

## **The Role of Joint Audit in Reducing Banking Risks: An Applied Study in the National Islamic Bank**

**Zainab Abdel Wahed Saloom<sup>1</sup>**

Post Graduate, Department of Banking Studies

**Dr. Alaa Abdul Karim Al-Baldawi<sup>2</sup>**

Assistant Professor, Department of Financial Studies

**DR. Maaeda Fakhry Gomaa<sup>3</sup>**

Assistant Professor, Department of Banking,

<sup>1,2,3</sup> Higher institute of Accounting and Financial Studies, Baghdad University, Iraq

---

### **Abstract:**

The research aims to develop a proposed model to assess the compliance of auditors with the controls of the joint audit work to help reduce bank risks by studying the following problem "The weakness of the audit programs approved by the auditors' offices regarding the audit of the disclosure of the banking risks contained in the financial statements and the annual report of the management, which adversely affected the necessary professional attention and increase the responsibility of the external auditor as a result.

The research community is the audit offices that conduct joint audits in Iraq, and the auditors who practice the audit of the National Islamic Bank will be taken. The Researcher was noticed that the auditors who supervise the National Islamic Bank did not apply some of the paragraphs of the work controls No. (298) for 2016 and he recommended The auditors of the National Islamic Bank shall implement all the controls of work No. (298) for the year 2016.

**Keywords: Audit, Management, Banking, Credit.**

---

### **The first topic: Research methodology**

#### **First: Research Problem:**

The research tackles the following problem:

"The weakness of the audit programs approved by the auditors' offices regarding the audit of the disclosure of the banking risks contained in the financial statements and the annual report of the management, which adversely affected the necessary professional attention and increase the responsibility of the external auditor as a result.

**Second: Research Objectives:** The research aims to achieve the following objectives:

- 1- Providing an integrated theoretical approach in banking risk management.
2. Review the concept of external audit in general and joint auditing in particular.
3. Develop a proposed model to assess the compliance of auditors with the controls of the joint audit work to help reduce bank risks.

#### **Third: The hypothesis of the research:**

The research discusses the following hypothesis: "The joint audit approach contributes to the adoption of

comprehensive audit programs that cover all the activities of the bank and the internal control environment, and review the hedging policies for the expected banking risks through mutual review of the procedures in the audit office appointed by the partner auditor to verify To provide the necessary professional care and to take responsibility to provide a neutral and sound technical opinion on the outcome of the activity and the financial position. "

**Fourth: The research community and its design:** The research community is the audit offices that conduct joint audits in Iraq, and the auditors who practice the audit of the National Islamic Bank will be taken.

**Fifth: Temporal and spatial limits:**

1. Time limits: represent the financial years 2016 in which the joint audit was approved.
2. Spatial boundaries The spatial boundaries of the research are represented by the National Islamic Bank.

**Seventh: The method of scientific research:** The descriptive approach was adopted in the theoretical and practical aspects of research.

**Eighth: Sources of data and information collection:** The data and information required for research will be obtained from the laws, instructions, books and researches available in the university libraries and the Internet, as well as the opinions and ideas that will be obtained from academic specialists or professionals (bankers, administrators, Auditors).

**The second topic: conceptual framework for joint auditing**

Many countries have applied joint auditing, such as France, Sweden and South Africa, while Denmark has stopped implementing it in 2005. At the Arab level, such as Saudi Arabia, Kuwait, Morocco,

Algeria and Tunisia, they require the joint auditing of some sectors and companies in which they operate. And the effectiveness of the audit process and improve its quality by reducing the fraud, manipulation and misrepresentation that may be included in the financial reports. (Nashwan, 2017: 568)

