are (control risk, discovery risk, and latent (correlated) risk). He explained that this audit risk is affected by several factors, namely the operations that are performed by one person, The large number of operations that occur near the end of the year, the complexity of the facility's organizational structure, management's attempts to reduce the scope of audit work, fundamental weaknesses in the internal control structure, management's use of strict accounting policies and methods, a low-numbered workforce with moderate experience, failure to record transactions on time. Al-Salim (Arens, et al, 2014:15).

Audit risks consist of three components, which are as follows:

Audit risk = inherent risks x control risks x non-detection risks

Audit risk can be considered as a result of the various risks that you may face in performing the audit. In order to keep the overall audit risk of obligations below the acceptable limit, the auditor should evaluate the level of risk related to each element of audit risk.

The objectives of identifying, assessing and responding to risks are at the heart of every audit. Identifying and assessing client-specific risks drives the audit actions that should be performed and helps you avoid redundant, ineffective auditing. Most importantly, this process helps you avoid failure to obtain sufficient appropriate audit evidence to support your opinion. Below we will discuss the three components in detail:

A- Inherent risks: It is the possibility of a material error occurring that affects an account balance or a group of similar transactions individually or when combined with several errors in other balances or a group, assuming that there is no relevant internal control. There are many factors that generally affect the inherent risks, including the seasonality of activity and the size of the economic entity under audit. - The degree to which accounts are exposed to fraud and theft and the chances of them occurring. - The nature of the economic unit's operations and the nature of potential errors. - The industry to which the customer belongs. - The client's financial position and the operational and organizational pressures to which he is exposed. - The turnover rate of management and the board of directors. The inherent risks are among the most important risks that must be estimated accurately, as they fundamentally affect the efficiency and effectiveness of the audit process. The efficiency of the audit process is affected if it is determined higher than it should be, and this requires greater effort from the auditor and vice versa. The audit process also loses its effectiveness to a large extent if the inherent risk is not identified at an appropriate level (Odeh, 2011, 25).

B- Control risk: It is the possibility of a material error occurring that affects an account balance or a group of similar transactions individually, or when they combine with several errors in other balances or a group without being prevented or detected in a timely manner by the accounting and internal control systems. This risk is considered a function of the effectiveness of the internal control procedures, as the more effective the internal control is, the more likely it is that errors will not exist or be discovered by this structure, or the lower the risk factor that can be identified for the control risks. Given the limits necessary for any internal control system, this risk is inevitable. The auditor's assessment of this type of risk depends on his testing the extent of compliance with the internal control system of the economic entity under audit. If such an assessment is not proven, the auditor should assume that the control risks are high. Hence, the auditor's assessment of control risks depends not only on internal control, but also on the strength of the tests of the extent of compliance, and on the results of those tests. If the results are positive, the auditor's estimate of the control risks will decrease, and if they are weak, the auditor's estimate of the control risks will increase. (Aid, 2013, 24)

C- Risks of non-detection: These are the risks that the auditor's substantive investigative procedures do not discover the existence of an error in an account balance or a group of similar transactions that may be important individually or when combined with errors in other balances or other groups in operations. The risk of detection is a function of the audit procedures and their application by the auditor, and this risk results partly from the state of uncertainty that prevails in the audit process when the auditor does not conduct a comprehensive examination of the operations. Also, such a risk may exist even if the auditor conducts a comprehensive examination, as there may be cases of lack of Verification results From the auditor's use of inappropriate procedures or due to failure to apply the procedures in a proper manner or incorrect interpretation of the audit results. Noting that other uncertainties can be reduced to a level that can be overlooked through adequate planning and supervision and carrying out the audit process in accordance with appropriate performance quality control standards. (Akbar, 2015, 232-233.)

