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College of Business Administration

Master Dissertation

**The relationship between Audit Risk Assessment and the
Fairness of Financial Statements (Applied on companies listed in
Muscat Stock Exchange)**

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Submitted to the College of Business Administration in fulfilment of the requirement for the degree of Master of Business Administration

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Declaration

I acknowledge that the source of the scientific content of this dissertation has been determined and that it is not provided for any other degree.

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Dedication

This thesis is dedicated to

My great Parents;

Who leads me through the valley of darkness with the light of hope, support, and prays,

My lovely wife and kids;

Who are the symbol of love and giving, they never stop giving in countless ways,

My brothers and sisters;

Who stands by me when things look bleak,

My friends; who encourage and support me,

All the people in my life who touch my heart, I dedicate this thesis.

Abstract:

The purpose of this research is to study and analyze the relationship between audit risk assessment and the fairness of financial statements in companies listed in Muscat Stock Exchange. The study will evaluate how auditors' attitudes regard the risk assessment in the process of conducting an audit procedure. Audit risk assessment is important for the stakeholders and board of directors, to make effective financial decisions, and to help organizations avoid financial crises, losses, and bankruptcy. Audit risk has three components: inherent risk, control risk, and detection risk. Risk management is implemented through some international risk management standards and instructions such as the ISO 31000 standard.

Approach/ methodology, this research study follows the deduction approach, as the research involves quantitative data collection, primarily, from a survey in the form of questionnaires. The study targeted a sample of 250 external auditors, stockholders and 162 responses were received. Then, the findings will be analyzed using SPSS to test the research hypotheses.

Result/ findings, there is a positive relationship between audit risk assessment (Inherent Risk, control risk, and detection risk) and fairness of Financial Statement, which increases the trust of stakeholders in financial statements in the Sultanate of Oman.

Practical implications, this study would be helpful for auditors to carry out their tasks more effectively and efficiently which would enhance the fairness of financial statements.

Originality/value, this research has filled the gap by audit risk assessment and the last studies, especially since there is a lack of studies in the Omani context. The advanced quantitative data analysis used in this research will allow future researchers to explain the contribution of this research to understand the importance of risk assessment to safeguard firm assets and avoid bankruptcy and shutdown.

Keywords: Audit Risk Assessment, Fairness of Financial Statement inherent risk, control risk, detection risk

الملخص:

الغرض، من هذا البحث هو دراسة وتحليل العلاقة بين مخاطر التدقيق وعدالة البيانات المالية في الشركات المدرجة ببورصة مسقط. كما سيتم تقييم كيفية تعامل المراجعين مع تقييم المخاطر في عملية إجراء التدقيق. تقييم مخاطر التدقيق له أهمية لأصحاب المصلحة ومجلس الإدارة بالكامل، لاتخاذ قرارات مالية فعالة، وتجنب الأزمات المالية والخسائر والإفلاس للمنظمات. تشمل مخاطر التدقيق على ثلاثة أنواع: المخاطر الكامنة ومخاطر الرقابة ومخاطر الاكتشاف. يتم تنفيذ إدارة المخاطر من خلال بعض المعايير والتعليمات الدولية لإدارة المخاطر مثل معيار ISO 31000.

النهج / المنهجية، هذه الدراسة البحثية تتبع نهج الاستنتاج، حيث يتضمن البحث جمع البيانات الكمية، في المقام الأول، من مسح في شكل استبيانات. بعد ذلك، سيتم تحليل النتائج باستخدام برنامج SPSS لاختبار فرضيات البحث.

النتيجة / النتائج، هناك علاقة سببية بين تقييم مخاطر التدقيق (المخاطر الكامنة، ومخاطر الرقابة، ومخاطر الاكتشاف) وعدالة البيانات المالية، استهدفت الدراسة عينة تتكون من 250 مدققاً خارجياً وتم استلام 162 ردًا. مما يزيد من ثقة أصحاب المصلحة في البيانات المالية في سلطنة عمان.

الآثار العملية، قد تكون هذه الدراسة مفيدة للمراجعين لتنفيذ مهامهم بشكل أكثر فعالية وكفاءة من شأنها أن تعزز عدالة البيانات المالية.

الأصالة / القيمة، فقد سد هذا البحث الفجوة وفقاً لتقييم مخاطر المراجعة والدراسات الأخيرة، خاصة أن هناك نقصاً في الدراسات في السياق العماني. سيسمح تحليل البيانات الكمية المتقدم المستخدم في هذا البحث للباحثين المستقبليين بشرح مساهمة هذا البحث لفهم أهمية تقييم المخاطر لحماية أصول الشركة وتجنب إفلاس الشركات وإغلاقها.

الكلمات المفتاحية، تقييم مخاطر التدقيق، عدالة البيانات المالية، مخاطر الكامنة ، مخاطر الرقابة ، مخاطر الاكتشاف

Table of Contents

Abstract:	vii
:الملخص	viii
CHAPTER ONE: INTRODUCTION	1
1.1 Background of the research study:.....	1
1.2 Practical audit in Oman	3
1.3 Problem statement:	4
1.4 Research Questions:.....	4
1.5 Research objectives:.....	5
1.6 Significant of the Study:	5
1.7 Operation definitions:.....	5
CHAPTER TWO: LITERATURE REVIEW	8
2.1 Introduction.....	8
2.2 Audit Risk Assessment	8
2.2.1 Auditing Function and procedure	8
2.2.2 Audit Risk Components	9
2.2.3 Inherent Risk.....	10
2.2.4 Control Risk	11
2.2.5 Detection Risk.....	11
2.2.6 The audit risk model	12
2.3 Fairness of Financial Statements	13
2.5 Research Hypotheses:	16
2.6 summary of literature review:	16
CHAPTER THREE: METHODOLOGY	17
3.1 Methodology	17
3.2 Methodology Overview.....	17
3.3 Research Strategy	17
3.4 Research design.....	17
3.5 Data Collection.....	18
3.6 Study population & sample.....	18
3.7 Questionnaire Procedures and Design	18
3.8 Variables Measurement.....	19
3.8.1 Inherent Risk.....	19
3.8.2 Control Risk	19

3.8.3 Detection Risk.....	20
3.8.4 Fairness of Financial Statements	20
3.8 Pilot study	20
3.9 Reliability Analysis	21
CHAPTER FOUR: DATA ANALYSIS AND FINDINGS.....	23
4.1 Introduction.....	23
4.2 Descriptive analysis of demographical/ personal questions	23
4.3.1 Gender.....	23
4.3.2 Level of education	24
4.3.4 Actual job position	24
4.3.5 Number of work experience	25
4.4 Descriptive analysis.....	25
4.4.1 Descriptive Statistics of Inherent Risk	26
4.4.2 Descriptive Statistics of Control Risk.....	26
4.4.3 Descriptive importance of Detection Risk.....	27
4.4.4 Descriptive Statistics of Fairness of Financial Statements	27
4.6 Discriminate Validity	28
4.7 Normality Test.....	28
4.8 Reliability Test	29
4.9 Hypotheses Testing	29
4.9.1 Model Summary	30
4.9.2 Anova	30
4.9.3 Coefficients	30
4.10 Summary of the Findings	34
CHAPTER FIVE: CONCLUSION AND RECOMMENDATIONS.....	35
5.1 Conclusion	35
References:.....	38

Table of tables

Table 1: Cronbach’s Alpha for variables	21
Table 2: Gender	23
Table 3: Level of education	24
Table 4: Actual job position	24
Table 5: Number of years' experience	25
Table 6: Five Likert scale gap widths	25
Table 7: Descriptive Statistics of Inherent Risk	26
Table 8: Descriptive Statistics of Control Risk	27
Table 9: Descriptive Statistics of Detection Risk	27
Table 10: Descriptive Statistics of Fairness of Financial Statements	28
Table 11: Factor Correlation Matrix	28
Table 12: Tests of Normality	29
Table 13: Reliability Test	30
Table 14: Model Summary	31
Table 15: ANOVA^a	31
Table 16: Coefficients	31
Table 17: Summary of the Findings	35

Table of figures

Figure (1): Theoretical framework	16
Figure (2): Normality Test	29
Figure (3): conceptual framework (Coefficients)	32
Figure (4): Coefficients a	32
Figure (5): P-P Plot	33

CHAPTER ONE: INTRODUCTION

1.1 Background of the research study:

The importance of this study is that the auditors must direct the audit work to the main risks, as it is possible that errors in transactions and balances result in the existence of material errors in the financial statements. Therefore, the auditor should exercise professional care to discover the risks of material misstatement in the financial statements by understanding transactions and its environment. This study aims to discuss in detail the types of risks in auditing which are (control risk, detection risk and inherent risk) and to identify the effects of assessing these risks on auditing with the possibility of applying risk assessment and the performance of the auditing process. Auditing risks are possible if auditors do not conduct comprehensive and detailed auditing and without enough knowledge of the client organization, which helps the auditors to carry out auditing effectively (powers cia review, 2006).

This study will depend on the professional International Auditing Standards, criteria of auditing and scientifically valid studies, which were carried out on the Audit Risk Assessment.

Even though the audit staff might pay professional attention and present proper audit opinions, which do not lead to audit failure, they might still face the risk of lawsuits because of the business failure of the auditee. Therefore, the auditors should understand more about the industry and the enterprise of the auditees when receiving audit authorization and planning the audit. They should also use and plan the audit work to upgrade the audit quality to further reduce the risk of lawsuits (Krishnan and Krishnan 1997).

In the process of assessing the risks, auditors use terms such as “low”, “medium” and “high”, through sequential numbers. In the case of assessing detection risk, it is difficult to reflect the influences of audit risk, inherent risk, and control risk on risk detection only by using the terms “low”, “medium” and “high”. Therefore, “the final determination of the audit result was according to the ultimate judgment of the auditors” (Mock et al. 1998). The first models for determining audit risk were used in 1980.

There is a correlated relationship between the materiality and audit risks, so that the materiality is a measure of the amount, while the audit risks are a measure of uncertainty, which requires studying this relationship in consideration and measuring the uncertainty of the values according to certain amount (Arens, Loebbeck, 2005). The audit risk elements were tested and used as inputs in the sample taking to exercise the audit process. The participants made a preliminary assessment of the risks before presenting the results of the control tests, and they

were evaluated again after giving the results of the control tests and getting the link between these elements. The audit risk model works on an approach based on the number of sample tests in a manner that leads to effective auditing and raises the efficiency of the review as detailed testing is very expensive. According to (AICPA 1998) The audit risk model was thoroughly analyzed and divided into three main components (inherent risk, control risk, and detection risk).

Based on the model presented in “Guide for financial audit quality”, published by the Institute of Chartered Accountants of Scotland and Chamber of Financial Auditing of Romani’s, to determine the Inherent risk, some factors should be considered. First, define aspects related to management like some parts need to evaluate per one like management issue, the financial position of the client, and the evaluation on the integrity of management. Second, evaluate the accounting environment that includes some parts like, the competence of the accounting staff, their attitude and the probability of mistakes, and inappropriate or delayed financial information. Third, consider the operational environment that includes these factors, evaluation of the business sector, changes in profitability of liquidity, and business threats related to activities and significant customers. Forth, audit issues include like, qualified or amended/modified past audit opinions, reporting about continuity of the business and estimation of difficulty in obtaining audit evidence.

Shareholders are interested in the information presented in financial statements that reflects the real economic position of the company, the results of operations and the cash flows of the company. The role of the auditor as an independent party during the auditing process is to express an unbiased opinion about data presented in the financial statements to enhance the reliability of these data.

To evaluate these factors, it is required to draw a table and list these factors. In the same rows, write the number and description of risk using five measures; very low, low, medium, high and very high, and then calculate risk to find out the total of the inherent risk.

The assessment of the level of control risk is performed through two parts. The first one is a preliminary assessment which includes evaluating the effectiveness of the internal control used in the firm to show how it contributes and correction of important errors. The second is the final evaluation that assess the quality of the company's internal control, through gathering information related to the company control environment, testing the accounting system then assessing the control risk depending on some factors. Examples of these factors are users of the accounting system, authorization of entries, duplicate transactions, explicit error message, distribution of outflows to the authorized person, the extent to which registration, reporting and

correction of identified errors are made, management of accounts and passwords, timely disability of the accounts of the people who leave the company and the arranged backups. The calculation the total and relevance to each type of risk determine the level of risk.