**First: the concept of joint auditing**

A joint audit is defined as the involvement of independent audit offices in the audit process, they sign a consolidated audit report and have joint obligations for the audit services provided between them, and have audit procedures to audit the quality of the audit. Thus, the joint audit differs from the individual audit in each audit office (Almutairi, 2016: 95). The audit also defines "two audit firms to operate concurrently but separately from the audit of the Company's accounts and the signing of the audit report" A common format. " (Deng, et.al., 2014: 1029). Joint auditing defines that two auditors (or audit offices) audit the accounts of the company and jointly issue the audit report jointly, jointly and jointly, Field work between them. (Algebra, 2014: 285)

**Second: the objectives of the joint audit**

The joint audit seeks to achieve the following objectives:

1. Provide an environment in which each auditor checks the professional attention of the other auditor.
2. Joint auditing enhances the auditor's independence vis-a-vis the auditing company, which has to deal with two auditors and not one auditor in a matter relating to the financial statements.
3. The joint audit contributes to enhancing the accuracy of the evidentiary evidence on the one hand and to maintaining the independence of the auditor on the other, thus the company will incur a higher cost (using two auditors rather than one auditor). (Algebra, 2014: 289)

4. Two sets of audit evidence produce greater accuracy than the financial statements in relation to a set of audit evidence. Examples include the valuation of certain assets at the end of the financial year, particularly when part of the evidence is ignored under a single audit for various reasons. (Deng, et.al., 2014: 1029)
5. The trend towards the appointment of two auditors to audit a company will help stimulate the market and allow middle companies to be active and active in the auditors market, especially in light of the lack of mandatory joint auditing in many countries of the world, but an additional stage of development similar to the rotation of audit firms (Holm & Thinnnaard , 2016: 2)

### **Third: the characteristics of the joint audit**

The following are the main characteristics of the joint auditing: (Musa, 2018: 3)

1. Audit an economic unit of two or more auditors to prepare a single audit report.
2. Joint audit planning and fieldwork among auditors to minimize duplication.
3. The work performed by each auditor shall be subject to review by the partner auditor.
4. The auditors shall review jointly the critical issues affecting economic unity.
5. Joint auditing greatly enhances independence and quality.

Fourth: The role of joint auditing in the quality and reliability of accounting information

If two minds are better than one mind, joint auditing is likely to be more prevalent and the savings situation in audit resources is bypassed under individual scrutiny and benefit from other audit firms. (Deng, et.al., 2014: 1030)

### **The Third topic: conceptual framework for joint auditing**

Many countries have applied joint auditing, such as France, Sweden and South Africa, while Denmark has stopped implementing it in 2005. At the Arab level, such as Saudi Arabia, Kuwait, Morocco, Algeria and Tunisia, they require the joint auditing of some sectors and companies in which they operate. And the effectiveness of the audit process and improve its quality by reducing the fraud, manipulation and misrepresentation that may be included in the financial reports. (Nashwan, 2017: 568)

### **First: the concept of joint auditing**

A joint audit is defined as the involvement of independent audit offices in the audit process, they sign a consolidated audit report and have joint obligations for the audit services provided between them, and have audit procedures to audit the quality of the audit. Thus, the joint audit differs from the individual audit in each audit office (Almutairi, 2016: 95). The audit also defines "two audit firms to operate concurrently but separately from the audit of the Company's accounts and the signing of the audit report" A common format. " (Deng, et.al., 2014: 1029). Joint auditing defines that two auditors (or audit offices) audit the accounts of the company and jointly issue the audit report jointly, jointly and jointly, Field work between them. (Algebra, 2014: 285)

### **Second: the objectives of the joint audit**

The joint audit seeks to achieve the following objectives:

1. Provide an environment in which each auditor checks the professional attention of the other auditor.
2. Joint auditing enhances the auditor's independence vis-a-vis the auditing company, which has to deal with two

auditors and not one auditor in a matter relating to the financial statements.

