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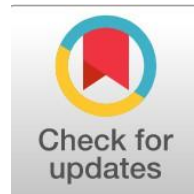
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Analyzing the Complementary Relationship Between the Auditor's Commitment to Applying Isa 580 and Obtaining Audit Evidence, and Its Impact on Detecting Material Misstatements and Enhancing the Reliability of Financial reports.analyzing the Complementary R

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Abstract

General Background Financial reports serve as a primary source for economic decision-making, making their reliability and credibility essential, while external auditing provides assurance through sufficient and appropriate audit evidence. **Specific Background** Written management representations, as regulated by ISA 580, constitute a supporting component of audit evidence used by auditors to form professional opinions regarding financial statements. **Knowledge Gap** Despite their recognized role, limitations remain regarding the sufficiency of written representations as standalone evidence and their capacity to fully support the detection of material misstatements. **Aims** This study examines the relationship between auditors' obligation to apply ISA 580 and the process of collecting audit evidence, as well as its association with identifying material misstatements in financial reports. **Results** The findings indicate that written management statements provide general assurances but lack sufficient supporting evidence and disclosure, functioning primarily as complementary audit tools. Weaknesses were also identified in accounting measurement and internal control systems, increasing the likelihood of misstatements. **Novelty** The study highlights the conditional role of written representations as supportive rather than primary audit evidence within the audit process. **Implications** These findings suggest the necessity for auditors to integrate written representations with other audit procedures to strengthen the reliability of financial reporting and improve audit judgment.

Highlights:

- Written representations provide limited evidential support without corroborating procedures
- Internal control and accounting weaknesses increase misstatement risk
- Audit evidence requires integration beyond formal management declarations

Keywords: ISA 580, Audit Evidence, Written Management Representations, Material Misstatements, Financial Report Reliability

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Introduction

As a matter of fact, financial reports form the main source of information that various economic actors use to make economic decisions. Therefore, the reliability and credibility of financial reports assume great value. Within this scope, the role of external auditing in boosting confidence in financial reports by providing an independent professional opinion based on sufficient and appropriate audit evidence collected in accordance with International Standards on Auditing (ISAs) cannot be overstated. Professional literature shows that auditors use various sources of evidence, including written representations of management that contain various formal assurances about the responsibility of the management for the preparation of financial reports and the disclosure of related information. ISA 580 governs the manner in which these representations are collected as an integral part of the audit evidence used to form a professional opinion. The value of these representations lies in the manner in which they can enhance the audit process and the manner in which they can assist the auditor in better understanding the control environment of the economic entity. Their value, however, remains conditional on their use in conjunction with various other sources of evidence collected through various audit procedures. Based on this, this research seeks to study the role of management's written declarations in supporting evidence and enhancing the auditor's ability to detect material misstatements in financial reports, in light of the requirements of auditing standards.

2 Research Methodology

2.1 Research Problem

There is a need to understand the actual impact of auditors' obligation to obtain written management statements, in accordance with International Standard on Auditing (ISA 580), on the design and execution of the audit process. The audit environment faces challenges related to the reliability of information and the need for more available evidence. The problem can be presented through a set of sub-questions, as follows:

1. Some departments within economic units fail to provide written management statements to auditors as part of the auditor's acquisition of audit evidence, or provide them incompletely.
2. External auditors have limited awareness of the importance of written management statements, which are supposed to be provided to them as supplementary evidence, negatively impacting the design and execution of the audit process and their impartial professional opinion.

2.2 Research Objectives

This research aims to achieve the following:

1. To clarify the conceptual framework of written management statements in light of the requirements of international auditing standards, particularly International Standard on Auditing (ISA 580).
2. To clarify the role of management's written declarations in supporting the audit evidence relied upon by the auditor.
3. To examine the relationship between management declarations and how it can improve auditor's capabilities in detecting material misstatements in financial reports.
4. To examine the application of management's written declarations in the economic entity under study, as well as its impact on supporting audit procedures and financial reports.