Audit risk is linked to assessment of underlying errors and the level of inherent risks and control risks therefore the planned detection risks are associated with the total level of inherent risks and control risks. Auditors must collect samples to reach a level where risks are reduced. For example, “the planned detection risk is 28.97% or 0.29. For RDP equal to 0.29, auditors plan to collect samples up to the level at which the risk of misrepresentations whose value exceeds the tolerable error is reduced to 29%. Acceptable audit risk = inherent risk x control risk x detection risk = 1% =>a level of insurance of 100% - 1% = 99%”. (Florentin-Emil Tanasa, 2018).

As per the AICPA’s (1983), the audit risk model provided the main conceptual framework for the audit process, which indicated that when auditors plan audit work, according to their understanding of the auditors’ work, they must make a professional judgment and work to determine the level of audit risk, which contributes to providing appropriate auditors’ opinions to the financial statements. Moreover, assessment of all accounts and various exchange factors, evaluation of the organization's internal control, and evaluation of the degrees of inherent risk and control risks.

1.2 Practical audit in Oman

The Commercial Companies Law in the Sultanate of Oman No. (18/2019) regulates the procedures for preparing financial accounts, including that General Accepted Accounting Principles are applied and that the preparation of Financial Statements in companies by International Financial Reporting Standards (IFRS) and auditing procedures are carried out according to international auditing standards. The law also regulates the responsibilities of auditors, including auditors are responsible in solidarity with the members of the board of directors to preserve the company's capital, and that the companies must put all financial records at the disposal of the auditors and the auditors’ report is prepared in accordance with international financial reporting standards in a way that clarifies the fact of the company's financial position, as indicated by Article No. (219) of this law.

In the decision of Capital Market Authority No. 10/2018 in article no. (8) which requires the commitment of internal auditing in shareholders’ companies to listen to the views of external auditors and any other risk-based audit procedures and verify auditors’ compliance with

International Auditing Standards while carrying out their duties. Article No. 21 of Royal Decree No. 76/87 reported the law concerned with the regulation of the accounting and auditing profession, that auditors shall be responsible to the firm, the shareholders and others for the damages resulting from any fraud committed in the performance of their duties, or for not carrying out their job adequately under the law.

1.3 Problem statement:

The end of the twentieth century witnessed an increase in legal cases against external auditors due to financial losses which were primarily caused by the careless attitude of auditors and their insufficient efforts when conducting auditing assignments (Shaheen & Jarboa, 2011).

Due to this, it becomes the main responsibility of auditors to introduce neutral opinions about the fairness, and credibility of information in the financial statements, when the stockholders rely on that information. (Al matarneh, 2011). Therefore, auditors have a great responsibility in reducing audit risks in order to enhance the fairness of financial statements, which, consequently, would lead to more benefits for the stakeholders using the financial statements. When the Capital Market Authority in the Sultanate of Oman violates some of the auditing offices that audit companies listed on the Muscat Stock Exchange because of the weak audit procedures on those companies. Although the authority has issued several regulations regarding work of audit offices to ensure their compliance, these violations are still repeated by some auditing offices; therefore, the research will focus on the importance of assessing audit risks.

1.4 Research Questions:

RQ1: What is a relationship between inherent risk assessment and the fairness of financial statement?

RQ2: What is a relationship between control risk assessment and the fairness of financial statement?

RQ3: What is a relationship between detection risk assessment and the fairness of financial statement?

1.5 Research objectives:

RO1. To examine the relationship between inherent risk assessment and the fairness of financial statement.

RO2. To investigate the relationship between control risk assessment and the fairness of financial statement.

RO3. To measure the relationship between detection risk assessment and the fairness of financial statement.

1.6 Significant of the Study:

The external auditors are required to obtain an understanding of the entity being audited and its environment, including internal control, and assess the risks of material misstatement of the financial statements, whether due to fraud or error. This includes an understanding of the entity's objectives, strategies and risks. Related actions may lead to material misstatements of the financial statements as well. (IAASB, 2008). An example of that was when the crisis that happened for Enron firm in the United States market and was followed by a shutdown auditing office is Arthur Anderson in the year 2001, (William Thomas, 2002).

There is a lack of studies in the Omani context. Therefore, this study will be helpful for auditors to carry out their tasks more effectively, which would enhance the fairness of financial statements.

The findings of this study will be useful for auditing offices, external auditors, and all financial statements users (stakeholders) in Oman.

1.7 Operation definitions:

Definitions of Audit Risk Assessment: The International Federation of Accountants in the standard number (400) defines the audit risk “as the risks that lead the auditor to render an opposite opinion when the financial statements are fundamentally wrong (IFAC,2007). As per Jerry R. Strawser, CPA, (1988) Audit risk defined as “the risk that the auditor may unknowingly fail to appropriately modify his opinion on financial statements that are materially misstated”. Moreover, the AU-C section 315,” Understanding the entity and its environment and assessing the risk of material misstatement” and the (AICPA, Professional standards) defined it as “an identified and assessed the risk of material misstatement that, in the auditors’ professional judgment, requires special audit consideration’.

According to Powers Resources Corporation (2006), the definition of Risk is “the probability that an event or action may adversely affect the organization or activity under audit. Risk is usually measured by the potential dollar or materiality of adverse exposure to the organization. Risk Assessment “is a systematic process for assessing and integrating professional judgments about probable adverse conditions and/ or events (Powers CIA Review part1, 2006). The risk assessment process should provide a means of organizing and integrating professional judgements for the development of the audit work schedule. According to the IAASB glossary of terms (1), audit risk is defined as follows: “The risk that the auditor expresses an inappropriate audit opinion when the financial statements are materially misstatement and detection risk” (ISA 315, 2009, p4). As per AICPA (1983), the audit risk consists of inherent risk, control risk, and detection risk. Therefore, “inherent risk means that under the condition without internal control, the possibility of serious misstatement in financial statements is present”. As per the Danubius University of Galati, Romania (2018) “Inherent risk consists in the possibility of a significant error arising from the particularities of the company, the nature of the accounts or the transactions carried out”.

Control risk is the “probability that a significant individual or cumulative distortion that might occur in an assertion not being prevented, detected and corrected in due time by the internal control” (Bedard, Graham, 2002, pp. 39–56). The “Audit risk” means the risk that the auditor gives an inappropriate audit opinion when the financial statements are materially misstated (ISA 315).

The auditor has no control over the inherent risks and control risks, but they must be assessed, and the risks considered to determine the size and nature of audit tests, which are important to provide a confidence level of at least 95% that the information in the financial statements is accurate (Messier, Austen, 2000, p. 119).

As per (Danubius University of Galati, Romania, 2018) “Detection risk means the uncertainty generated by the fact that the auditor's procedures will not detect a significant (individual or cumulative) misstatement that exists in a financial statement’s assertion”.

Some factors have an influence on the assessment of detection risk; for example, audit planning in an inappropriate way, misconception for evaluation of the finding of inherent and control risk, using the random procedures and the selection of unrepresented samples. (Danubius University of Galati, Romania, 2018).

Wustemann (2004) considered that the factors influencing inherent risk are (1) asset flow; (2) the assessment method established according to accounting assumption; (3) general economic situation; and (4) technical development. According to Bedard and Graham (2002), Control

risk means that the internal control of the auditee could not immediately prevent or detect the risk of serious errors. Also consider that the following factors would influence the assessment of control risk: (1) the organizations and staff of the accounting department of auditees; (2) the internal conditions of auditees, which were beneficial for detecting or preventing fraudulence; (3) safety of EDP system; and (4) management information for detecting corporate activities. “Detection risk means that the audit personnel’s test could not detect the serious misstatement in the financial statements.” Chih-Fong (2007). The factors affecting detection risk assessment are (1) selecting an improper audit process; (2) error execution; (3) misunderstanding the audit results; (4) the adoption of random inspection. Bedard and Graham (2002).

Risks inherent when an auditor reviews financial transactions errors or frauds can be normal and inherent, but it is difficult to suspect errors or fraud unless proven. Therefore, auditors should consider the risks of material misstatement of the financial statements that increase errors and fraud in the stages of audit procedures, namely: a) planning audit procedures, b) when performing the audit, c) evaluating the result, d) in the fact-checking report. (Tandon, 2010).

As per the Auditing standards the responsibility of auditors is to identify fraud risk factors through the assessment of inherent risk, control risk and how they affect audit procedures in timing and nature. The financial statement might be misstated because of fraud or error. Also, auditors must find out the reasons or events that increase the occurrences of fraud. Auditing should discuss with the management and people who are responsible for governance in firm, which leads to identifying those events and conditions relating to frauds.

The fraud risk factor is not fixed every time or everywhere. It differs from firm to firm. When the fraud risk is high, the auditor needs to be very careful. so, the auditor chooses to make control risk at a level below high.

There are some examples of fraud risk factors like, a) some firms seeking illegal practices to reduce profits to avoid taxes. b) violation of law in a frequent way. c) periodically changing firm management & board members. d) lack of attention of management concerning the internal control. e) effects of financial stability when continuing to cash losses, lack of solvency position. f) fraud risk relating to assets misappropriation such as more cash on hand, no more control on instruments like cheques, less supervision and arranging for inventory including high value of materials, such as, jewelry and wealthy items. j) Nature of internal control like, not having accuracy in registration of daily book, h) uncorrected records of transactions and no segregation of duties. (Danubius University of Galati, Romania, 2018)

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter includes a review of different research papers that discussed the factors of Audit risk assessment and its effect on the fairness of the financial statements. It also presents the research variables and the relationship between the independent variables of risk Assessment, inherent risk, control risk and detection risk and the dependent variable of fairness of the financial statements.

2.2 Audit Risk Assessment

The auditing standards require that auditors evaluate and identify the risks, ensuring that the overall risk level is very low (for example 0.05). After that, auditors must evaluate the inherent risks of the client's accounts and transactions. The client's understanding and evaluation of the control risks come in two phases. The first comes before performing the tests and evaluating the controls and the second is after implementing the results of the tests. Then the detection risks are evaluated by referring to the control risks to determine the acceptable level and try to reach the best level of risk assessment (Stephen W. Wheeler, 2000)

2.2.1 Auditing Function and procedure

Looking at the study (Al-Adawi, 2018), titled “The impact of the Internal Control System on the Efficiency of the Review with Statistical Samples” the study problem was the inability of the internal control system to help in deciding auditing with statistical samples. The study's descriptive and historical methodology were used to analyze the data of previous studies, and the deductive method was used to formulate the hypotheses. The study concluded that the existence of a good accounting system leads to the quality of auditing processes in samples. The study also proved that accounting control contributes to reducing fundamental errors in financial transactions. The study also found that failure to perform the inspection tests leads to writing a clean opinion despite the existence of fundamental misstatements in the financial statements.

The external auditors need to understand the accounting system of the client firm to master audit planning and develop effective ways to implement them, beside evaluating the internal control. When performing auditing procedures, the auditors must be making a professional

effort to assess the audit risks and design the procedure to reduce those risks to minimum levels (Al matarneh, 2011).

The Generally Accepted Auditing Standards (GAAS) require the auditor to consider audit risks and must determine materiality at the level of the financial statements taken to identify and assess the risks of material misstatement and evaluate whether the financial statements are taken as a whole fairly presented, in all material respects, including it conforms to Generally Accepted Accounting Principles (GAAP), in the account balance, class of transactions, related assertion, or level of disclosure. (SAS:47,2006).

2.2.2 Audit Risk Components

According to (Florentin-Emil Tanasa, 2018) the procedures to assess audit risks should be coherent, continuous, and complex. They should have specific steps starting with the first stage of collecting the client's preliminary information until the opinion is issued on the position of the financial statements. ISA 315 has determined that the audit risk assessment approach begins first with risk assessment and then the second step is to identify risks and their impact on the financial position. The term "business risk approach" can also be used within the audit risk assessment procedure, including an operational risk assessment of the company, after which the audit procedures are planned.

In the study carried out by El-Khathary Abdel-Jalil, (2018), the research problem was the impact of the audit risks on the quality of the external audit in the Algerian environment. It included some sub-questions, such as the nature and components of the risks involved in the audit process. The data extracted from the questionnaires that were designed for the study were analyzed by using the statistical methods of the (SPSS) program. The study found that auditors in Algeria have assessed and controlled the audit risks, and that has an impact on the quality of audit procedures in the Algerian business environment. The study supported the importance of applying the risk-based audit approach as a strategy to improve the quality of the external audit. As per the (IFAC,2007), the audit risk includes three elements, which are Inherent risk, Control risk and Detection risk. The difference in auditors' perceptions of the oversight risks led to the fact that the oversight risk model is not applied uniformly by all auditing offices. Therefore, the auditors bear the risks when they provide opinions on the client's financial statements. Using the audit risk model to assess and monitor the audit risk led to reducing the risks to the minimum possible materiality.