3. The joint audit contributes to enhancing the accuracy of the evidentiary evidence on the one hand and to maintaining the independence of the auditor on the other, thus the company will incur a higher cost (using two auditors rather than one auditor). (Algebra, 2014: 289)

4. Two sets of audit evidence produce greater accuracy than the financial statements in relation to a set of audit evidence. Examples include the valuation of certain assets at the end of the financial year, particularly when part of the evidence is ignored under a single audit for various reasons. (Deng, et.al., 2014: 1029)

5. The trend towards the appointment of two auditors to audit a company will help stimulate the market and allow middle companies to be active and active in the auditors market, especially in light of the lack of mandatory joint auditing in many countries of the world, but an additional stage of development similar to the rotation of audit firms (Holm & Thinnnaard, 2016: 2)

### **Third: the characteristics of the joint audit**

The following are the main characteristics of the joint auditing: (Musa, 2018: 3)

1. Audit an economic unit of two or more auditors to prepare a single audit report.
2. Joint audit planning and fieldwork among auditors to minimize duplication.
3. The work performed by each auditor shall be subject to review by the partner auditor.
4. The auditors shall review jointly the critical issues affecting economic unity.
5. Joint auditing greatly enhances independence and quality.

### **Fourth: The role of joint auditing in the quality and reliability of accounting information**

If two minds are better than one mind, joint auditing is likely to be more prevalent and the savings situation in audit resources is bypassed under individual scrutiny and benefit from other audit firms. (Deng, et.al., 2014: 1030). Thus, the results indicate that the performance of two is better than the performance of one auditor, and the scientific and practical implications confirm the joint audit consisting of a large audit company and a small one that has negative effects on the costs Audit, and the allocation of audit costs should take into account the effectiveness of the technological processes of audits for each audit office and the high costs of planning, supervision and follow-up. (Holm & Thinnnaard, 2016: 2)

The contract with the large audit firms in the form of joint audit leads to the companies taking the costs of errors and incorrect financial statements, so that their efforts reach the optimum level of auditing. (Almutairi, 2016: 102) The adoption of large companies in the joint audit contributes to the accumulation Proof of evidence is supported by the audit of each Office of Audit for the work of the partner office to support the independence of the audit and to support the judgments reached by each of the partners. (Deng, et.al., 2014: 1035)

### **The Fourth topic: the conceptual framework for banking risks and management**

#### **First: the definition of risk**

The risk is the uncertainty of a particular accident causing the economic loss that this meaning is not different in different disciplines, whether in administrative or other sciences. There is a traditional saying commonly used in medicine, insurance,

strategic planning, safety, human relations, diplomacy, banking and other fields that say the risk or risk is "the possibility of something or a bad event." (Sheikli and Tawfiq, 2002: 8)

Risk is also defined as the likelihood that an incident or act will have a negative impact on the institution or activity under audit. Risk is usually measured by the amount of the financial impact of the exposure to that negative effect or on the basis of the relative importance of that exposure. The risks may be internal or external and their occurrence may be likely or likely to be remote, and the effect may be immediate or long-term large or small. (Roses, 2014: 666-667)

### **Second: Definition and management of banking risk**

The banks provide various services for the benefit of the public, such as transfer, renting of safes, collection of receivables, writing letters of guarantee and opening letters of credit to those who have sufficient assets in their bank account to cover the value of such letters, thus exercising the role of the joint employee and paying fees in return for information not related to investment and financing. Customers do not have sufficient funds to cover them and the task of looking at them becomes investment management. (Sabhani, 2014: 77)

Banking primarily involves dealing with risks that involve two aspects: the first is the possibility of an event. The second aspect is the size of the consequences of the event. As a result, the banks and financial institutions are not exposed to financial and banking crises that lead to the continuation of their work and their absence from the banking market. (Hashad, 2005: 22)

Banking risk is also defined as the probability that banks will experience

unanticipated and unplanned losses as a result of unforeseen or short-term factors or fluctuations in the expected return on a given investment (Al-Najjar, 2006: 1)

In this evolving environment and its attendant risks, economic and financial reforms have become an urgent issue for radical structural changes through banking and financial institutions putting risk management practices at the heart of their overall strategy and culture, as well as balancing and managing risks on the one hand. As well as the efforts of financial institutions periodically to update and develop their risk management as well as develop their potential in terms of data collection and information and work to improve their quality. (Shaker: 2004: 3)