2.3 Significance of the Research

The value of this study lies in its emphasis on the role of the written declarations of the management as a source of supporting evidence for the audit process, in accordance with the provisions of ISA 580, and its effects on the improvement of the auditor's ability to identify potential misstatements in the financial reports. The study also contributes to the clarification of the efficiency of these declarations in supporting the audit procedures and the credibility of the financial reports, which has a positive effect on the quality of the financial reports and their users.

2.4 Research Hypotheses

The auditor's compliance with the International Standard on Auditing (ISA 580) relating to the receipt of written representations by the entity supports the quality of audit evidence, thus increasing the auditor's ability to identify material misstatements in the financial report of the audited entity.

2.5 Study Population

The reason why the industrial sector was chosen as the research population is because of the complexity of the accounting processes, the various financial estimates, and the high risk of material misstatements, especially in the areas of inventories, fixed assets, and manufacturing costs. This is an ideal environment to test the effectiveness of written representations in line with the requirements of ISA 580 in terms of their contribution to the detection of misstatements, hence increasing the credibility of financial reports.

2.6 Research Limitations

The research is restricted within certain boundaries of space and time, as follows:

1. Spatial Limitations: The Iraqi Dates Manufacturing and Marketing Company was selected for the case study because of its integrated nature as an industrial company that has an accounting system that is complex and relies heavily on management estimates, particularly in the valuation of inventories and the costs of production. The company is also strategic in terms of the economic sector in which it operates and is subject to financial control by the government through the Federal Board of Supreme Audit; thus, the financial reports are of particular significance for stakeholders. The nature of the business and environment provided an appropriate framework for testing the efficacy of the management's written declarations in accordance with ISA 580 and their relationship with the audit evidence, detection of material misstatements, and the credibility of financial reports.

2. Timeframe: The year 2023 was selected, based on the availability of the required data.

2.7 Data and Information Collection Methods

In their pursuit of proving the research hypotheses and enriching the study with scientific material in both its theoretical and practical aspects, the researchers relied on the following:

1. Theoretical Aspect: To enrich this aspect, the researchers relied on published sources, books, and publications, as well as dissertations, theses, scientific research, and published and unpublished studies that addressed the research topic, whether Iraqi, Arab, or foreign. They also consulted international standards and laws and regulations related to the research topic.

2. Practical Aspect: In this aspect, the researchers studied the written management declarations and financial statements issued by a number of companies whose accounts are subject to oversight and audit by the Federal Board of Supreme Audit for the fiscal years 2022 and 2023. They also studied the written management declarations and financial report of the company under study.

2.8 Research Methodology

The inductive method was used in this research, as previous studies and issues related to the research topic were reviewed, namely the role of evidence and its importance in auditing, and the role of the auditor, in order to form the theoretical framework of the research, collect the required data, and test it through the applied study on an industrial company, and to reach the results, examine them, and analyze them.

3 . Theoretical Framework of the Research

3.1 Overview of the Concept of International Standard on Auditing (ISA 580)

When preparing the final report, the external auditor includes the assurances and clarifications necessary to complete the audit (Carr, 2021). These assurances and clarifications include documentary evidence, observations, physical inventory, and management's written representations, which complement the audit evidence supporting the auditor's opinion on the fairness of the financial statements (AICPA, 2012). ISA 580, specifically management's written representations, represents a professional framework that requires the auditor to verify management's compliance with providing written representations that reflect its responsibility for the fair preparation and presentation of financial statements in accordance with the requirements of the relevant standards (IAASB-ISA 580, 2020). This indicates that the auditor is responsible for ensuring the accuracy of financial reports and disclosures that management considers appropriate in presenting its financial position and its operating results (Millichamp, 2021). This underscores the importance of management's written affidavits in ensuring that audit evidence is available to the auditor, as well as ensuring that audit results are of high quality, including in detecting any material misstatements. The International Auditing Standards Committee (IASC) has accorded special importance to management's written affidavits by issuing International Standard on Auditing (ISA) No. 580, relating to management's written affidavits as an audit tool, without excluding other audit evidence obtained by the auditor (Jomaa, 2009). The auditor, therefore, must be careful in obtaining management's written affidavits, as it is issued by management, who might be interested in misstating it. This requires the auditor to check their accuracy using additional audit evidence (Johnstone-Zehms, 2018). The main purposes of written affidavits, as defined by ISA 580, are twofold (Arens et al., 2024). Firstly, they establish the management's responsibility for the financial statements. For example, if the affidavits contain a reference to a lien placed on the assets or any contingent liabilities, the management is acknowledging their responsibility for any unintentional omission in the financial statement. For this reason, the affidavits must be in enough detail to establish the management's responsibility. Secondly, they document the management's responses to the auditor's inquiries during the audit process. These are written statements that will be used by the company in the event of any disputes or legal actions against the auditor and the management team. The written affidavits are kept by the auditor in the working papers as a summary of the oral discussions or written communications from the management team (GAO, 2024). ISA 580 has defined that if the management refuses to provide the necessary written affidavits required by the auditor, then the audit scope is limited. If this limitation is material, the auditor must issue a qualified opinion or disclaim an opinion. The auditor must also reassess any prior reliance on the representations made during the audit and consider potential grounds for rejection and their implications for the audit report (IAASB-ISA 580, 2020). Representations made to the auditor include the following (Addo et al., 2025; AICPA, 2012):