The Risk definition as per the International Federation of Accountants in the standard number (400) “the audit risk is the risks that lead to the auditor to render unsuitable opinion when the financial statements are fundamentally wrong (IFAC, 2007). The existence of audit risks is recognized because, according to the nature of the audit evidence and the characteristics of fraud, the auditor can obtain reasonable, but not absolute, assurance about the existence of material errors that have been disclosed. Therefore, the definition of audit risks is “the risks that the auditor may be exposed to without his knowledge of failure to amend his opinion appropriately about the financial statements, which may be materially misstated”. (SAS:47,2006).

The study by Stephen W. Wheeler (2000), searched the correlation between the components of the audit risks and how the relative materiality factor differs between the accounts. It also studies the effects of the assessment of the inherent risks, and that the audit risks are not evaluated independently from others when planning the audit process, but it is difficult for all inputs to the audit risk assessment to be available to the auditor.

2.2.3 Inherent Risk

The definition of inherent risk is “the viability of the balance of a specific account or a range of transactions to be wrong fundamentally, individually or when aggregated with the wrong information in the balances of the accounts or in other communities, with the assumption of the absence of related internal controls’ (IFAC, 2007).

Arens et al (2005) claimed that some factors affect the professional judgment of accountants, including the audit work environment, the qualifications of audit personnel, audit evidence, the decision-making method and the quality characteristics specified for the audit procedures. Therefore, auditors must adhere to the procedures to determine the acceptable audit risks for all operations and specifying the inherent risks and control risks to take the necessary measures to reach the acceptable risk level of disclosure in the auditing process.

As pointed out by Naghi (2000), to assess the inherent risk within auditing procedure, the auditor uses professional judgment for key factors such as experience, the integrity of management and pressures on management, nature of company activity of a business, and account balances. The extent to which accounts enable error, degree complexity of operations and processes that are not subject to normal treatments.

Based on the argument of Woodliff & others (1993), the inherent risk of an entity can be affected by both external and internal influences. Examples of external factors are economic

and competitive conditions, changes in technology and changes in accounting practices common to the industry. Internal influences include the susceptibility of assets to loss or misappropriation, and the volume and complexity of the economic transactions.

2.2.4 Control Risk

Zaqoot (2016) found that the signals of financial statements' risk control enhance the effectiveness of the external audit in discovering financial fraud at the $\alpha 0.05$ level. The results of this study showed that there is a positive correlation (73.16%) between the red flag indicators and the effectiveness of external audits for the detection of financial fraud.

The International Standard (400) specify evaluation risks and internal control. It considers the initial assessment of control risks, which is a process of evaluating the effectiveness of the accounting system, internal control system for prevention, correction or detection the material errors and assessment of control risks at the level of each target for each financial transaction. It also happens when the auditor finds that the accounting system is not effective, and the internal control system is ineffective, in which case the assessment of control risks is at a high level (Al Matarneh,2011).

The definition of control risk is “the risk which occurs in the account balance or a range of transactions which could be material individually or when aggregated with the error information in the balances or other communities, which cannot be prevented or detected and corrected at the right time by the accounting system or internal control system” (IFAC, 2007).

2.2.5 Detection Risk

(Alssabagh,2016), tested the effect of quantitative measurement of the risks of material errors in improving the accuracy of the audit risk assessment. In addition to indicating the significance of the differences in the extent of material procedures resulting from two methods of measuring the risk of errors Intrinsic. The researcher followed a series of methodological steps to achieve the objective of the study. He developed a proposed framework for quantifying risks Fundamental errors, and then applied it to a sample of (151) accounts covering three sectors (industrial, commercial, and service) that one of the major audit firms in Syria audited during the years (2011-2013). The researcher measured the accuracy of the audit risk assessment using efficiency indicators. It also measured the effectiveness of the audit process. To illustrate the use of the audit risk model, the researcher used the following example:

If the auditor decides to accept (5%) as the audit risk percentage, and his assessment of the inherent risks and control risks were (50%) and (40%) respectively. The risk of detection will be: Planned Detection Risk (PDR) = $5\% \div (50\% \times 40\%) = 25\%$. This shows that the probability that the auditor fails to discover the material errors in the client's financial statements is equal to (25%).

The study reached a set of results, the most important of which is that the quantitative measurement of the risks of material errors affects improving the accuracy of the audit risk assessment. The study also demonstrated the feasibility of using the proposed framework to quantify the risks of intrinsic errors in improving the accuracy of audit risk assessment. Also, the application of the proposed framework to quantify the risks of material errors has improved the accuracy of the audit risk assessment for the company under study.

Detection risks is “the risk that audit evidence for a segment will fail to detect misstatements exceeding tolerable misstatement (Elder, et al, 2010). One of the reasons for the occurrence of detection risks is uncertainty in the method and means of auditing in procedures such as audit risk, which results when the auditor gives certain results based on the samples obtained and therefore the result will be different if the audit is for the whole community (Eilifsen, et al., 2006). Some studies divide the detection risks into:

- 1). Analytical audit risk, which is the risk resulting from the possibility that the analytical audit procedures will not be able to perform detecting physical anomalies.
- 2). Risks of basic tests, which are the risks resulting from the inability of detailed tests to detect physical anomalies.
- 3). In risk samples, the extent to which the reviewer can conclude when using the sample differs from the result that would be drawn if the entire population was examined.
- 4). Risks not related to samples, which are the risks associated with the capabilities and competence of the auditor when testing for vocabulary and evaluating and extracting results (Dhunaibat, 2006).

2.2.6 The audit risk model

Al-Shaheen's (2015) study titled “The Effect of Assessment of Audit Risk in Audit Quality” aimed to test the impact of the auditor's assessment of audit risks on audit quality in Syria throughout the use of the audit risk model referred to in Statement No. 47 of the CPA Americans in the year 1983. The researcher followed a series of methodological steps to achieve the goal of the study as an applied study. He collected data from (50) audit processes of (25) clients who

were subjected to an audit by one of the four major audit firms in Syria, between (2011) and (2012). The study found the following results: The auditor's assessment of audit risks has a fundamental impact on the quality of auditing in Syria, and both the risk of detection and the risk of material misstatements resulting from fraud have a fundamental impact on the quality of the audit. The impact of these two risks on the quality of the audit lies in the fact that they have an important role in determining the nature, timing and extent of audit procedures more directly than other audit risk components.

The study conducted by Peter et al., (2013) aimed to test the relationship between audit risk assessment and the discovery of fundamental errors in Nigeria's annual financial reports and to examine whether the audit risk assessment process and the use of estimated levels as evidence of the audit process have influenced the discovery of fundamental errors and achieved the goal of the element of this study. The study used 360 questionnaires distributed to 20 of an external audit firm in six Nigerian cities. Responses were then analyzed, and the assignments were tested using the multi-regression analysis method. The study found that the application of the audit risk model has an important role in detecting fundamental errors in the annual financial situation according to the study sample's point of view, and this role has been positive. The study concluded that the use of the audit risk model reduces financial reporting to substantial errors. It is argued that “the audit risk model is expressed as $AR = IR * CR * DR$, when audit risk refers to the risk that the auditees’ of financial statements could not reveal misstatement or fraudulence after their internal control activities and audit personnel’s detection” (Low 2004; Khurana and Raman 2004). In the audit risk model, the items of $(IR * CR)$ are sometimes called “auditee risk” or “occurrence risk”, since these two risks mean the risk that happens before the audit, and the misstatement has already existed in the financial statement. The auditors were unable to control these two risks. So, they should assess their levels of risk to determine the size of the audit test at the level of structured audit risk (Messier and Austen 2000).

2.3 Fairness of Financial Statements

As the separation between shareholders and management widens, it can be assumed that there is a potential conflict of interest between them in relation to the financial statements. Management, for example, wishes to provide results of their activities in the best light because it is always get evaluated by stakeholders especially shareholders based on financial statements. In other words, the information presented in the financial statements could be subject to bias by management because financial statements are one of the tools used to evaluate

management's performance. On the other hand, shareholders are interested in the financial information presented in financial statements that reflects the real financial position of the company, that is results of operations and the cash flows of the company. The role of the auditor as an independent party during the auditing process is to express an unbiased opinion about financial data presented in the financial statements to enhance the reliability of these data.

Ladhn, (2016) searched the relationship between the effectiveness of Auditing and the evaluation of Risk management regarding the Framework, and she found there is no definite relationship between internal audit and monitoring and following up risk assessment in the government sector.

Al Jbouri, (2016) studied the dependence of internal audit on risk assessment factors. The study contributed to enhancing the quality of professional performance and the recent understanding of internal auditing in conducting the risk administration which has become a useful tool to achieve continuous development of the quality of auditing services.

As per (Adebayo,2011) the study followed data collection from primary and secondary sources collected by distributing questionnaires to 100 companies, including telecom companies and banks in Nigeria. The collected data were analyzed using ratios and tables. This study concluded that the independence of the auditors led to the credibility of the financial statements and the taking of sound decisions and the extent of the importance of this independence in the credibility of the financial statements. In order to make a sound decision, the financial statements must be credible. The problem of the study dealt with the need to verify the credibility of the financial statements of companies in order to increase the confidence of users, what affects the behavior of investors, to verify the reason for the failure of companies and their relationship to independence.

Abdullatif (2010), tested the views of Jordanian auditors on how the business risk audit approach is applied in practice by Jordanian audit firms. The results of his study showed that the business risk approach has been generally adopted by the larger Jordanian audit firms to varying extents, especially those which are full members of an international audit firm network. However, audit clients in Jordan face too many business risks, especially because of poor control systems, poor corporate governance structures, and unclear or non-existent corporate strategies and objectives. These risks must be addressed by the business risk approach under very low audit fees. Such factors have led to the business risk approach not being applied in the way of large international audit firms.

According to (Jarbou, 2007), the auditor must ensure that the material risk that existed in the financial statement it's free of errors, fraud, and illegal transactions. The external auditor's main

responsibility regards the detection risk, while the responsibility of inherent risk and control risk is on the management.

Martinis (2005), investigated the impact of the audit risk assessment on the auditing process, as the contribution and level of the external auditor, the change in the values of the risk that affect the productivity of the audit process and its fees, and the study include: both the auditing risk, the inherent risk, control risk, and other risks related to the quality of the financial statements. This study was conducted in Singapore, where a range of audit edits was used in audit offices and companies and found that the inherent risks, the control risk, the risk management and the quality of the reports were used to affect the audit process's outputs and effectiveness.

The study by MacLulich (2001) claimed that the financial statements are considered to be correct if they are prepared based on books of accounts kept in accordance with the obligatory provisions of the law and generally accepted accounting principles, and true if the information disclosed in the financial statements presents the entity's results from economic operations and its asset and financial situation for the reporting period in a manner consistent with substantive truth (Audit Act 1991, Art. 3(2)).

Audit independence is defined as an auditor' "unbiased mental attitude in making decisions throughout the audit and financial reporting" (Bartlett, 1993). The study concluded that the independence of the auditor affects the credibility and reliability of the financial statements and reduces the manipulation of the financial statements. Audit quality is defined as the probability that an auditor will both discover and truthfully report material errors, misrepresentations, or omissions in the client's material financial statement (Deangelo, 1981). There is also a relationship that affects the independence of the auditor when providing non-audit services. The study recommended the necessity of the rotation of audit offices to improve the independence of auditors and work on peer auditing. The counterparts, in order to ensure that the audit is conducted with the utmost professionalism, auditors should not be allowed to provide the audit client with any other consulting services. It is therefore expected that, when implementing these recommendations, it assists the auditor to be independent and provide professional and fair services to the financial statements.