### **Third: The risks of bank credit and its management methods**

Credit risk refers to the possibility that the borrower will not pay the amount of the loan on the due date and the possibility of achieving the loss as a result. (Sibhani, 2014: 35) Credit risk is defined as the potential loss of a customer failing to meet its obligations to the Bank on time due to general political or economic circumstances or as a result of its own circumstances, which are expressed by bank risk of default (Saeed: 2018: 140)

To minimize credit risk, the Bank must obtain as much credit information as possible by interviewing the customer, identifying his bank records, studying his financial reports or through credit information facilities, and focusing on the quality and value of collateral provided by the customer to the bank. There should also be a clear strategy for the bank to be able to manage credit properly and be certified by the bank's board of directors. This strategy should be comprehensive across the various economic sectors and geographical areas in order to properly and efficiently distribute credit. "(Khan &

Ahmed, 2001) : 2) The expectation of income in the institution depends heavily on the uncertainty and its impact on the cash flows as a result of the economic events and the resulting accumulation, and also indicates that these events vary from one country to another. (2005): 278). One of the possible ways to hedge credit risk is the following: (Rawashdah and Sulaim, 2017: 15)

- The completion of debt deals with institutions with high efficiency and financial solvency.
- Establishing pre-approved loan regulations and agreements.
- Specify specific ceilings and powers for each party authorized to lend to the bank.
- Monitor customer balances on a regular basis.
- Adhering to highly efficient and collectible guarantees and equivalent to principal.

#### **Fourth: Measures taken by the Central Bank of Iraq to reduce banking risks**

The following are the most important measures taken by the Central Bank in reducing banking risks: (Hussein, 2015: 57)

- 1- Adopting the application of international standards for the efficiency of capital for banks. Based on Article (16) of the Banking Law No. (94) of 2004, this percentage is set at a minimum of 12% of the total value of its assets.
2. Monitor and monitor the banking liquidity ratios of the banking system, monitor the withdrawals against market risks, and direct banks to form reserves to avoid non-payment of customer obligations based on the bank's guidelines.
- 3- To allow foreign and Arab banks to open branches in Iraq and to enter into partnerships with existing private

banks. This coincided with the acceptance of Iraq as an observer member of the World Trade Organization since 2004. This has been reinforced by the following:

Issuing the decision to liberalize interest rates since March 2004.

B - the new issue of the Iraqi currency.

4 - Guidance to establish a deposit guarantee institution to strengthen and strengthen confidence in the banking system.

5 - Development of the Iraqi payment system

#### **The fifth topic: Evaluating the role of joint auditing in reducing the banking risks in the National Islamic Bank according to the rules of the joint auditing work No. (98) for the year 2016**

##### **First: The reasons for the joint audit affecting the Iraqi environment**

The Iraqi business environment is a highly complex environment due to the many factors that influence external or internal. This complexity has created many of the risks that affected the results of the economic units and their financial position as well as the impact on their continuity. In all stages, which created the justification for the emergence of joint auditing in the Iraqi environment, especially when auditing Iraqi banks.

The applications of the single audit were prevalent in the Iraqi environment as they are in the majority of the Arab countries and the countries of the world, and there was no desire to adopt the joint audit in the Iraqi environment except during the current decade, especially in the absence of the audit literature, there was no need to adopt the Joint Audit In the Iraqi environment only after the lack of individual audit in achieving the audit objectives and objectives of the companies

audited and those dealing with these companies, whether internal or external.

Although general trends of expectations indicate the likelihood of lower co-audit costs, audit fees and fees are increased when my audit office shares one audit and the other is large in one audit. (Holm & Thinnnaard, 2016: 1).