1. Management confirms its responsibility for the accurate and reliable preparation and presentation of financial statements in accordance with the applicable financial reporting framework (Shields, 2023).
2. Management provides the auditor with all information relevant to the audit and that reflects all transactions and events that should be recorded and disclosed.
3. Management states that the audited entity is a going concern. The entity is considered a going concern unless there is a need or intention to liquidate the business or seek protection from creditors, in accordance with applicable laws and regulations. Therefore, financial statements should be prepared unless management intends to liquidate the business or cease operations (IAASB, 2020).
4. Management fulfilled its responsibilities in designing and implementing internal controls to ensure the provision of financial information free from material misrepresentations (COSO, 2013).
5. The absence of any material changes in the methods of preparing financial reports compared to prior periods, and the absence of any material misstatements, or the disclosure of any misstatements if present.
6. Disclosure of all contingent liabilities and legal disputes that affect the financial statements.
7. Confirmation that management has responded to all the auditor's requests for information and evidence during the audit process.

Based on International Standard on Auditing (ISA) 580, the researchers believe that the auditor is responsible for verifying the truthfulness and objectivity of the written statements submitted by the management of the economic entity, and for taking the necessary actions if the statements are misleading or materially misrepresented, while documenting all of this within the following procedures:

1. Verifying the nature and causes of the misstatement and assessing its potential impact on the purpose and scope of the audit.
2. Carry out additional audit procedures to gather further evidence of the accuracy of the statements in case of suspicion of material misrepresentation.
3. When the auditor discovers that the written statements given by the management are misleading, they need to reassess the reliability of the statements and the impact of the audit report.
4. If management refuses to provide written statements or if the statements are misleading, the auditor has the right to take additional actions, including obtaining alternative audit evidence or even withdrawing from the audit, as appropriate under the legal framework.
5. Document the procedures and conclusions reached by the auditor in detail in the audit files.

3.2 Enhancing the credibility of financial reports through management's written statements in accordance with ISA 580.

3.2.1 Interpreting the complementary relationship between management's written statements in accordance with ISA 580 and other audit evidence. If all economic entities examined by the auditor were identical under all circumstances, specific and detailed rules of evidence could be established, allowing for accountability for any breaches and eliminating room for differing interpretations. However, numerous differences exist, including in the nature of the audited entity, its size, organization and management, employee competence, and accounting and control systems (Clark, 2022). Consequently, auditors have not been able to establish uniform rules of evidence. All that has been possible is to outline guidelines for members of the profession, while granting them broad freedom in taking practical actions and decisions based on their experience and personal judgment regarding the specific circumstances of the economic entity under audit (Joanson & Wiley, 2022). Evidence, as a term, means collecting and evaluating evidence to reach a certain level of confidence and a degree of accuracy in the accounting data, records, and financial statements, thus allowing for the issuance of an impartial professional opinion (Al-Qaisi, 2004). Audit evidence, as defined by International Standard on Auditing (ISA500) under the heading "Evidence of Auditing," refers to the information used by the auditor to reach conclusions upon which to base their opinion. This evidence relates to information contained in accounting records that support financial statements, data, and information (IFAC: 2017: 413). Researchers have emphasized the necessity of providing competent and sufficient audit evidence through examination, observation, and verification to obtain answers to the auditor's inquiries (Qureshi, 2021). Audit evidence is based on the assumption that the financial statements must be auditable and verifiable. If the financial statements are not auditable and verifiable, the auditing process would not make any sense. International Standard on Auditing (ISA 580) has identified the representations made by the management in writing as an important source of audit evidence in assessing the reliability of financial statements. This representation is defined as the assurance provided by the management regarding their responsibility towards the preparation of the financial statements in accordance with the accounting principles generally accepted by the organization, along with the completeness of the information provided to the auditor and the absence of concealment. However, it is important to note that such representations, by their very nature, constitute internal corroborative evidence, which is not sufficient in itself as audit evidence in line with the auditing