2.4 Conceptual framework:

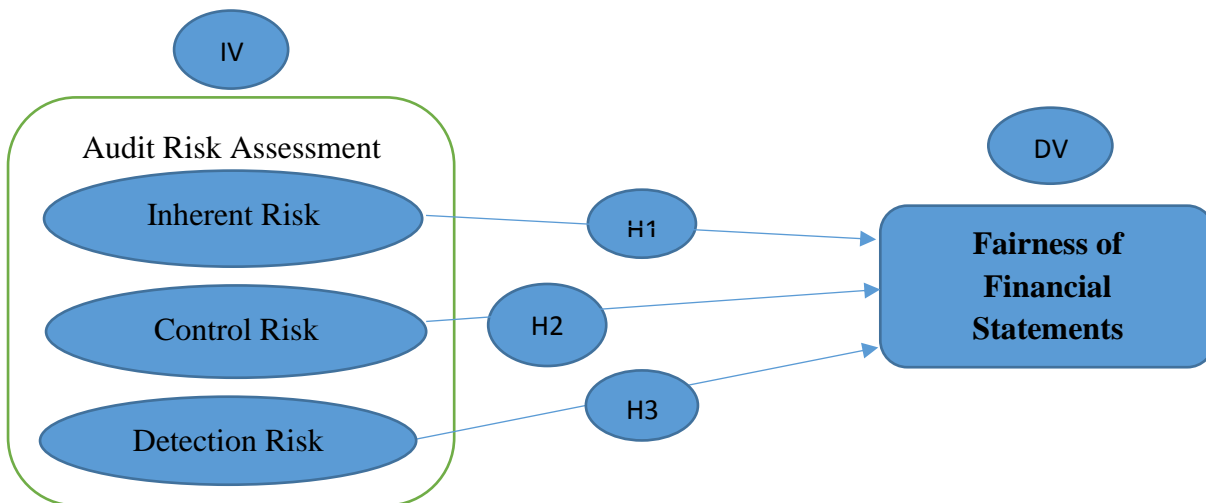


Figure (1): Theoretical framework

2.5 Research Hypotheses:

H1: There is a positive relationship between inherent risk assessment and the fairness of financial statement.

H2: There is a positive relationship between control risk assessment and the fairness of financial statement.

H3: There is a positive relationship between detection risk assessment and the fairness of financial statement.

2.6 Summary of literature review:

Based on the review of the previous literatures and studies, it is clear that they agree with and support the methodology and hypotheses of the study. Most of the previous studies focused on audit risks, as some of them dealt with all audit risks and others studied only one or two types of risks, and their collection emphasized the importance of audit risk assessment. However, the study problem for this research was not specifically studied in previous research as the study focused on the reality of auditing and risk assessment in public shareholding firms in the Sultanate of Oman. Therefore, the subject of the study will contribute positively to audit procedures and to auditors in the Sultanate of Oman. Applying this study will contribute to minimize the gap in audit risks assessment between this study and previous studies.

CHAPTER THREE: METHODOLOGY

3.1 Methodology

This chapter will highlight the methodology that will be used in conducting this proposed research, which is a quantitative method for collecting primary data using a questionnaire. It will briefly discuss the research design, data collection tools, research design, measurement of a study and finally, the population and sample of the research.

3.2 Methodology Overview

This chapter will explore the method of data collection and study design used to answer the research questions. Research methodology is a decision-making process, where each decision process influences the other, (Rahi, 2017).

3.3 Research Strategy

The Studies and scientific research are divided into two types: basic and applied research (Rahi, 2017). The applied research focuses on real-life problems to deal with and assist the decision maker in making the appropriate decision. Whereas, basic research is non-specific research, which aims to expand knowledge to verify a particular theory or discover more specific topics. Based on what was mentioned previously, this study is considered basic research, as it examines the impact of audit risk assessment on the fairness of the financial statements.

Therefore, this study follows the deductive approach by defining the problem statement, developing the hypothesis, defining metrics, collecting data, and analyzing the data for making a conclusion based on the findings.

3.4 Research design

Research design is defined as “a blueprint for the collection, measurement, and analysis of data, based on the research questions of the study”. (Sekaran and Bougie 2013, p.95). Based on this definition, the research design is intended to provide an appropriate framework for this study. The general objective of this research was determined by looking at the research questions and data, and then the research strategy. Community sample and data sets were formulated to understand the factors related to the assessment of audit risks and their impact on the financial statements and to study the relationship between research variables. The study follows the type

of exploration, as it looks at the impact of audit risk assessment on the fairness of the financial statements.

3.5 Data Collection

To collect data using a different process of gathering data and measuring the research variables that help in answering research questions and hypotheses and evaluating the outcome. This study is basic research and will use quantitative data through distributing questionnaires to external auditors. In order to achieve the study objectives, a quantitative research approach is appropriate. Thus, the study used questionnaire method to collect data from external auditors and investors or stockholders of financial statements.

3.6 Study population & sample

This study was applied to the population of auditors in external audit offices approved by the Capital Market Authority, which is responsible for auditing the accounts of companies' registered Muscat securities market in the Sultanate of Oman. The study targeted a sample of 250 external auditors, and 162 responses were received, representing 65% of the total questionnaires that were distributed, which is considered a good response rate. The study applied random sampling method.

3.7 Questionnaire Procedures and Design

The researcher adopted the survey method (questionnaire) to conduct this study, as it helps in testing the research objective theories by investigating the relationship between the measured variables using tools and a specific procedure for analyzing statistical data. The researcher developed a self-administered questionnaire for the study. The validity of the questionnaire was tested by 3 specialists, 3 academics and 1 user of financial statements in the first stage, and the comments received from them were considered.

As for the pilot study phase, the questionnaire was submitted to 35 auditors working in audit offices that examine the works of corporations to verify their validity and reliability. The questionnaire was also distributed to investors and beneficiaries of the financial statements of corporations in the Sultanate of Oman to collect data.

3.8 Variables Measurement

According to Rahi(2017), the Likert five scale rate is used to measure the participant's agreement with the given questions under each variable. A 5-Point Likert Scale Measurements (1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, 5=Strongly Agree) has been used for all variables in the study. The study has four main variables: Inherent risk, Control risk, detection risk and Fairness of financial statements.

3.8.1 Inherent Risk

The definition of inherent risk is “the viability of the balance of a specific account or a range of transactions to be wrong fundamentally, individually or when aggregated with the wrong information in the balances of the accounts. (IAFC,2007). It’s an independent variable in this study, measured through 5 items, adapted by Al Matarneh, 2011, Al Yasry,2017 and Karsou, 2008. The external auditor is assessing the nature of the company work procedure when assessing the inherent risk, The Auditors are assessing unusual and complex transactions, especially at or near the end of the period in the Corporation, The inherent risk increase for accounts with estimated value compared to the one with actual value, The inherent risk is mostly not controlled by external auditors, but by those can estimate the degree of risk and try to reduce it, and When inherent risk is high, acceptable detection risks are low to reduce risk to the lowest acceptable level.

3.8.2 Control Risk

The definition of control risk is “The risk that occur in the account balance or a range of transactions which could be material individually or when aggregated with the error information in the balances or other communities, which cannot be prevented or detected and corrected at the right time by the accounting system or internal control system” (IFAC, 2007). It’s an independent variable in this study, measured through 4 items, adopted by Al Matarneh, 2011, Samer Dawara, 2014 and Al Yasry,2017. The control test is performed to ensure the ability of control systems to prevent errors and correct them, The External Auditors are assessing control risks at a high level for some or all of the assurances when the accounting system and internal control system are ineffective, External Auditors are mostly assessing the effectiveness of accounting system to assess the control risk and The external auditors mostly rely on the internal control system of the company to reduce the risk of errors.

3.8.3 Detection Risk

The definition of detection risk is “the risk that audit evidence for a segment will fail to detect misstatements exceeding tolerable misstatement (Elder, et al, 2010). It’s an independent variable in this study, which has been measured through 4 items, adopted by Karsou, 2008, Al Matarneh, 2011 and Al Yasry,2017. The amount of evidence to be obtained by auditor is based on the Auditors assessment of inherent and control risk, Detection risks increase when there are fundamental deviations in some budget items, and the audit procedures of external auditor are unable to discover them, The external auditors mostly accept high detection risk when there is a low inherent risk, while continuing to reduce audit risk to an acceptable level and The level of detection risk is directly related to the significant auditor's procedures.

3.8.4 Fairness of Financial Statements

The definition of fairness of financial statements is defined as “the probability that an auditor will both discover and truthfully report material errors, misrepresentation, or omissions in the client's material financial statement” (Deangelo, 1981). it’s a dependent variable that has been measured by 4 items, adopted by Karsou, 2008. The users of financial statement rely on the audit reports carried out by an Independent auditor as an unmodified opinion usually ensures that fraud and illegal behaviours that may be present in the financial statement does not exist, The shareholders expect the auditor to detect the majority of the misstatements that may exist, as the Auditor obtains the highest level of assurance during the audit, The external audit increase the financial statements are free from material misstatements and errors and The external audit increases the confidence of the investor in the integrity of financial statements.

3.8 Pilot study

According to (Jairath, Hogerney, and Parsons, 2000), the experimental study is "a small sample, a quantitative study conducted as a prelude to a larger study or clinical trials, a pilot study with many purposes, such as developing and testing the adequacy of research tools, evaluating the feasibility of comprehensive research, designing and testing protocols for a more comprehensive study, developing and testing sampling and recruitment strategies, collecting preliminary data, obtaining information on the magnitude of the impact, and training research assistants (Connelly, 2008).

As for the pilot study phase, the questionnaire was submitted to 35 auditors working in audit offices that examine the works of corporations to verify their validity and reliability. The questionnaire also distributed to investors and beneficiaries of the financial statements of corporations in the Sultanate of Oman to collect data. The pilot study enabled the researcher to gather the responses to the questionnaire to improve the tool before the final distribution.

3.9 Reliability Analysis

Reliability analysis according to (Spiliotopoulou, 2009), is a step to check the correlation between items in the same variables. It also shows corresponds to whether the responses are consistent or not. Reliability is a serious flaw in the outcome measurement because it indicates errors in the measurements. The reliability of the measure according to (Sekaran & Bougie, 2016) is an indicator of stability and the consistency with which the tool measures the concept and helps to assess 'goodness'. Internal consistency measures are a common set of reviews with Alpha Cronbach being the most favorite.” Alpha Cronbach. It is commonly used when items contain multiple Likert questions in a questionnaire and are used to determine if the metric is reliable. (Ferketich, 1990)

This research used SPSS V26 to measure reliability. Next Table shows the research variables and the results of Cronbach's alpha test. The items of the variable Control Risk got the highest Cronbach's alpha value 0.816, which means that there is a high correlation between items. The items of the Inherent Risk got the lowest Cronbach's alpha value of 0.774. The Cronbach’s Alpha for 35 questionnaire items represents values between 0.774 and 0.816, indicating right internal consistency in the responses and good correlation between items and the range of Cronbach Alpha for all items is acceptable, and none of them was excluded.

Table 1: Cronbach’s Alpha for variables

NO	Variables	Items of No	Cronbach alpha
1	Inherent Risk	5	.774
2	Control Risk	4	.816
3	Detection Risk	4	.795
4	Fairness of Financial Statement	4	.804

3.10 Ethical Considerations

The ethical aspect of this research was taken into full consideration. All the information and collected data from the participants were strictly used for this research. Moreover, the participants were assured of confidentiality and anonymity of the information they would provide in order to encourage them to take part in the study, to avoid any possible harm to them, and to have open and honest responses from them. As far as the researcher is concerned, academic honesty and integrity were carried out throughout the work of the research so that truthful results and outcomes are achieved.

CHAPTER FOUR: DATA ANALYSIS AND FINDINGS

4.1 Introduction

This chapter discusses and analyzes the findings of the collected data from the distributed questionnaire. SPSS program was used to analyze the collected data and examine the relationships between independent variables which are the risk assessment, inherent risk, control risk and detection risk and the dependent variable of fairness of the financial statements. The distributed questionnaire was modified and tested for its validation and reliability. The questionnaire was distributed to external auditors who are working in audit firms and stockholders of financial statements in the Sultanate of Oman through an electronic link via Google Forms and shared by various social media platforms. These completely responded questionnaires were analyzed through the SPSS program. This chapter presents the normality, reliability and hypothesis tests. The summary of the hypothesis findings is presented at the end of the chapter.

4.2 Descriptive analysis of demographical/ personal questions

This section represents an analysis of the demographic/ personal data of the respondents in this research, which includes gender, nationality, educational level, actual job position, and a number of years' experience.

4.3.1 Gender

The table below shows that the percentage of male respondents out of several samples is (89.5%), while the percentage of female respondents is (10.5%). That indicates the number of external auditors in these offices targeted the majority males.

Table 2: Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	145	89.5	89.5	89.5
	Female	17	10.2	10.5	100.0
	Total	162	100.0	100.0	

4.3.2 Level of education

The table below shows that most respondents hold a bachelor's degree, with a rate of (58%). secondly, MBA holders accounted for (27.8%), while respondents of chartered accountant and PHD holders are equal to (3.7%), which indicates most external auditors holding a bachelor degree, compared with those auditors holding a chartered accountant certificate.