**Second: Preparation of a form to assess the commitment of the auditors to the work controls (298) and the Banking Law (94) for the year 2004: The researcher adopted the test the following steps:**

1. Test the extent to which the auditors (the research sample) comply with the application of the work controls and their selection mechanism according to the form prepared under Articles (24) and (46) of the Banking Law and the auditing rules of the audit offices when implementing the Joint Audit No. 298 of 2016.
- 2 - Adoption of the comparative analysis to identify the differences in the

performance of the auditors and the following:

A. To rely on the auditors' reports for the year 2015 and 2016, and to use them to develop the application indicators for these controls.

B) Using the objective measurement approach, such as content analysis and disclosure indicators, by preparing the list of the auditors' response to the sample of the research, and setting a relative weight of the application. The application was given a degree (2), partial application (1) So as to reach the average of each axis and each paragraph of the controls and through the averages can know the level of application controls.

**Third: Analysis of the results:** The two forms of evaluation were handed over to the auditors 'offices, which were the partners in the audit of the National Islamic Bank. The auditors' answers were as follows:

	The Details	First Partner Auditor			Second Partner Auditor		
		Not Applicable	Partially Applied	Completely Applied	Not Applicable	Partially Applied	Completely Applied
<b>First: The mechanism of selecting the auditors assigned to the tasks of joint auditing in accordance with Articles (24) and (46) of the Banking Law No. 94 of 2004</b>							
1	Does the Bank's Audit Committee recommend and approve each auditor who will conduct the joint audit?	1			1		
2	Has the Bank appointed an independent external accountant with qualifications and experience in the audit of banks and accepted by the Central Bank of Iraq?			1			1
3	Is the External Auditor appointed by the shareholders of the Bank and at their public meeting?			1			1
4	Is the auditor not a member of the Audit Committee and not an administrator, owner, employee, agent or representative of the bank to be appointed to him?			1			1
5	Is the auditor has no interest in the bank except the possession of a deposit with the bank, and in the			1			1

	event that the auditor acquired any such interest, it will terminate its services?						
6	Is the auditor not appointed continuously for a period not exceeding 5 years except with the exception of the Central Bank of Iraq?			1			1
7	Does the auditor assist the bank in maintaining sound accounting systems and procedures?		1			1	
8	Does the auditor assist the bank in maintaining sound financial control and sound risk management systems and procedures?		1			1	
9	Does the auditor attend meetings of the Audit Committee when requested by the Committee?		1			1	
10	Is the opinion of the auditor included in the report of the Audit Committee prepared for the Board of Directors of the bank within three months of the end of the financial year indicating whether the financial statements are complete, fair and properly prepared and provide a complete and impartial report on the financial position of the bank in accordance with the provisions of this law?	1				1	
11	Does the auditor indicate that the method of keeping documents, records and books prepared in an orderly manner, including the inclusion of all the processes necessary to enable the audit bodies to audit?		1			1	
12	Does the auditor disclose the adequacy and performance of the bank with respect to the protection of the bank's funds and depositors?	1				1	
13	Are the auditor's recommendations regarding the shortcomings of the Bank's activities and recommendations sent to the Board of Directors and the extent to which the Board of Directors applies the auditor's recommendations and observations regarding operations in previous years?			1			1
14	Does the auditor indicate the adequacy of the periodic data sent to the CBI and its conformity with the contents of the records, books, accounting systems and practices		1			1	



	applicable in the bank and to the instructions of the Central Bank of Iraq?						
15	Does the auditor provide the Board of Directors and the Central Bank of Iraq with a report stating the opinion in the system followed by the bank on the classification of loans and regarding the taking of reserves for doubtful claims that indicate deficiencies in taking the necessary reserves for the assets of the bank according to the regulations of the Central Bank of Iraq?			1			1
16	Does the auditor indicate that the periodic data sent to the CBI conforms to the records, books, accounting systems and practices applicable in the bank and to the instructions of the Central Bank of Iraq?		1			1	
17	The auditor shall inform the Board of Directors of the Central Bank of Iraq of any action by an administrator, officer, employee or agent of the bank in violation of the provisions of this law or any regulations issued by the Central Bank of Iraq?			1			1
18	The auditor shall inform each member of the board of directors and the central bank of any excess or deficiency in the management of the bank or its operations expected to lead to financial loss to the bank?		1			1	
19	Are copies of the auditor's report on the bank sent to the CBI not later than 30 days from the date of its preparation?		1			1	