standards. It is important that it is supported by independent audit evidence. Supporting evidence is collected from internal and external sources, including external confirmations, documentary examination, observation, and recalculation (Whittington & Pany, 2024). The researchers have proposed that the integration of the management's written statements and the audit evidence is facilitated by the role of cross-verification. The statements are useful in helping the management's positions become clearer and more defined, while the audit evidence tests the truthfulness and reliability of the statements. Thus, the two are not alternatives, but rather complementary in the audit process. The statements are useful in helping the auditor understand the management's assumptions and environment, while the independent audit evidence provides the necessary persuasive force required for the formation of a sound professional opinion. This helps in the adequacy and appropriateness of the audit evidence and the overall quality of the audit process.

3.2.2 Interpreting the Role of Written Management Statements in Detecting Misrepresentations and Enhancing the Reliability of Financial Reports

The reliability and credibility of the accounting system are the basic pillars of the system (Ghanem & Al-Shammari, 2024). In the presentation of financial reports, which are the end product of the system, the reports must be characterized by the presence of accurate, relevant, and timely information in order to achieve the primary purpose of the reports, which is to serve the users and help them make informed decisions (Romney et al., 2021). Moreover, the reports must be used as a tool for expressing the independent and professional opinion of the external auditor regarding the fairness of the presentation of financial statements. In this respect, the credibility of the reports becomes a basic requirement for stakeholders (Ahmed, 2022). In this regard, the literature has suggested that the independence of the auditor must be strengthened, and the auditor must be rotated frequently in order that there may not exist any close relationship between the management and the auditor, which could influence the objectivity of the reports (Louwers et al., 2023). The reliability of the information is established when the information disclosed in the financial reports represents the substance of the economic transactions and events, rather than their form, in accordance with the principle of "substance over form" (Halim, 2020). Confidence in the information relates to the conformity of the information with the reality of the transactions, as highlighted in the accounting standards that emphasize economic substance as the criteria for measurement and reporting (Felimban, 2023). Moreover, reliability is an essential characteristic of financial reports that is established through the provision of true, complete, unbiased, and accurate information that can be relied upon for decision-making (Usmani, 2023). The degree of such reliability is determined by the effectiveness of the policies and procedures followed for internal control (Usmani, 2023), as well as the objective evidence on the basis of which the information is disclosed (Abdel Raouf & Scheherazade, 2025). The researchers are of the belief that the complementary role of external auditing in this respect is encapsulated by the auditor's adherence to the application of the International Standards of Auditing (ISA), particularly ISA 580 in respect of the management's written representations. The ISA 580 standard requires the auditor to obtain written representations from the management with respect to the management's responsibility for the preparation of the financial statements, the full disclosure of all the necessary information, and the absence of any material misstatements in the financial statements. However, these representations are not independent of the audit evidence; rather, they are part of a comprehensive system of audit evidence that must be obtained through the application of the examination, analysis, and control and substantive testing procedures. The complementary relationship between the application of ISA 580 and the obtaining of audit evidence is highlighted by the fact that the written representations provide a clear definition of the scope of management's responsibility, while the objective audit evidence provides the basis for the verification of the representations. Where there is a level of consistency between the statements and the independent evidence collected by the auditor, it boosts the confidence of the professionals, hence improving the capacity of the auditor to identify material misstatements, both due to error and fraud. Where there is a discrepancy between the statements and the evidence collected, it implies a potential risk of a misstatement, hence requiring a wider audit procedure. The use of ISA 580 compliance in obtaining sufficient and appropriate audit evidence has a positive effect on the quality of the audit process. The use of this approach has a positive effect on the capacity of the auditor to produce a reliable professional opinion. The greater the efficiency of the use of this approach, the greater the chances of a more effective audit. The use of declarations within a framework of a wider evidence-gathering approach has a positive effect on the likelihood of financial statements being free of material misstatements and their reliability as a source of decision-making. From the above, it is evident that the reliability of financial reports is not only ensured by compliance with accounting standards during preparation, but is further assisted and fortified by the auditor's dedication to the application of auditing standards, particularly ISA 580, in the overall system for the collection and evaluation of audit evidence, culminating in the enhancement of public confidence in the quality of financial reports.