The risks of discovery include two elements: (Karso, 2008, 139-140):

a-The risks related to the failure of the analytical audit procedures to discover errors that are not prevented or discovered by internal control procedures. This is called "analytical audit risks".

b-The risks related to incorrect acceptance of the results of detailed tests at a time when there is a fundamental error that requires rejection and has not been discovered through internal

control procedures, analytical auditor procedures, and other appropriate tests. This is called “detailed audit risks.” Detection risks differ from both inherent risks and supervisory risks in that they depend on the audited procedures used by the auditor and can therefore be influenced through them. It can also be said in general that there is an inverse relationship between discovery risks and both inherent risks and supervisory risks. The lower the degree of inherent risks and supervisory risks that the auditor believes exist, the greater the discovery risks that the auditor bears. Conversely, the higher the degree of inherent risks and supervisory risks, the lower the discovery risks borne by the auditor, meaning that there is an inverse relationship between the risks of non-detection and the combined level of inherent risks and control risks.

2.5 The relationship between materiality and audit risks

A- When planning audit procedures, the auditor takes into account matters that may lead to a significant misstatement of the financial statements. The auditor's understanding of the economic unit's activity and environment represents a framework through which the auditor can plan the audit process and exercise his professional judgment regarding the risks of material misstatement in the financial statements. And determining his reactions to confront these risks during the audit process. It also helps him in evaluating the relative importance and in his estimation of the relative importance related to a specific account or group of transactions. It helps him answer a set of questions, such as what items should be examined and whether samples or analytical procedures will be used. This procedure will help the supervisor in choosing the audit procedures through which he expects to reduce audit risks to the lowest acceptable level.

B- There is an inverse relationship between materiality and the level of audit risk, meaning that the higher the level of materiality, the lower the audit risk and vice versa. The auditor takes into account the relationship between materiality and audit risks when determining the nature, timing and extent of audit procedures. For example, after planning to conduct a specific audit, if the auditor decides that the acceptable level of materiality is low, the audit risk will be increased, and the auditor compensates for this by reducing the level of the risk of material misstatement - when possible - by implementing additional tests of internal control. Or increase its scope and reduce audit risks by modifying the nature, timing and extent of the audit procedures that have been planned.

3. The auditor’s responsibility is to apply the concept of materiality in accordance with the (ISA.320) standard in determining analytical audit procedures to assess audit risks.

3.1 Presentation and descriptive analysis of the questionnaire results

This axis includes measuring the effect of applying the concept of materiality in accordance with the (ISA.320) standard in determining the analytical audit procedures to evaluate the audit risks, through presenting and analyzing the results of the questionnaire, distributed among the sample members, and to know the nature of the sample’s answers about the items in The main questionnaire was used Proportions, frequencies, weighted arithmetic means, standard deviation, and to know the direction of the answers, the arithmetic mean will be compared with the hypothetical mean. If the value of the arithmetic mean is greater than the value of the hypothetical mean, this means that the tendencies of the sample members’ answers were directed toward approval. But if they were... The value of the arithmetic mean is smaller than the value of the mean This hypothesis means that the answers are headed towards disagreement. The value of the hypothetical mean was calculated in the following way: Hypothetical mean = total scale alternatives / number of alternatives

The sample answers show that the value of the arithmetic mean for this axis reached (4.42), which is greater than the value of the hypothesized mean of (3). This means that the sample answers in this axis are directed towards agreement or strong agreement, with a standard deviation of (0.65), and the standard deviation values ranged between (0.65 and 0.80) This means that the sample members' answers were homogeneous regarding the items of this axis. The table below shows a general description of the questionnaire's main sections:

The following is an analysis of the paragraphs in the table above

1. The sample responses revealed that the level of relative importance contributes to choosing the amount of evidence to be obtained, with an agreement of (85.5) and an arithmetic mean of (4.43).
2. The sample responses show that the initial judgment of materiality expresses the maximum amount at which the auditor believes the financial statements could contain a misstatement and is not affected by the decisions of users. With an agreement of (87.9%), the response level for this paragraph was very high. And my arithmetic average is (4.39).
3. The sample agreed that the degree of relative importance directly affects the type of opinion expressed in the auditor's report. With an agreement of (84.3%) and an arithmetic mean of (4.37).
4. The answers showed that the criteria used to measure relative importance are considered auxiliary to professional judgment and not a substitute for it, with an agreement rate of (90.3%). The response level for this paragraph was very high. And the arithmetic mean is (4.48).
5. The sample confirmed that the auditor must have reasonable doubt about any evidentiary evidence or presumption of relative importance, with an agreement rate of (84.3%) and an arithmetic mean of (4.37).
6. Auditing standards require some specific analytical procedures in auditing operations to reduce some audit risks. This is what the sample confirmed with an agreement rate of (87.9%), and the response level for this paragraph was very high. And the arithmetic mean is (4.41).
7. The absence of fundamental differences when implementing analytical procedures indicates a decrease in violations or fundamental errors. This is what the sample confirmed with an agreement rate of (90.3%), and the response level for this paragraph was very high. The value of the arithmetic mean for this paragraph reached (4.48)
8. The sample confirmed that the nature of the choices and inertia in the analytical audit procedures leads to the emergence of fundamental errors in the financial statements. The arithmetic mean value for this paragraph was (4.35), with an agreement rate of (83.1%).
9. The design of analytical audit procedures helps provide reasonable assurance that the financial statements have been prepared correctly in all material respects. This is what the sample agreed upon with an agreement rate of (85.5%) and an arithmetic mean of (4.43).
10. The sample agreed that the analytical audit procedures are evidence of the veracity of the financial statements. The agreement rate was (83.1%) and the arithmetic mean was (4.35).
11. That the audit risk is affected by the operations that are performed by one person. This is what the sample confirmed with agreement (87.9%), and the response level for this paragraph was very high. And the arithmetic mean is (4.39).
12. The audit risk is affected by the large number of transactions that occur near the end of the year, with an agreement rate of (91.5%). The response level for this paragraph was very high. And the arithmetic mean is (4.51).
13. The sample agreed that audit risks are a result of the various risks that may be faced in performing the audit process with an agreement rate of (85.5%) and an arithmetic mean of (4.39).

14. The goal of identifying and evaluating audit risks and responding to them lies at the heart of audit procedures. This is what the sample confirmed with agreement (88.2%), and the response level for this paragraph was very high. And my average is (4.45)

15. Discovery risks are directly related to the detailed procedures that the auditor supports for control risks and fundamental risks, as they affect the nature, time, and scope of the auditor’s analytical procedures. With an agreement rate of (86.7%) and an arithmetic mean of (4.41)

16. The auditor must take into account the relationship between relative importance and audit risks when determining the nature, timing and extent of audit procedures. This is what the sample confirmed with agreement (89.2%), and the response level for this paragraph was very high. And the arithmetic mean is (4.42).

3.2 Results of testing the main hypothesis of the research

The effect of the relationship between applying the concept of materiality in accordance with the (ISA.320) standard and the analytical audit procedures to evaluate audit risks can be measured through the following main hypothesis: “There is a statistically significant effect of the auditor’s analytical procedures when applying the International Auditing Standard Materiality (ISA). 320) in assessing audit risks. This can be measured through a simple linear regression model represented by the following equation:

$$y = 0.535 + 0.59 x$$

Since:

y: represents the audit risk assessment

x: represents the analytical audit procedures

Table (1) The effect of using analytical audit procedures in accordance with (ISA.320) in assessing audit risks

Significance	Calculated F Value	R Value	value R ²	Tabular F value	value B	Y	X
Having an effect	245.830	0.386	0.864	3.96	0.535	audit risk assessment	the analytical audit procedures

Source: Table is prepared by the researcher based on SPSS

The results of testing this hypothesis included in the table above show that the calculated F value reached (245.830), which is greater than its tabulated value at the significance level (0.05) and the degree of freedom (1.39), which is (3.96). This means that there is a significant effect of the auditor’s analytical procedures. Calculations when applying the International Auditing Standard Materiality (ISA.320) in assessing audit risks. The value of the determination coefficient reached (0.386). This means that (39%) of the changes occurring in the assessment of audit risks are caused by the change occurring in the analytical procedures in accordance with the auditing standard. International (IAS. No.230), and since the sign of the beta coefficient is positive, this means that the effect is positive, meaning that there is a (direct relationship) between the two variables of the hypothesis, as the value of the beta coefficient reached (0.535), which is a positive value, and this means when changing one unit in the analytical audit procedures There will be an increase of 54% in the audit risk assessment. This means accepting the alternative hypothesis: “There is a significant effect of applying the auditor’s analytical procedures when applying the International Auditing Standard Materiality (ISA.320) in assessing audit risks”.