<b>Total of the first axis</b>		<b>3</b>	<b>8</b>	<b>8</b>	<b>3</b>	<b>8</b>	<b>8</b>
The second axis: Observers' commitment to the sample of the research on the work controls at the joint audit							
First: the procedures of the auditors assigned to the joint audit to carry out the tasks of the joint audit				1			1
1	Does the Joint Audit Office identify the human resources required to perform the participatory audit process and not individually?			1			1
2	Are the audit offices planning the period of completion of the audit and dividing the estimated working hours of the audit in accordance with the experiences of the participatory audit offices and not individually?			1			1
3	Does the Joint Audit Office report to the other office the operations performed by it?			1			1

4	Do the audit offices distribute the audit paragraphs in a balanced manner and agree on the establishment of periodic meetings between the representatives of the two offices to review the audit process and the developments therein?			1			1
5	Is the scope of the audit agreed between the Joint Audit Offices?			1			1
6	Is it agreed to determine the relative importance of material errors and distortions at the level of total accounts through liquidity ratios, leverage ratios and capital adequacy ratio?			1			1
7	Is the audit program prepared jointly in light of the relative importance and risks identified jointly?			1			1
8	Are the audit program paragraphs distributed among the audit offices as balanced and as possible as possible?		1			1	
9	Is the Audit Plan and the Audit Program reviewed in whole or in part during the implementation of the audit function as and when required jointly by the Joint Audit Offices?		1			1	
10	Are additional audit procedures coordinated and agreed between audit offices when significant risks are discovered during the audit process?			1			1
<b>The sum of the first paragraph of the second axis</b>		<b>0</b>	<b>2</b>	<b>8</b>	<b>0</b>	<b>2</b>	<b>8</b>
Second: Audit procedures to be considered by each auditor individually in the light of the practice of joint auditing							
1	Does each audit office undertake the necessary professional care individually to obtain sufficient and appropriate evidence to express an opinion on the financial statements of the Bank?			1			1
2	Does each audit office verify the bank's completion of its final accounts in accordance with international accounting and reporting standards?			1			1
3	Does each audit office understand the nature of the work of the bank and its environment and assess the extent of the internal control environment for all operations and services provided by the bank and its various branches?		1			1	
4	Does each audit office assess the risk of material misstatement of the entire account?		1			1	
5	Does the auditor assess the risks of material errors and controls related to the preparation of financial reports through the efficiency of those who prepare them?			1			1
6	Does the auditor assess the nature of the hedging strategies used to identify the risks of material misstatement and related control controls that have an impact on the Bank's solvency?		1			1	
7	Does the auditor review the mechanism of using internal accounts exchanged between the bank and its branches and control procedures?		1			1	
8	Does the auditor assess the adequacy and consistency of disclosures in the Bank's annual report to provide an understanding of the risks and strategies of the Bank?			1			1
9	Does the auditor review the audit work carried out by the partner auditor in accordance with the audit program of the auditor?	1			1		