4. The Practical Aspect of the Research

4-1 An Overview of the Iraqi Company for Manufacturing and Marketing Dates / Mixed Sector

First: General Introduction to the Company. The Iraqi Company for Manufacturing and Marketing Dates is a government-owned company, a branch of the Ministry of Industry and Minerals in the Republic of Iraq. The company is considered one of the most important local companies in the field of manufacturing, marketing, and export of Iraqi dates and its products.

Second: The Company's Establishment and Development. The company was founded to regulate the date sector in Iraq and enhance the economic value of this strategic agricultural resource. The company was founded in response to the need to support local production of dates, to develop food processing operations related to dates, to open export markets for Iraq in foreign countries, and to add value to the date sector instead of depending on the export of raw dates.

Third: Objectives of the Company. The company aims to achieve a group of economic and developmental objectives, most

important of which are: processing, packaging, and marketing Iraqi dates in accordance with standardized specifications; supporting Iraqi farmers and encouraging the cultivation of palm trees; developing non-oil export operations and strengthening the national economy; manufacturing value-added products from dates; and contributing to food security.

Fourth: Company's Main Activities. Purchase of dates from local farmers and producers; sorting, cleaning, sterilizing, and packaging of dates; manufacturing of derivative products from dates, including syrup, paste, sweets, and similar foods; marketing of products domestically and abroad; and storage of dates in warehouses and refrigerated facilities.

4-2 Evaluation of the Written Declarations of the Company Under Study

First: General Information on the Declarations. Table (1) shows the analysis of the management's representations and the misstatements identified by the auditor. The representations of the accounting manager and the authorized manager show that the management has accepted responsibility for the accuracy of the financial information presented. This increases the reliability of the financial reports presented to the auditor. Moreover, the management's representation of the absence of material misstatements in the financial reports, as well as the preparation of the financial reports in accordance with the generally accepted accounting principles and the relevant accounting standards, increase the fairness of the financial reports' presentation and the level of transparency and compliance.

Table (1) Comprehensiveness and reliability of written management declarations according to the requirements of standard (ISA 580)

Enhancing the reliability of financial reports by detecting misrepresentations	Evidence	Written declarations
Signed by the Accounts Manager, Authorized Manager	<ul style="list-style-type: none"> - Responsibility for preparing financial statements. - Completeness of information provided to the auditor. - Disclosure of liabilities and subsequent events. - Reconciling declarations with financial statements; ensuring the content of the declaration is consistent with the financial statements. - Auditor's correspondence with management. 	Were all the written 1 declarations signed by the directors or official ?representatives
The written declarations cover the 2023 audit period.	<ul style="list-style-type: none"> - Financial statements for the period. - Cash flow analysis. 	Do the written declarations .2 cover all the financial data for ?the period under audit
The administration clarified in its statements the lack of There are material discrepancies in its financial reports.	<ul style="list-style-type: none"> - Implementing analytical procedures. - Conduct detailed tests. - Review subsequent events. 	Do the declarations contain .3 Based on clear and honest assurances that there are no ?fundamental errors
The financial reports were prepared in accordance with Generally Accepted Accounting Principles (GAAP) and accounting rules.	<ul style="list-style-type: none"> - Accounting Policies Manual - Accounting Books and Records - Internal Audit Reports 	Do the contents of the .4 declarations comply with the accounting policies and internal ?controls followed