Table 3: Level of education

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	PHD	6	3.7	3.7	3.7
	MBA	45	27.8	27.8	31.5
	Bachelor	94	58	58	89.5
	Chart. Acc	6	3.7	3.7	93.2
	Others	11	6.8	6.8	100
	Total	181	100.0	100.0	

4.3.4 Actual job position

The table below shows that most of the respondents have the position of supervisor which represents (33.3%). The position of partner/ manager represents (28.4%), while the position of auditors represents (22.8%), and finally, the least respondents have the position of senior auditors (15.4%). That indicates the most responding auditors are in high-level positions.

Table 4: Actual job position

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Partner/ Manager	46	28.4	28.4	28.4
	Supervisor	54	33.3	33.3	61.7
	Senior auditor	25	15.4	15.4	77.2
	Auditor	37	22.8	22.8	100
	Total	162	100.0	100.0	

4.3.5 Number of work experience

The table below shows that most respondents have work experience above 15 years (36.4%) of the total respondents, the respondents with work experience between 11-15 years are (32.1%). The respondents with work experience between 5-10 years are (22.2%), and lastly respondents with work experience less than 5 years are (9.3%). That indicates that most of the respondents have the experience for long years above 15 years, which increases the credibility and importance of the data.

Table 5: Number of years' experience

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 5 years	15	9.3	9.3	9.3
	Between 5-10 years	36	22.2	22.2	31.5
	Between 11-15 years	52	32.1	32.1	63.6
	Above 15 years	59	36.4	36.4	100.0
	Total	162	100.0	100.0	

4.4 Descriptive analysis

This section presents a descriptive analysis of the study variables identified in the conceptual framework that includes Inherent risk, Control risk and Detection risk as independent variables and fairness of financial statements as a dependent variable. These variables are measured on a five-point Likert scale (strongly agree = 5, agree = 4, neutral = 3, disagree = 2, strongly disagree = 1). When the study variables were linked to ordinal values and statistical tests were performed using the SPSS program, descriptive statistics were made by averaging the variables in addition to the mean between the different variables. The table below shows the mean average score for each category on the Likert scale.

Table 6: Five Likert scale gap width

Categories	Mean Average
Strongly Agree	4.21-5.00
Agree	3.40-4.20
Neutral	2.61-3.40
Disagree	1.81-2.60
Strongly Disagree	1.00-1.80

4.4.1 Descriptive Statistics of Inherent Risk

The table below shows the mean and standard deviation of inherent risk. Five elements were questioned to analyze the variable of inherent risk and a total of 160 responses were received. The mean of the five items of inherent risk is (3.896) (corresponding values of agree, i.e. between 3.40-4.20), with an average standard deviation of 1.080, which indicates that the assessment of inherent risk is within the auditing procedure.

Table 7: Descriptive Statistics of Inherent Risk

	N	Minimum	Maximum	Mean	Std. Deviation
The external auditor is assessing the nature of the company operation procedure when assessing the inherent risk.	160	1	5	4.19	.966
The Auditors are generally assessing unusual and complex transactions near the end of the reporting period.	160	1	5	3.84	1.108
Inherent risk is high for accounts balances which are based on estimated value compared to the actual value.	160	1	5	3.93	1.061
The inherent risk is mostly not controlled by external auditors, but by those can estimate the degree of risk and try to reduce it.	160	1	5	3.89	1.127
When inherent risk is high, acceptable detection risks are low for the purpose of reducing risk to the lowest acceptable level.	160	1	5	3.63	1.136
Valid N (list wise)	160			3.896	1.080

4.4.2 Descriptive Statistics of Control Risk

The table below shows the average control risk and the standard deviation of the analysis of the importance of assessing the control risk, by analyzing 160 responses. The mean of the four items of the assessment of control risk is 4.035 (corresponding values of agree, i.e. between 3.40-4.20) with an average standard deviation of 1.012, which indicates that control risk affects fairness of financial statements.

Table 8: Descriptive Statistics of Control Risk

	N	Minimum	Maximum	Mean	Std. Deviation
The control test is performed to ensure the ability of control systems to prevent errors and correcting them.	160	1	5	4.20	.923
The External Auditors are assessing control risks at a high level for some or all of the assurances when the accounting system and internal control system are ineffective.	160	1	5	3.91	1.092
External Auditors are mostly assessing the effectiveness of accounting system for the purpose of assessing the control risk.	160	1	5	4.14	.935
The external auditors mostly rely on the internal control system of the company to reduce the risk of errors.	160	1	5	3.89	1.097
Valid N (list wise)	160			4.035	1.012

4.4.3 Descriptive importance of Detection Risk

The table below shows the mean and standard deviation of the detection risk assessment for the assessment of the detection risk variable, as 160 responses were received. The mean of the four items of detection risk is 3.905 and (corresponding values of agree, i.e. between 3.40-4.20) also an average standard deviation of 1, which indicates that assessment of detection risk has responded a lot of external auditors.

Table 9: Descriptive Statistics of Detection Risk

	N	Minimum	Maximum	Mean	Std. Deviation
The amount of evidence to be obtained by auditor is based on the Auditors assessment of inherent and control risk.	160	1	5	4.02	.928
Detection risks increase when there are fundamental deviations in some budget items, and the audit procedures of external auditor are unable to discover them.	160	1	5	3.86	1.051
The level of detection risk is directly related to the significant auditor's procedures.	160	1	5	3.88	1.042
The external auditors mostly accept high detection risk when there is low inherent risk, while continuing to reduce audit risk to an acceptable level.	160	1	5	3.86	.977
Valid N (list wise)	160	1	5	3.905	1

4.4.4 Descriptive Statistics of Fairness of Financial Statements

The mean and standard deviation of the fairness of the financial statements are shown in the table below to analyze the effectiveness of the audit risk assessment on the fairness of the financial statements, through analyzing the 160 responses that were received. The mean of the four items of fairness of financial statements is 4.058 (corresponding values of agree, i.e. between 3.40-4.20) with an average standard deviation of .973, which indicates that there is a significant effect of audit risk assessment on the fairness of financial statements.

Table 10: Descriptive Statistics of Fairness of Financial Statements

	N	Minimum	Maximum	Mean	Std. Deviation
The users of financial statement rely on the audit reports carried out by an Independent auditor as an unmodified opinion usually ensures that fraud and illegal behaviors that may be present in the financial statement does not exist.	160	1	5	3.95	1.002
The shareholders expect the auditor to detect majority of the misstatements that may exist, as the Auditor obtains the highest level of assurance during the audit.	160	1	5	3.93	1.067
The external audit enhances the insurance that the financial statements are free from material misstatements and errors.	160	1	5	3.96	.977
The external audit enhances the investor confidence in integrity of financial statements.	160	1	5	4.39	.847
Valid N (list wise)	160	1	5	4.058	.973

4.6 Discriminate Validity

In the components of the correlation matrix that are observed in the table below, the Pearson correlation of all variables is significant, the value is around (1%) indicating that the discriminative validity of these variables has been established.

Table 11: Factor Correlation Matrix

		IR variable	CR variable	DR variable	FS variable
IR variable	Pearson Correlation	1	.504**	.519**	.515**
	Sig. (2-tailed)		.000	.000	.000
	N	160	160	160	160
CR variable	Pearson Correlation	.504**	1	.632**	.681**
	Sig. (2-tailed)	.000		.000	.000
	N	160	160	160	160
DR variable	Pearson Correlation	.519**	.632**	1	.627**
	Sig. (2-tailed)	.000	.000		.000
	N	160	160	160	160
FS variable	Pearson Correlation	.515**	.681**	.627**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	160	160	160	160

** . Correlation is significant at the 0.01 level (2-tailed).

4.7 Normality Test

The most common statistical method of testing for normality is the Shapiro-Wilk test and the Kolmogorov-Smirnov test. The Shapiro-Wilk test shows the secondary data sets (eg, $n < 0.05$), while the Kolmogorov-Smirnov test shows the total samples (> 100) as the table and graph below show the mode test results, (Hanafi and Fadilah, 2017). Whereas, after analyzing the data, it was found that the sig value for all variables is less than 0.05, which indicates that the data are normally distributed within the required sample.

Table 12: Tests of Normality

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	df	Sig.
IR variable	.139	160	.000	.934	160	.000
CR variable	.078	160	.019	.948	160	.000
DR variable	.095	160	.001	.948	160	.000
FS variable	.107	160	.000	.932	160	.000

a. Lilliefors Significance Correction

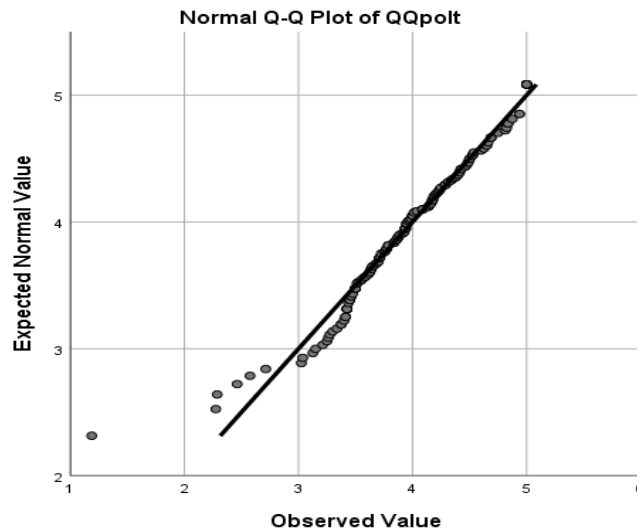


Figure (2): Normality Test

4.8 Reliability Test

Table 14 shows the reliability of the study variables. The reliability of variables has been measured through Cronbach's alpha value. Depending on the results of the analysis that was conducted through the SPSS program, the variables had a Cronbach value above 70%, indicating the reliability of all variables represented by the 160 responses.

Table 13: Reliability Test

NO	Variables	Items of No	Cronbach alpha
I	Inherent Risk	5	.757
2	Control Risk	4	.742
3	Detection Risk	4	.750
4	Fairness of Financial Statement	4	.755

4.9 Hypotheses Testing

After testing for normality and reliability, the data were further analyzed using a regression technique, (2018, Uma). The purpose of the hypothesis testing process was to determine the possibility of rejecting the null hypothesis (H_0) to support the alternative hypothesis (H_1). According to the tests ,of the selected sample from the population through the statistical analysis using the (SPSS) program.

4.9.1 Model Summary

The table below displays the value of R, and R. the square of the adjusted R and the standard error of the estimate showing the fit of the regression model with the input data. It is clear that the value of R is the overall effect of the model is (73.8%), which indicates a close correlation between the variables. The value of R. Square's relative variance is (54.5%) which also indicates the correlation of the independent variables with the dependent variable. In addition, the adjusted R-square value of the general model is (53.6%) indicating the impact of the audit risk assessment on the fairness of the financial statements.

Table 14: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.738 ^a	.545	.536	.50477
a. Predictors: (Constant), DR variable, IR variable, CR variable				

4.9.2 Anova

The ANOVA values have shown the statistical significance of independent variables regarding the dependent variables, $F(3, 156) = 62.301, p < .005$. Then, the value Sig indicates that the model in the table below is significant for further analysis as the value of Sig is less than 5%.

Table 15: ANOVA^a

Model	Sum of Squares	Df	Mean Square	F	Sig.	
1	Regression	47.621	3	15.874	62.301	.000 ^b
	Residual	39.748	156	.255		
	Total	87.369	159			
a. Dependent Variable: Fairness of Financial Statements variable						
b. Predictors: (Constant), DR variable, IR variable, CR variable						

4.9.3 Coefficients

The unstandardized coefficients show that the variance in the dependent variable is caused by the independent variables. This is according to the table below, where shows that the value of the (IR) is (.019), which is less than (5%). This indicates that there is a significant relationship between (IR) and fairness of financial statement. The value of (CR) and (DR) is (0.000), implying that there is a significant relationship between the independent variable and the dependent variable. Therefore, the value of the coefficient of all variables is accepted.