10	Does the auditor review the reliability and adequacy of the evidentiary evidence obtained by the partner auditor?		1			1	
11	Does the partner auditor review the accuracy and objectivity of the findings of the partner auditor?		1			1	
12	Does the auditor review the ongoing file of the partner auditor and assess the work done by him?		1			1	
13	Does the auditor determine the need for additional audit procedures in the light of his analysis of the audit performed by his partner?			1			1
14	Does the auditor conduct an analytical review to verify the integrity and integrity of bank accounts?			1			1
15	Does the auditor verify that the financial statements reflect the true financial position and the activities of the bank that are evidenced in the documents submitted?			1			1
<b>The sum of the second paragraph of the second axis</b>		1	7	7	1	7	7
<b>Third: Preparing and reporting the joint audit report</b>							
1	Does the joint audit report include a statement of opinion in the financial statements and a summary of accounting policies and any clarifications consistent with the relevant legislation of the bank?						
2	Does the Joint Audit report include the adequacy of the internal control and control systems, the adequacy of the internal audit of the Bank and the material deficiencies, if any?						
3	Does the Joint Audit report contain any observations resulting from the audit results of the Bank's accounts in accordance with the requirements of the approved international audit?						
4	Does the Joint Audit report contain any constraints encountered by the Joint Audit Team and the extent of cooperation of the Bank's Executive Management?						
5	Are the auditors consulted by the Board of the Audit and Auditing Profession for the purpose of obtaining technical advice when differences and inconsistencies in the professional opinion contained in the joint audit results report occur?						
6	Are the auditors prepared a detailed report and signed by the auditors and communicated to the Board of Directors and the Audit Committee of the Bank?						
Total of paragraph III of the second axis		0	0	6	0	0	6
Total of the Second axis		1	9	21	1	9	21
Total axes I and II		4	18	28	4	18	28
The weight of the Answer		0	1	2	0	1	2
Total Number of Answer x Weight of Answer		0	18	56	0	18	56
The rate of compliance of the partners' auditors with the labor controls and the bank law		74%			74%		

It is noted from the previous table that the responses of the audit offices were identical due to their joint work. Both of them achieved a degree of commitment of 74%. The number of paragraphs that were

fully complied with (28) (4) paragraphs, this degree of commitment is good as the first attempt to apply the joint audit of both audit offices.

It is noted from the above table that the unapplied paragraphs relate to the following:

1. The Audit Committee of the National Islamic Bank shall recommend and approve the two auditors who will conduct the joint audit.
2. Incorporate the opinion of the auditor in the report of the Audit Committee prepared for the Board of Directors of the Bank that the financial statements are complete, fair and properly prepared and provide a complete and impartial report on the financial position of the Bank.
3. The auditor shall demonstrate the adequacy and performance of the

bank in respect of the protection of the bank's assets and depositors.

4. The auditor shall review the audit work carried out by the partner auditor in accordance with the audit program assigned by them.
- 5.

#### **The sixth topic: Conclusions and Recommendations**

**First: Conclusions:** The following are the most important conclusions reached by the researcher:

1. Auditors of the National Audit Office of the National Islamic Bank did not audit the audit performed by the other auditor to verify the implementation of the audit program.
2. The auditors responsible for the joint audit of the National Islamic Bank did not assess the material errors and control controls related to the report on the hedging strategies used, which are reflected in the financial solvency.
3. It was noted that the auditors assigned to the joint audit of the National Islamic Bank should not return to the Council of the profession of auditing and auditing when opinions differ and seek advice.

4. It was noticed that the auditors who supervise the National Islamic Bank did not apply some of the paragraphs of the work controls No. (298) for 2016 regarding the following points:

- The Audit Committee of the National Islamic Bank shall recommend and approve the two auditors who will conduct the joint audit.
- The auditor's opinion shall be included in the report of the Audit Committee prepared for the Board of Directors of the Bank that the financial statements are complete, fair and properly prepared and provide a complete and impartial report on the financial position of the Bank.
- The auditor shall demonstrate the adequacy and performance of the bank in respect of the protection of the bank's assets and depositors.
- Audit by the auditor of the audit performed by the partner auditor in accordance with the audit program.

#### **Second: Recommendations**

The following are the main recommendations of the researcher:

1. Approval of the form of examination of the extent of the application of controls of the audit work and the law of banks, and shall be included in the work of the auditor and the expectation of the auditors of the audit operations.
2. The auditors responsible for the joint audit of the National Islamic Bank should review the auditing work carried out by the other auditor.
3. The auditors should assess the risks and material errors and disclose the financial solvency.
4. Adoption of the Board of the profession of auditing and auditing a

training program to develop the applications of the joint audit and the commitment of auditors to the controls of the work of the joint audit to achieve its effectiveness and to all covered by the scrutiny of commercial banks in Iraq.