Secondly, the aspect of compliance with laws and regulations. Table (2) shows the problem of the company's financial reports being returned for correction due to errors and shortcomings in their preparation, resulting in delays in their submission within the legal deadlines. The accuracy, completeness, and timeliness of financial reports are the basic pillars of their credibility. Hence, the submission of financial reports that do not meet the requirements of the regulations undermines the accuracy and completeness of accounting information, leading to a loss of confidence for the relevant regulatory bodies.

The failure of the company to complete the formation of the Board of Directors in accordance with the legal requirements, i.e., the failure to nominate reserve members from the public sector, reveals the problem of the company's governance. The effectiveness of the role of the Board of Directors in overseeing the executive management of the company, including the quality of financial reporting, might be undermined. The possibility of errors and shortcomings in financial disclosure might also undermine the accuracy and completeness of accounting information, particularly the qualitative characteristics of accounting information, such as reliability, completeness, and timeliness, leading to the loss of credibility for financial reports.

Table (2) Compliance with laws and regulations and their relationship to written administrative declarations.

Enhancing the reliability of financial reports by detecting misrepresentations	Evidence	Written declarations
- The company submitted its financial statements for the year ending December 31, 2023, on November 2, 2023. Several errors and deficiencies were noted in the preparation of these statements, as per the instructions of the Federal Board of Supreme Audit/Department of Technical Affairs and Studies regarding financial reporting requirements. This necessitated their return for completion and correction of the deficiencies. The statements were	<ul style="list-style-type: none"> • Company incorporation license and registration certificate in accordance with the Companies Law. • Minutes of board and general assembly meetings to ensure compliance with legal procedures. • Reports submitted to the Registrar of 	Does the management .1 confirm that the unit is committed to all official laws and local regulations in violation of the Companies Law ?((21) of 1997 (amended

<p>subsequently returned to the company and resubmitted later, which delayed the submission of the financial statements within the legally mandated timeframe.</p> <p>-The company failed to select alternate members for the Board of Directors as required by Article 103, Paragraph 2. Four members were nominated from the private sector, but no alternate members were nominated from the public sector.</p>	<p>Companies.</p> <ul style="list-style-type: none"> • Legally compliant submission of annual financial statements within the specified deadlines. • Companies Registration Department, Tax Authority, and relevant sectoral bodies. • Internal audit reports related to legal compliance. 	
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Third, management's responsibility for preparing financial statements and complying with accounting and legal requirements. As shown in Table (3), the failure of the company to prepare a statement of cash flow, the inaccuracy of the allocation of expenses to cost centers, and the failure of the company to reconcile work in progress accounts all point to weaknesses in the application of the approved accounting principles. These weaknesses affect the completeness, accuracy, and fairness of the financial reports. Additionally, these weaknesses are in contradiction with the management's declarations and affirmations of their responsibility for the preparation of the financial reports without any material misrepresentation and in conformity with the approved accounting principles.

Table (3): Management's Responsibility for Preparing Financial Statements and Complying with Accounting and Legal Requirements

Enhancing the reliability of financial reports by detecting misrepresentations	Evidence	Written declarations
<p>- The company failed to prepare, audit, and attach a cash flow statement to the financial statements submitted to the Audit Bureau, contrary to Accounting Rule (7) issued by the Accounting and Auditing Standards Board of the Republic of Iraq, as amended. This rule mandates that companies prepare a cash flow statement in accordance with its requirements as an integral part of the annual financial reports, as well as the requirements for preparing financial statements adopted by the Federal Board of Audit / Department of Technical Affairs and Studies, No. (3371/5/4/5), dated January 7, 2023.</p> <p>-The company allocated some expenses within the investment allocation statement to cost centers, indicating inaccuracy in allocating expenses to the production, trading, profit and loss, and distribution accounts. The purchases account includes expenses unrelated to production and trading, as well as financing and other expenses, contrary to the instructions of the accounting system for companies.</p>	<p>- Accounting compliance checklists</p> <p>- Recalculations and reconciliations</p> <p>- Board of Directors and audit committee minutes</p> <p>- Legal advice</p> <p>- Review of notes to financial statements</p> <p>-Correspondence with regulatory authorities</p>	<p>Does the management .1 confirm in its written declarations its commitment to accounting standards and applicable laws and ensure the completeness and integrity of financial data, in light of the observations related to financial disclosure and legal and administrative ?procedures</p>
<p>There is no written statement on the matter.</p>	<p>- Environmental and health work permits</p> <p>-ISO 14001 environmental certifications</p>	<p>Do the declarations .2 include confirmation of compliance with environmental and ?health standards</p>
<p>There is no written statement on the matter.</p>	<p>- Inspection reports</p> <p>- Legal case records</p> <p>-Compliance or risk management reports</p>	<p>Were any regulatory .3 or supervisory violations discovered, and what was their impact on the ?financial reports</p>