Table 16: Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1	(Constant)	.636	.255		2.493	.014
	IR variable	.145	.061	.156	2.379	.019
	CR variable	.451	.076	.428	5.923	.000
	DR variable	.270	.072	.276	3.780	.000
a. Dependent Variable: FS variable						

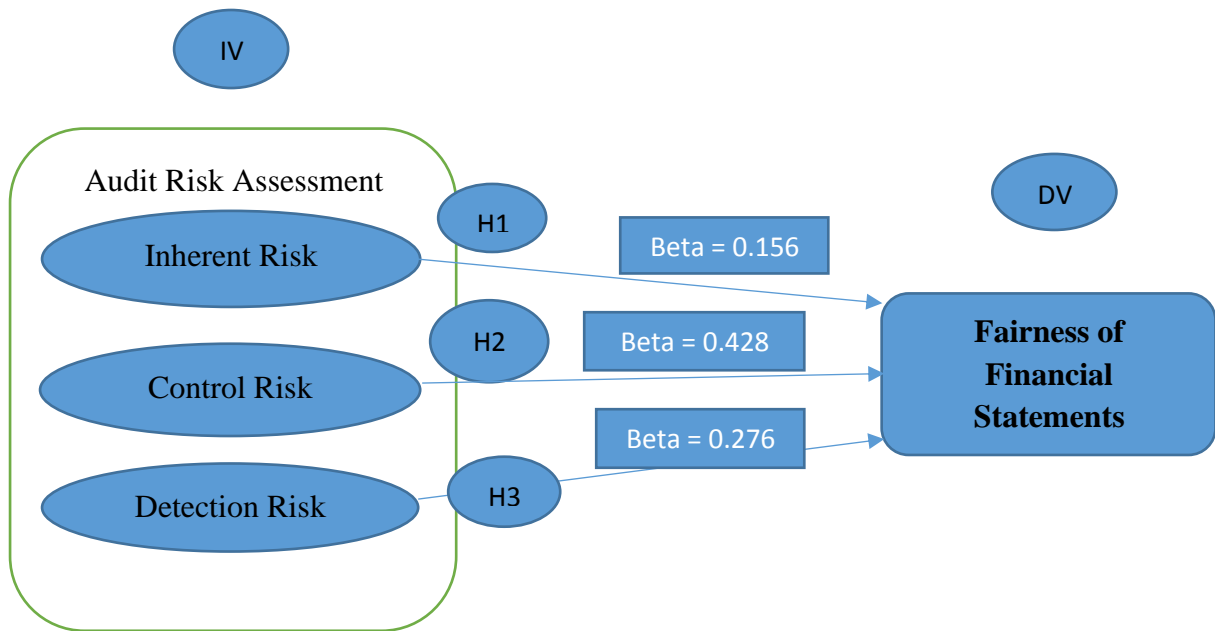


Figure (3): conceptual framework (Coefficients)

The beta values for assessing inherent risks are (0.156), control risk (0.428), and detection risk (0.276).

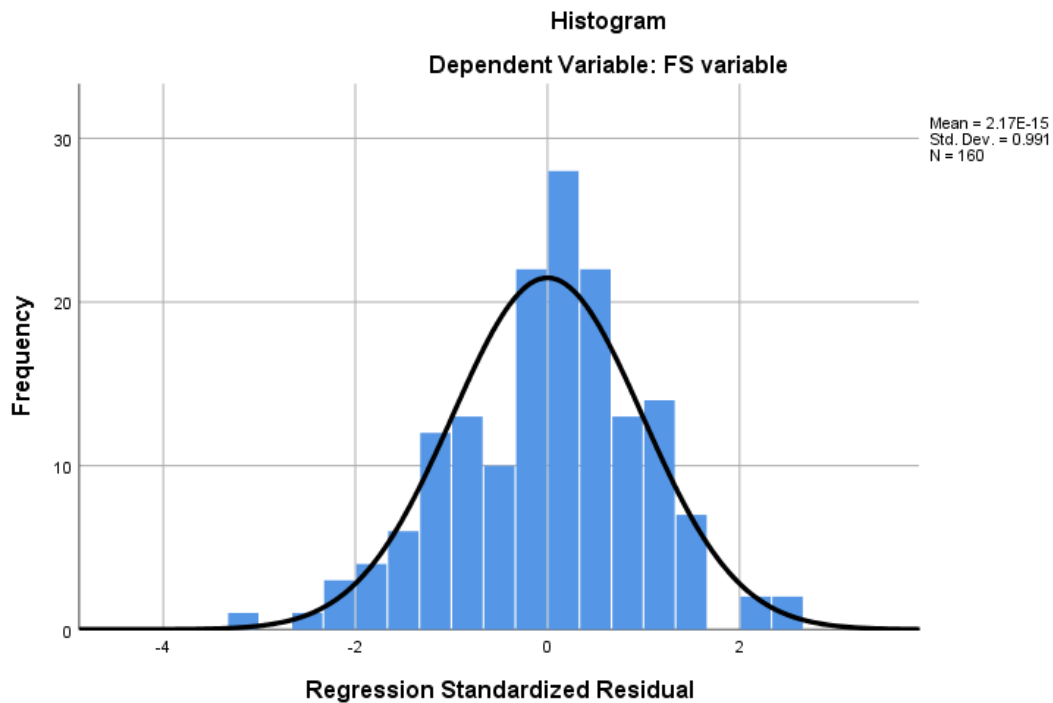


Figure (4): Coefficients a

In addition to this, the graphical methods of the histogram of in given figure 4 confirmed the regression test.

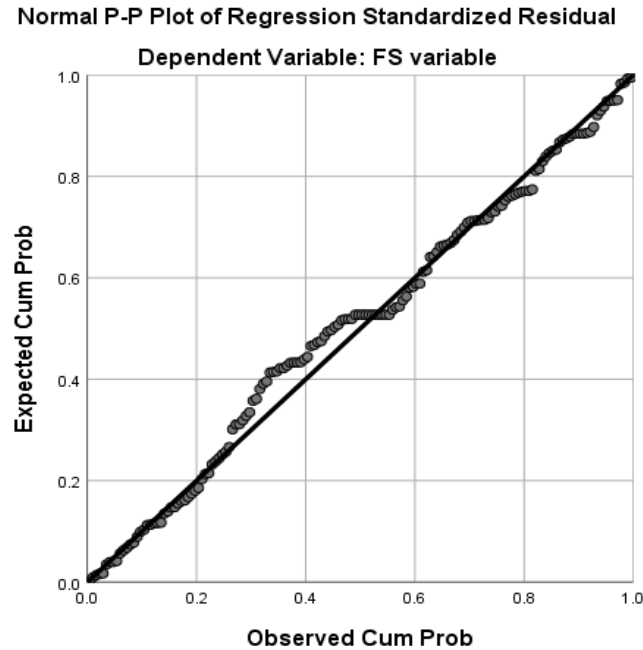


Figure (5): P-P Plot

Moreover, the graphical method of P-P plots of above in figure 5 confirms the regression test.

H1: There is a positive relationship between inherent risk assessment and the fairness of financial statement.

This study concluded that there is a positive relationship between inherent risk and the fairness of the financial statements, where the coefficient (sig) is less than 5%. Therefore, there is a significant relationship between the assessment of inherent risk and the fairness of the financial statements. Based on the prior studies, there was positive relation and effect between the assessment of inherent risk and the fairness/ quality of financial statements, as per Gray & others (1993). When auditors consider the factor of inherent risk that affected their assessment of inherent risk on the financial statement. As per Robert D & others (2006), inherent risk is the possibility that there will be material misstatement in the accounts without considering the client's internal control, sometimes, combined with control risk into one risk factor.

According to Martinis (2005), who investigated the impact of the audit risk assessment on the auditing process, the study may include: the auditing risk, the inherent risk, control risk, and other risks related to the quality of the financial statements. Zaqoot (2016) Found that the signals of financial statements' risk control enhance the effectiveness of the external audit in discovering financial fraud at $\alpha 0.05$ level. (Low 2004; Khurana and Raman 2004) “the audit risk model is expressed as $AR = IR * CR * DR$. When audit risk refers to the risk that the auditees’

of financial statements could not reveal misstatement or fraudulence after their internal control activities and audit personnel's detection". In the audit risk model, the items of (IR *CR) are sometimes called "auditee risk" or "occurrence risk" since these two risks both refer to the misstatement has already existed in the financial statement. Finally, most of the studies mentioned in this research have depended on investigating the link and significant relationship between audit risk assessment and fairness/ quality of financial statements which required more attention, care and effort of auditors regarding the assessments of audit risk in the auditing process.

H2: There is a positive relationship between control risk assessment and the fairness of financial statement.

As the result shows, there is a significant relationship between control risk and the fairness of the financial statements, which showed that the correlation coefficient was less than 5%. Therefore, the study confirmed that external auditors in Oman mostly are committed to the assessment of control risk when performing the auditing procedures. The control risk assessment is defined as the auditor's expectation of the ability of the internal control system to prevent errors, the intrinsic nature of the occurrence in the first place, or its ability to discover those errors and correct them if they occur. (Arens et al., 2012, p320)

H3: There is a positive relationship between detection risk assessment and the fairness of financial statement.

Through the analysis of the data, it was found that there is a correlation between the assessments of detection risk on the fairness of the financial statements. As it is noted that the correlation coefficient of all variables is less than 5%. Accordingly, the study proved that the auditor should conduct a risk assessment while performing the audit procedures to reach fair financial statements free from any misrepresentations or fundamental errors. Therefore, the external auditor is primarily concerned with detection risks, while control and inherent risk are the responsibility of management. Detection risk is the risk that audit evidence fails to detect errors that exceed acceptable errors in a given set of data. (Arens et al., 2012, p 261)

4.10 Summary of the Findings

The table below shows the summary of the results from the data collected after being analyzed in the SPSS program, based on which the hypotheses of the study were tested.

Table 17: Summary of the Findings

Research Hypotheses	Significance of the test	Remark
H1: There is a positive relationship between inherent risk assessment and fairness of financial statements.	There is a positive relationship between inherent risk assessment and fairness of financial statement.	The null hypothesis is rejected, whereas is H1 hypothesis is accepted, as there is a positive relationship between the two variables.
H2: There is a positive relationship between control risk assessment and fairness of financial statements.	There is a positive relationship between control risk assessment and fairness of financial statement.	The null hypothesis is rejected, whereas is H1 hypothesis is accepted, as there is a positive relationship between the two variables.
H3: There is a positive relationship between detection risk assessment and fairness of financial statements.	There is a positive relationship between detection risk assessment and fairness of financial statement.	The null hypothesis is rejected, whereas is H1 hypothesis is accepted, as there is a significant relationship between the two variables.

CHAPTER FIVE: CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

The external auditors present their reports to many people known as (stockholders). There are regulations and professional standards for all auditors to follow the external auditing procedures. The external auditors are required to obtain an understanding of the entity being audited and its environment, including internal control and the risks of material misstatement of the financial statements, whether due to fraud or error. This includes an understanding of the entity's objectives, strategies and risks. Related actions may lead to material misstatements of the financial statements as well. (IAASB, 2008).

The Sultanate of Oman has focused more on governance and transparency as it is one of the foundations of Oman's vision of 2040. Therefore, the commercial companies law No. (18/2019) regulates the procedures for preparing financial accounts, including the General Accepted Accounting Principles. The law Article No. 21 of Royal Decree No. 76/87 reported the law regulating the accounting and auditing profession being that auditors shall be responsible to the firm, the shareholders, and others for resulting damages from any fraud committed in the performance of their duties. In this study, the researcher has attempted to link the previous studies (literature reviews) with the results of the questionnaires analyzed by the (SPSS) program. The final results show significant and positive relationships between the independent variable (audit risk assessment) and the dependent variable (fairness of financial statements), which indicates high influences between the study variables.

The study has also found a significant relationship between assessment of audit risk within auditing procedure and reliability and fairness of financial statements. Furthermore, the study has shown the results concerning the role and attention of external auditors in Oman regarding the assessment of audit risk when practicing the auditing procedure, which leads to the reliability of external auditor reports in the Sultanate of Oman.

5.2 Recommendation

- This study recommended government institutions, auditing offices, and external auditors to pay more attention to the assessment of audit risk while performing the auditing procedures. The effect of this study focuses more on Oman to update and develop the rules and regulations of Accounting and Auditing law and instructions regarding the auditing of firms' financial statements, especially for firms listed as corporations.

- The study recommends extra care and attention of Capital Market Authority to create new regulations including manuals, checklists, matrices, and guidelines to apply when performing the auditing procedure.
- Finally, the researcher recommends the application of measuring tools to know the compliance of external auditors and auditing firms regarding assessments of auditing risk.