4. Conclusions and recommendations

4.1 Conclusions

- 1- The general objectives of the auditor are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether resulting from fraud or error, and thus to enable the auditor to express an opinion about whether the financial statements have been prepared, in all material respects. .
- 2- Materiality and audit risks are taken into account throughout the audit process, when identifying and assessing the risks of material misstatement; Determine the nature, timing and extent of additional audit procedures and evaluate the impact of uncorrected errors, if any, on the financial statements and in forming an opinion in the auditor's report.
- 3- Estimating materiality takes up a large part of the auditor's work, leading to the objective determination of the values of financial elements or events, which is important, especially when the audit procedures are not sound, or may be marred by some deficiencies in the application, or in the interpretation of the results.
- 4- Relative importance contributes to the auditor's work to determine analytical procedures to identify audit risks.
- 5- There is a significant effect of applying the auditor's analytical procedures when applying the International Auditing Standard Materiality (ISA.320) in assessing audit risks".
- 6-

4.2 Recommendations

- 1- The necessity of measuring relative importance when assessing the risks resulting from not detecting fundamental errors present in the financial statements and accounts despite the auditor conducting a detailed examination, audit, or oversight of those data or accounts.
- 2- The necessity of measuring relative importance when evaluating risks related to the presence of deviations or shaded data that could occur in an account or group of accounts, and have a material impact individually or collectively.
- 3- The necessity of measuring the relative importance when evaluating the risks related to the possibility of the impact of an account balance or a group of transactions due to errors that may be material or individual, or their combination with errors of balances or a group, assuming that there is no internal control system.
- 4- The need for the Accounting and Auditing Council to take measures to verify the commitment of Iraqi audit offices to audit risk assessment procedures through the use of analytical procedures by the auditor in accordance with International Auditing Standard 320 Materiality.

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Appendix 1

Table (1): A general description of the questionnaire's axis items

Phrases	SD	AM
The level of relative importance contributes to choosing the amount of evidence to obtain	0.74	4.43
The initial judgment of materiality expresses the maximum value at which the auditor believes that the financial statements could contain a misstatement and not be affected by the decisions of users.	0.71	4.39
The degree of materiality directly affects the type of opinion expressed in the auditor's report.	0.74	4.37
The criteria used to measure materiality are ancillary to professional judgment and are not a substitute for it.	0.67	4.48
The auditor must have reasonable doubt about any evidentiary evidence or presumption of relative importance.	0.74	4.37
Auditing standards require some specific analytical procedures in audits to reduce some audit risks.	0.72	4.41
The absence of fundamental differences when implementing analytical procedures indicates a decrease in fundamental violations or errors.	0.67	4.48
The nature of the choices and inertia in the analytical audit procedures leads to the emergence of fundamental errors in the financial statements.	0.80	4.35
The design of analytical audit procedures helps provide reasonable assurance that the financial statements have been prepared correctly in all material respects.	0.74	4.43
The analytical audit procedures are evidence of the veracity of the financial statements.	0.80	4.35
The audit risk is affected by operations performed by one person	0.76	4.39
The audit risk is affected by the large number of transactions that occur near the end of the year.	0.65	4.51
Audit risk is a result of the various risks that you may face in performing the audit process.	0.71	4.39
The goal of identifying and evaluating audit risks and responding to them lies at the heart of audit procedures.	0.74	4.45
Discovery risks are directly related to the detailed procedures that the auditor supports for control risks and fundamental risks, as they affect the nature, time, and scope of the auditor's analytical procedures.	0.71	4.41
The auditor must take into account the relationship between materiality and audit risk when determining the nature, timing and extent of audit procedures.	0.74	4.42
The general arithmetic mean	0.65	4.42

Source: Table is prepared by the researcher based on SPSS