Fourth, management's written statements serve as explanatory evidence for the reasons behind poor operational performance and deviations from production plans. Table (4) illustrates the cessation of the core activity and the shift in the nature of operations. The near-cessation of the company's core production activity and its shift towards leasing equipment and machinery represent a fundamental change in the business model, necessitating clear disclosure in the financial reports. Therefore, inadequate disclosure of this change may lead to an unfair representation of financial information, while appropriate disclosure improves information transparency, making it more reliable for use. The low capacity utilization rates (2% to 13%) indicate underutilized plant capacity, hence potential indicators of asset impairment. The appropriate accounting recognition of these changes improves the accuracy of accounting measurements, reducing the risk of financial misrepresentation. Failure to Achieve Planned Production and Its Impact on Accounting Estimates: The wide disparity in planned production (2% to 17%) compared to actual production indicates inadequate operational planning, hence influencing management's estimates. The appropriate management disclosure of the causes of non-compliance (low demand and competition) improves the accurate representation of financial reports, as it is neutral. Absence of a Clear Production Plan as a Control Risk: This lack of a clear production and receiving plan reveals weaknesses in the internal control system. The lack of strategic planning is another weakness. The auditor's confidence in the audit evidence is boosted by addressing these weaknesses by writing management disclosures and declarations. This improves the credibility of financial reports.

Table (4): Management Declarations as Explanatory Evidence for the Reasons for Weak Operational Performance and Deviation from Production Plans

Enhancing the reliability of financial reports by detecting misrepresentations	Evidence	Written declarations
<p>- The company has nearly completely stopped its main activity of manufacturing the product specified in its founding contract, which indicates that "the company's activities are to undertake all activities and works that contribute to stimulating the Iraqi economy and national development" . " This cessation is due to weak product sales, as production is concentrated on a few products with low growth rates. Furthermore, there is a clear underutilization of production capacity and the company's land is not being utilized. The company also engages in leasing its equipment and machinery to third parties (outside Iraq).</p> <p>- Actual production rates for most products have declined, ranging between 2% and 13%. This indicates that the company has not achieved its planned targets for available production capacity. The company stated that this is due to low market demand for its products, coupled with strong competition from imported products that are cheaper and offer higher specifications compared to locally produced goods.</p> <p>Production rates for all company products have fallen short - of planned targets, ranging between 2% and 17%. The company indicated that its management has not established a .clear production and receiving plan</p>	<p>- Minutes of Board of Directors meetings regarding: reasons for the decline in production, operational performance reports, deviation analysis, and market demand studies</p> <p>- Energy utilization reports</p> <p>-Maintenance and operational shutdown reports</p>	<p>Does management acknowledge its responsibility for the reasons behind the decline in production and marketing performance and the failure to achieve planned production capacity, and does it acknowledge that the financial disclosures fairly reflect the effects of these operating ?conditions</p>

Fifth. Declining production levels and the discontinuation of operating assets, and their impact on the credibility of financial information. A decrease in actual production rates compared to previous years, coupled with the non-operation of some production facilities and their classification as discontinued assets, indicates underutilization of production capacities and a failure to realize economic benefits from assets. This negatively impacts the credibility of financial reports by failing to reflect the true economic position of the company in terms of revenues and asset values. Furthermore, it could lead to an overvaluation of assets and inappropriate cost and depreciation estimates. Therefore, it can be concluded that continuing to present this information without adequate accounting treatment and disclosure will reduce the reliability of financial information and the ability of financial report users to rely on it when making decisions.