5.3 Study Limitation

The study faced several challenges, as this study measures the relationship between audit risk assessment and the fairness of the financial statements of public shareholding companies, and whether the external auditor in the Sultanate of Oman are committed to assess audit risks while performing audit work through the use of respondents' perceptions to reach objective measures that will increase the accuracy of the results of this study. This is done by conducting self-assessment of their practices related to external audit procedures. The most accurate measurement can be the actual practice of each of the external audit procedures. However, it will not have a significant impact on the results since this has been avoided by establishing various and varied standards that focus on the actual practice of external audit procedures. The researcher also faced the challenge of lack of responses to the questionnaire and you may notice a weakness in cooperation. This may be due to the fear of non-confidentiality of the data and the possibility of its dissemination even though it was emphasized in the introduction of the questionnaire that this data was intended strictly for scientific research purposes and would remain confidential. Another challenge is the coronavirus (COVID-19) pandemic. It posed a major and new challenge to deal with as it resulted in ongoing closures across the country. However, this challenge remains limited in its impact on the results; Where the data was collected using an electronic questionnaire, and all responses were received electronically using Google Forms.

5.4 Future Research

Through the results of the study, which show the relationship between assessing auditing risks and the fairness and quality of financial statements, this study shows the importance and need for future studies in this crucial area in Oman, especially with the world facing the Coronavirus (coved 19) and the transformation of many businesses and jobs to remote work as well as the application of technology in business. This study is integrated with studies in other countries to discuss the importance of the subject and the problem of the study and its hypotheses to know

if the problem of the study is a local or global problem. The results of this study can be integrated with other studies compatible with to help decision-makers start making improvements to the external audit procedures and risk assessment in line with the requirements of business in the future. An interesting topic is an investigation is how the assessment of control risks affects the audit functions in general (internal and external audits), in terms of the quality of services provided to clients. The study can also provide a vision for external auditors in terms of linking and cooperating with the internal auditor in companies in terms of cooperation and coordination regarding audit risk assessment, which will contribute and help achieve better efficiency in risk assessment. Also, future research can follow up on the results of this study and verify the results of this study. Then, compare the results of those studies to arrive at a scenario that can add great importance to the literature on evaluating auditing risks.

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Appendix 1 literature review

Types of risks	Authors Date/Year	Aim/ Objectives	Significance of the Paper	Research Hypotheses/ Underpinning theory	Methodology	Main Finding	Future Recommendations
	Klaus Ruhnke, and Martin Schmidt (2014)	Analyze whether Restrictions made Conducted by facility auditing Vary systematically Based on factors Inherent risks And control risks		Errors in Financial data: The relationship between factors Inherent risks And control risks And between modifications Audit		Audit adjustments vary Systematically based on factors Inherent risks and control risks; As suggested by Audit risk model	
	Ussam Turkey Al Shaheen (2015)	Impact risk assessment Check the quality Auditing (study Applied)	Impact test of auditor evaluation Accounts for audit risk In the quality of auditing in Syria			Affects the auditor's risk assessment Checking the quality of auditing in Syria Material impact	
	Dhu Al-Noon, Mohammed (2018)	Determine the essential role of data to play	The research aims to determine the essential role of the data it performs	The internal control system leads to The efficiency of the review process with	Descriptive inferential analysis of previous studies' data	The study concluded that there is a sound accounting system It leads to a quality review process in the statistical samples.	The need to qualify auditors scientifically and practically Organizing training courses for auditors

		<p>The internal control system contributes to an audit decision</p> <p>Statistical samples by clarifying the foundations, rules and methods by which they are made</p> <p>The control process is performed</p>	<p>The internal control system contributes to an audit decision</p> <p>Statistical samples by clarifying the foundations, rules and methods by which they are made</p> <p>Control The control is performed</p>	<p>statistical samples. internal</p> <p>The control system reduces the risk of statistical review</p> <p>Samples. The internal control system affects the effectiveness</p> <p>The process of checking the statistical sample.</p>	<p>Approach to formulating hypotheses, the historical approach to</p> <p>Review previous studies and topics related to the research topic</p> <p>Research to test hypotheses</p>	<p>The study confirmed that the scientific and practical experience of man The component that implements the internal control system helps in the success</p> <p>From this system.</p> <p>The study found that compliance with the regulations in dealing with it</p> <p>Disbursement and collection increase the quality of the review process</p>	<p>and their participation in them</p> <p>Scientific seminars and conferences commensurate with their importance in</p> <p>Improve your review level. The necessity of the commitment of the auditors</p> <p>Code of professional conduct and due diligence in implementing</p> <p>The audit process, to work on subjecting the facility to the rules,</p> <p>Regulations and laws governing the work of the facility.</p>
Control Risk	Zohreh Hajiha (2012)		<p>Determine which factors</p> <p>Affects the risks</p> <p>Audit as suggested</p> <p>Risk model</p>	<p>Delphi method application</p> <p>To determine the factors</p> <p>Influencing a model</p> <p>Audit risk</p>		<p>The study found that (43) an important factor affecting</p> <p>Risk assessment when using</p> <p>Audit risk model</p>	

			Audit				
	Majid Khalaf Mohammed (2013)	Standing on the extent of the obligation Jordanian Chartered Accountant In detecting errors Materiality and fraud in Financial statements according to standards International auditing	The extent of the obligation Accountants Jordanian jurists Auditing standards International in setting Error risks Materiality and Fraud: A field study			The remaining auditors For the profession in Jordan, they adhere to scrutiny Financial statements according to auditing standards Wen international is doing professional care Necessary to discover fundamental errors And fraud	
Detection Risk	Eze G. Peter, and Appah Ebimobowei 2013	Relationship test between Estimate audit risk And discover errors The material in the reports Annual financial in		Estimate audit risk And discover errors In the reports Annual: by application Over Nigeria		The application of the audit risk model It has an important role in spotting Fundamental errors in the reports Annual financial	

		Nigeria					
	Le Lou (2011)	Application range test Account auditors For professional standards at Practicing a profession Audit is focused Especially for how far to follow Auditors for a risk model Audit	Do you respond Programs the audit To risk auditing			Auditors generally do not make adjustments B Program their audit according to the risk of the audit Or customer size - When the assessed audit risk is high Auditors tend to use a standard Inferior functional in process performance Audit	
	David M. Piercey (2011)	Measuring the impact of an increase Documentation requirements Of the auditors Calculations while evaluating them	Documentation requirements And quantification Qualitative versus To assess the risk Audit			Documentation requirements can Lead to more indulgence Auditor judgments when assessing risks Audit qualitatively; Except that it is not her The same effect in the event of an evaluation	

		<p>The risk of quantitative auditing</p> <p>The nature of professional judgments</p> <p>Issued by them</p>				Quantitative auditing risk	
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Appendix 2 lists reviewer decisions

No	Factors	Questions	Reviewer decisions				Questions after modification	
			Academics			External auditors		
			1	2	3	4		5
1	Inherent Risk	The external auditor is assessing the nature of the company's work procedure when assessing the inherent risk. يقوم المدقق الخارجي بتقييم طبيعة إجراءات عمل الشركة عند تقييم المخاطر الملازمة	Accept	Accept	Inherent risk assessment includes the assessment of the nature of the company's work. تقييم طبيعة العمل للمؤسسة يعتبر جزءاً لا يتجزأ من تقييم التدقيق للمخاطر الملازمة.	The external auditor will assess the nature of the company's operating procedures when assessing the inherent risk	Accept	The external auditor is assessing the nature of the company operation procedure when assessing the inherent risk. يقوم المدقق الخارجي بتقييم طبيعة إجراءات عمل الشركة عند تقييم المخاطر الملازمة
2		The Auditors are assessing unusual and complex transactions especially in or near the end of the period in the Corporation. يقوم المدققون بتقييم المعاملات غير العادية والمعقدة خاصة في نهاية الفترة في المؤسسة	Accept	Accept		The Auditors generally assess unusual and complex transactions near the end of the reporting period	Accept	The Auditors generally assess unusual and complex transactions near the end of the reporting period. يقوم المدققون بتقييم المعاملات والاعراضات غير العادية والمعقدة في نهاية الفترة المحاسبية
3		The inherent risk increase for accounts with estimated value compared to the ones with actual value. ترتفع المخاطر الكامنة بالنسبة	Accept	Accept		Inherent risk is high for accounts balances which are based on	Accept	Inherent risk is high for accounts balances which are based on estimated value compared to the actual value. ترتفع المخاطر

No	Factors	Questions	Reviewer decisions						Questions after modification
			Academics			External auditors			
			1	2	3	4	5	6	
		للحسابات ذات القيمة المقدرة مقارنة بالمخاطر ذات القيمة الفعلية				estimates vs actual values.		الكامنة بالنسبة للحسابات ذات القيمة المقدرة مقارنة بالمخاطر للارصدة ذات القيمة الفعلية	
4		The inherent risk is mostly not controlled by external auditors, but by those can estimate the degree of risk and try to reduce it. لا يتم التحكم في المخاطر الكامنة في الغالب من قبل المدققين الخارجيين ، ولكن يمكنهم فقط تقدير درجة المخاطر ومحاولة تقليلها.	(Not clear)	Accept		Can the Auditor control inherent risk? What steps should the Auditor take to estimate the degree of Inherent risk?	Non-Accept	The inherent risk is mostly not controlled by external auditors, but by those can estimate the degree of risk and try to reduce it. لا يتم التحكم في المخاطر الكامنة في الغالب من قبل المدققين الخارجيين ، ولكن يمكنهم فقط تقدير درجة المخاطر ومحاولة تقليلها.	
5		When inherent risk is high, acceptable detection risks are low for the purpose of reducing risk to the lowest acceptable level. عندما تكون المخاطر الكامنة عالية ، تكون مخاطر الاكتشاف المقبولة منخفضة لغرض تقليل المخاطر إلى أدنى مستوى مقبول	(Reformulate)	Accept		When the inherent risk and control risk is high is reducing detection risk the best way to maintain audit risk at an acceptable level?	Accept	When inherent risk is high, acceptable detection risks are low for the purpose of reducing risk to the lowest acceptable level. عندما تكون المخاطر الكامنة عالية ، تكون مخاطر الاكتشاف المقبولة منخفضة لغرض تقليل المخاطر إلى أدنى مستوى مقبول	

No	Factors	Questions	Reviewer decisions						Questions after modification
			Academics			External auditors			
			1	2	3	4	5	6	
6		The control test is performed to ensure the ability of control systems to prevent errors and correcting them. يتم إجراء اختبار التحكم للتأكد من قدرة أنظمة التحكم على منع الأخطاء وتصحيحها	Accept	Accept		Test of controls is performed to ensure the system's ability to prevent and detect errors	Accept	The control test is performed to ensure the ability of control systems to prevent errors and correcting them. يتم إجراء اختبار التحكم للتأكد من قدرة أنظمة التحكم على منع الأخطاء وتصحيحها	
7	Control Risk	The External Auditors are assessing control risks at a high level for some or all of the assurances when the accounting system and internal control system are ineffective. يقوم المدققون الخارجيون بتقييم مخاطر الرقابة على مستوى عالٍ لبعض أو كل التأكيدات عندما يكون نظام المحاسبة ونظام الرقابة الداخلية غير فعالين	Accept	Accept		The External Auditors are assessing control risks at the highest level when the accounting system and internal control system are ineffective.	Accept	The External Auditors are assessing control risks at a high level for some or all of the assurances when the accounting system and internal control system are ineffective. يقوم المدققون الخارجيون بتقييم مخاطر الرقابة على مستوى عالٍ لبعض أو كل التأكيدات عندما يكون نظام المحاسبة ونظام الرقابة الداخلية غير فعالين	
8		External Auditors are mostly assessing the effectiveness of accounting system for the purpose of assessing the control risk. يقوم المدققون الخارجيون في الغالب بتقييم فعالية النظام المحاسبي بغرض تقييم مخاطر الرقابة	Accept	Accept	Accept	External Auditors assess the effectiveness of accounting system for the purpose of assessing the control risk	Non-Accept	External Auditors are mostly assessing the effectiveness of accounting system for the purpose of assessing the control risk. يقوم المدققون الخارجيون في الغالب بتقييم فعالية النظام المحاسبي بغرض تقييم مخاطر الرقابة	