5. The auditors responsible for the joint audit must perform due diligence that qualifies him to obtain sufficient evidence to prove the opinion in the financial statements.
6. The auditors of the National Islamic Bank shall implement all the controls of work No. (298) for the year 2016.

### Research sources

#### First: Laws and Instructions

1. Banking Law No. 94 of 2004 Iraqi Chronicle, Issue 3986, September, 2004 1
2. Controls the work of the Joint Audit No. (98) for the year 2016. 2

#### Second: Books & researches

1. Al-Jabr, Waheed Jabr, Privatization of Banks in Arab Countries, PhD thesis, Faculty of Management and Economics, Mustansiriya University, 2014.
2. Almutairi, Ali R., Joint Auditor Pair, Joint Auditor Tenure and Corporate Behavior: Evidence from Kuwait", Malaysian Accounting Review, Vol. No.15, 2016.
3. Al-Shaikhly, Faleh Abdel-Karim & Tawfiq, Hussein Mohsen, Credit Risk and its Impact on Lending and Lending Policy, Al-Rasheed Bank, No. 6, 2002.
4. Al-Shammari, Sadiq Rashed, "The Islamic Banking Industry: Reality and Practical Applications", First Edition, Al-Wudbud Press, Baghdad, Iraq, 2012.
5. Al-Shammari, Sadiq Rashed, "Banking Management: Reality and Practical

Applications", First Edition, Al-Wudbud Press, Baghdad, Iraq, 2012.

6. Al-Sibhani, Abdul-Jabbar Hamid, "Al-Wakiz in Islamic Banks", First Edition, Halawa Press, Irbid, Jordan, 2014.
7. Al-Wardat, Behind Abdullah, "IAA's Internal Audit Manual in accordance with International Standards", Al-Taya First, Al-Warraaq Publishing and Printing Foundation, 2014.
8. Deing, Mingcherng & Lu, Tong, & Simunig, dan, "Do joint audits improve or impair audit quality?", Journal of accounting research, Vol, 52, No. 5, University of Chicago on behalf or accounting research center., 2014.
9. Hashad, Nabil, Your Guide to Banking Risk, Encyclopedia of Basel, Part II, Union of Arab Banks, 2005.
10. Hashad, Nabil, Arab Banking Sector And The Requirements Of Compliance With Basel Ii Agreement, Arab Quarterly Bulletin, Union of Arab Banks, Chapter 1, March 2005, Second Paper.
11. Hashad, Nabil, Your Guide to Banking Risk Management, President, Arab Center for Banking and Financial Consultancy, 2005.
12. Hassan, Mohsen Othman, Management of Cash Flow and its Impact on the Performance of Commercial Banks, Master Thesis, Faculty of Management and Economics, Salahuddin University - Erbil, 2003.
13. Holm, Clus & Thinggaard, Frank, "Paying for joint or single audits? The importance of auditor pairings and differences in technology efficiency", International journal of auditing, No. 20, John Wiley & Sons Ltd., 2016.
14. Hussain, Sondos Saadi, "Institutional Control of Internal Audit, Research Presented to the Board of Trustees of the Arab Institute of Certified Public Accountants, part of the requirements for obtaining a CPA, Baghdad, 2007.



15. Khan, Taiqullan & Ahmed, Habib, "Risk management on analysis of Issues in Islamic financial industry , King Fahd national Library cataloging – in publication data , Jeddatt , Saudi Arabia , 2001.
16. Saeed, Abdul Salam Leftah, "Banking and Private Banking", First Edition, Book Press, Baghdad, Iraq, 2018.
17. Shaker, Fouad Tahseen, Improving Risk Management Policies and Practices: A Key Issue in the Development of Our Banks and Our Financial Work, Journal of the Union of Arab Banks, No. 287, Beirut, January 2004.