No	Factors	Questions	Reviewer decisions						Questions after modification
			Academics			External auditors			
			1	2	3	4	5	6	
9		The external auditors mostly rely on the internal control system of the company to reduce the risk of errors. يعتمد المدققون الخارجيون في الغالب على نظام الرقابة الداخلية للشركة لتقليل مخاطر الأخطاء	(Reformulate)	Accept	Accept	The external auditors rely on the internal control systems of the company to reduce the risk of material misstatements.	Accept	The external auditors mostly rely on the internal control system of the company to reduce the risk of errors. يعتمد المدققون الخارجيون في الغالب على نظام الرقابة الداخلية للشركة لتقليل مخاطر الأخطاء	
10	Detection Risk	The auditors will help in obtaining the amount of evidence that is relevant to the degree of assessment of inherent risk and control risk in assessing detection risk. سيساعد المدققون في الحصول على كمية الأدلة المتعلقة بدرجة تقييم المخاطر الكامنة ومخاطر الرقابة في تقييم مخاطر الاكتشاف	Accept	Accept	Accept	The amount of evidence to be obtained by auditor is based on the Auditors assessment of inherent and control risk.	Accept	The amount of evidence to be obtained by auditor is based on the Auditors assessment of inherent and control risk. سيساعد المدققون في الحصول على كمية الأدلة المتعلقة بدرجة تقييم المخاطر الكامنة ومخاطر الرقابة في تقييم مخاطر الاكتشاف	
11		Detection risks increase when there are fundamental deviations in some budget items, and the external auditors are not able to discover them. تزداد مخاطر الاكتشاف عند وجود انحرافات جوهرية	Accept	Accept	Accept	Detection risks increases when there are fundamental deviations in some budget items and the audit procedures	Accept	Detection risks increase when there are fundamental deviations in some budget items, and the audit procedures of external auditor are unable to discover them. تزداد مخاطر الاكتشاف عند وجود انحرافات جوهرية في بعض بنود الميزانية ، ولا يستطيع المدققون الخارجيون اكتشافها	

No	Factors	Questions	Reviewer decisions						Questions after modification
			Academics			External auditors			
			1	2	3	4	5	6	
		في بعض بنود الميزانية ، ولا يستطيع المدققون الخارجيون اكتشافها				of external auditor are unable to discover them			
12		The external auditors mostly accept high detection risk when there is low inherent risk, while continuing to reduce audit risk to an acceptable level. يقبل المدققون الخارجيون في الغالب مخاطر الاكتشاف العالية عندما تكون هناك مخاطر متأصلة منخفضة ، مع الاستمرار في تقليل مخاطر التدقيق إلى مستوى مقبول	Accept	Accept	Accept	The external auditors will accept a high detection risk when the inherent risk is low while continuing to accept audit risk to an acceptable low level.	Accept	The external auditors mostly accept high detection risk when there is low inherent risk, while continuing to reduce audit risk to an acceptable level. يقبل المدققون الخارجيون في الغالب مخاطر الاكتشاف العالية عندما تكون المخاطر المتأصلة منخفضة ، مع الاستمرار في تقليل مخاطر التدقيق إلى مستوى مقبول	
13		The level of detection risk is directly related to the auditor's significant procedures. يرتبط مستوى مخاطر الاكتشاف بشكل مباشر بإجراءات المراجعين الهامة	مهارة المدقق	Accept	Accept	The level of detection risk is directly related to the significant auditor's procedures.	Accept	The level of detection risk is directly related to the significant auditor's procedures. يرتبط مستوى مخاطر الاكتشاف بشكل مباشر بإجراءات المراجعين الهامة	
14	Fairness Of Financial Statement	The users of financial statements rely on the audit reports by the audit carried out by the auditor to ensure that fraud and illegal behaviors that may be present in	Accept	Accept	Accept	The users of financial statement rely on the audit reports carried out by an	Accept	The users of financial statement rely on the audit reports carried out by an Independent auditor as an unmodified opinion usually ensures that fraud and illegal behaviors that may be present in	

No	Factors	Questions	Reviewer decisions						Questions after modification
			Academics			External auditors			
			1	2	3	4	5	6	
		<p>the financial statement are detected.</p> <p>يعتمد مستخدموا البيانات المالية على تقارير التدقيق التي يقوم بها المدقق للتأكد من اكتشاف الغش والسلوكيات غير القانونية التي قد تظهر في البيانات المالية</p>				Independent auditor as an unmodified opinion usually ensures that fraud and illegal behaviors that may be present in the financial statement does not exist.		<p>the financial statement does not exist.</p> <p>يعتمد مستخدموا البيانات المالية على تقارير التدقيق التي يقوم بها مدقق حسابات مستقل كراي غير معدل يضمن عادةً عدم وجود الاحتيال والسلوكيات غير القانونية التي قد تكون موجودة في البيانات المالية.</p>	
15		<p>The shareholders expect the auditor to detect most fraud and illegal behaviors that may be present in the financial statements. يتوقع المساهمون من المدقق اكتشاف معظم حالات الاحتيال والسلوك غير القانوني الذي قد يظهر في البيانات المالية</p>	Accept	Accept	Accept	The shareholders expect the auditor to detect majority of the misstatements that may exist, as the Auditor obtains the highest level of assurance during the audit.	Non-Accept	<p>The shareholders expect the auditor to detect majority of the misstatements that may exist, as the Auditor obtains the highest level of assurance during the audit. يتوقع المساهمون أن يكتشف المدقق غالبية التحريفات التي قد تكون موجودة ، حيث يحصل المدقق على أعلى مستوى من التأكيد أثناء المراجعة</p>	

No	Factors	Questions	Reviewer decisions						Questions after modification
			Academics			External auditors			
			1	2	3	4	5	6	
16		The external audit reduces the risk factor using the quality of the financial and accounting reports and their freedom from any errors. تقلل المراجعة الخارجية. عامل المخاطرة في جودة التقارير المالية والمحاسبية وخلوها من أي أخطاء جوهرية.	Accept	Accept	Accept	The external audit increase the financial statements are free from material misstatements and errors.	Accept	The external audit increase the financial statements are free from material misstatements and errors. المراجعة الخارجية تزيد من خلو البيانات المالية من الأخطاء الجوهرية والتحريرات.	
17		The external audit increases the confidence of the investor in integrity of financial statements. يزيد التدقيق الخارجي من ثقة المستثمر في سلامة القوائم المالية.	Accept	Accept	Accept	The external audit increases the confidence in the investors and users of financial statements.	Accept	The external audit increases the confidence of the investor in integrity of financial statements. يزيد التدقيق الخارجي من ثقة المستثمر في نزاهة القوائم المالية.	

Appendix 3 questionnaire

<p>In the following sections you are kindly invited to read well the alternative and then to check (<input checked="" type="checkbox"/>) the box that best represents your choice : (1) Strongly Agree, (2) Agree, (3) Neutral, (4) disagree and (5) Strongly disagree.</p>							<p>فيما يلي ، يرجى قراءة الخيارات المقدمة اليكم جيدا ثم وضع علامة (<input checked="" type="checkbox"/>) في الخانة المناسبة و الاختيار الأنسب لكم علما و ان : (1) موافق بشدة، (2) موافق ، (3) محايد ، (4) غير موافق و (5) غير موافق بشدة</p>
<p>Section 01- Assessment of Inherent Risk</p>		<p>الجزء الاول: تقييم المخاطر الملازمة (المتأصلة)</p>					
<p>Alternatives</p>	<p>1</p>	<p>2</p>	<p>3</p>	<p>4</p>	<p>5</p>	<p>الخيارات</p>	
<p>1. The external auditor is assessing the nature of the company operation procedure when assessing the inherent risk.</p>						<p>1. يقوم المدقق الخارجي بتقييم طبيعة إجراءات عمل الشركة عند تقييم المخاطر الملازمة.</p>	
<p>2. The Auditors generally assess unusual and complex transactions near the end of the reporting period.</p>						<p>2. يقوم المدققون بتقييم المعاملات والاجراءات غير العادية والمعقدة في نهاية الفترة المحاسبية.</p>	
<p>3. Inherent risk is high for accounts balances which are based on estimated value compared to the actual value.</p>						<p>3. ترتفع المخاطر الكامنة بالنسبة للحسابات ذات القيمة المقدرة مقارنة بالمخاطر للارصدة ذات القيمة الفعلية</p>	
<p>4. The inherent risk is mostly not controlled by external auditors, but by those can estimate the degree of risk and try to reduce it.</p>						<p>4. لا يتم التحكم في المخاطر الكامنة في الغالب من قبل المدققين الخارجيين، ولكن يمكنهم فقط تقدير درجة المخاطر ومحاولة تقليلها.</p>	
<p>5. When inherent risk is high, acceptable detection risks are low for the purpose of reducing risk to the lowest acceptable level.</p>						<p>5. عندما تكون المخاطر الكامنة عالية ، تكون مخاطر الاكتشاف المقبولة منخفضة لغرض تقليل المخاطر إلى أدنى مستوى مقبول.</p>	

- Assessment of Control Risk.2Section 0			الجزء الثاني: تقييم مخاطر الرقابة			
Alternatives	1	2	3	4	5	الخيارات
1. The control test is performed to ensure the ability of control systems to prevent errors and correcting them						1. يتم إجراء اختبار التحكم للتأكد من قدرة أنظمة التحكم على منع الأخطاء وتصحيحها.
2. The External Auditors are assessing control risks at a high level for some or all of the assurances when the accounting system and internal control system are ineffective.						2. يقوم المدققون الخارجيون بتقييم مخاطر الرقابة على مستوى عالٍ لبعض أو كل التأكيدات عندما يكون نظام المحاسبة ونظام الرقابة الداخلية غير فعالين.
3. External Auditors are mostly assessing the effectiveness of accounting system for the purpose of assessing the control risk.						3. يقوم المدققون الخارجيون في الغالب بتقييم فعالية النظام المحاسبي بغرض تقييم مخاطر الرقابة.
4. The external auditors mostly rely on the internal control system of the company to reduce the risk of errors.						4. يعتمد المدققون الخارجيون في الغالب على نظام الرقابة الداخلية للشركة لتقليل مخاطر الأخطاء.

- Assessment of Detection Risk3Section 0			الجزء الثالث : تقييم مخاطر الاكتشاف			
Alternatives	1	2	3	4	5	الخيارات
1. The amount of evidence to be obtained by auditor is based on the Auditors assessment of inherent and control risk.						1. يعتمد مقدار الأدلة التي سيحصل عليها المدققين على تقييم المخاطر المتأصلة ومخاطر الرقابة.

2. Detection risks increase when there are fundamental deviations in some budget items, and the audit procedures of external auditors are unable to discover them.						2. تزداد مخاطر الاكتشاف عند وجود انحرافات جوهرية في بعض بنود الميزانية ، ولا يستطيع المدققون الخارجيون اكتشافها.
3. The level of detection risk is directly related to the significant auditor's procedures.						3. يرتبط مستوى مخاطر الاكتشاف بشكل مباشر بإجراءات المراجعين الهامة.
4. The external auditors mostly accept high detection risk when there is low inherent risk, while continuing to reduce audit risk to an acceptable level.						4. يقبل المدققون الخارجيون في الغالب مخاطر الاكتشاف العالية عندما تكون المخاطر المتأصلة منخفضة ، مع الاستمرار في تقليل مخاطر التدقيق إلى مستوى مقبول.

- Fairness Of Financial Statement4Section 0		الجزء الرابع : عدالة القوائم المالية				
Alternatives	1	2	3	4	5	الخيارات
1. The users of financial statement rely on the audit reports carried out by an Independent auditor as an unmodified opinion usually ensures that fraud and illegal behaviors that may be present in the financial statement does not exist.						1. يعتمد مستخدمو البيانات المالية على تقارير التدقيق التي يقوم بها مدقق حسابات مستقل كراي غير معدل يضمن عادةً عدم وجود الاحتيال والسلوكيات غير القانونية التي قد تكون موجودة في البيانات المالية.
2. The shareholders expect the auditor to detect majority of the misstatements that may exist, as the						2. يتوقع المساهمون أن يكتشف المدقق غالبية التحريفات التي قد تكون موجودة ، حيث يحصل المدقق على أعلى مستوى من التأكيد أثناء المراجعة.

Auditor obtains the highest level of assurance during the audit.						
3. The external audit enhances the insurance that the financial statements are free from material misstatements and errors.						3. المراجعة الخارجية تحسن ضمان خلو البيانات المالية من الأخطاء الجوهرية والتحريفات.
4. The external audit enhances the investor confidence in the integrity of financial statements.						4. يحسن التدقيق الخارجي من ثقة المستثمر في نزاهة القوائم المالية.