Table (5) Analysis of management's written declarations regarding the decline in production levels and the cessation of operating assets and their impact on the credibility of financial information

Enhancing the reliability of financial reports by detecting misrepresentations	Evidence	Written declarations
<p>- Production rates for all the company's products (Zahdi dates, Halawi dates, and tahini) decreased compared to the previous year, ranging between 5% and 36%. The company explained that this was due to low demand and high date prices, which reduced production, as production is primarily dependent on market demand.</p> <p>- The company did not operate its coffee factory to produce coffee and placed it among the idle equipment. In response to an inquiry, the company stated that the factory's operation was only on a trial basis and therefore did not contribute to actual production.</p> <p>The company's sales for the year covered by the report - were lower than planned, with implementation rates ranging between 1% and 16%. This negatively impacted profitability. The reason given was a decrease in demand for certain products such as bags and date syrup, with sales reaching only 15 and 20 tons respectively. The company indicated that this was due to consumers' .reluctance to purchase these products</p>	<p>- Monthly and annual actual production reports and comparison of current production quantities with the previous year.</p> <p>- Reconciling data with inventory records and operational reports.</p> <p>- Production plans and budgets.</p> <p>- Market order reports and sales contracts.</p> <p>- Reviewing the volume of orders received from customers.</p> <p>- Ensuring that actual production matches the volume of orders.</p> <p>- Comparing actual sales with planned sales by product.</p> <p>- Journals and sales invoices.</p> <p>- Verifying the accuracy of quantities sold (15 tons, 20 tons).</p> <p>- Calculating the percentage of sales achieved.</p> <p>-Marketing reports and market research.</p>	<p>To what extent does management confirm (by written declaration) that the decline in production rates and the non-operation of the coffee plant are due exclusively to economic and market factors beyond the company's control, and that there are no other undisclosed operational, technical, or administrative reasons that have affected the company's production level ?and operational capacity</p>

Sixth. Evaluating the adequacy of management's written declarations regarding the implementation of the planned budget and compliance with legal spending controls. Table (6) shows non-compliance with the requirements for preparing final accounts according to the budget, along with unapproved financial overruns. This indicates weaknesses in financial governance and internal control, leading to a decline in the reliability of financial reports and necessitating the strengthening of follow-up, approval, and control procedures to ensure the integrity and quality of financial information.

Table (6) Implementation of the Planned Budget and Compliance with Legal Spending Controls

Enhancing the reliability of financial reports by detecting misrepresentations	Evidence	Written declarations
<p>The company prepared a budget, and upon reviewing and comparing it with the company's actual revenues and expenditures, the following was revealed:</p> <ul style="list-style-type: none"> - The final accounts were not prepared in accordance with the requirements for implementing the planned budget, contrary to Article (17/Fifth) of the Companies Law No. (21) of 1997 (as amended), which stipulates that among the management's powers is monitoring the implementation of the annual plan and submitting periodic reports to the auditor and an annual report to the general assembly on the results of the plan's implementation. - There were overspending in some accounts without obtaining the necessary prior approvals for these overspendings from the company's board of directors, or making the necessary transfers between accounts in a proper manner to address these overspendings. The company has indicated. 	<ul style="list-style-type: none"> - The annual plan and budget approved by the Board of Directors. - Minutes of Board of Directors meetings including discussions of implementation results. - Reconciliation of final account items with the budgeted items (variance analysis). - Management's explanation for the non-compliance of accounts with legal requirements. - Exceeding spending limits in certain accounts. - Statements of actual expenditures compared to the approved budget. - Disbursement orders and supporting payment documents for financial transactions. - Financial authorities manual. - Internal audit reports related to financial variances. - Official inquiries and management responses regarding the reasons for the variances. - Analysis of variances between the planned and actual figures. 	<p>Do the management procedures for ensuring the preparation of final accounts comply with the requirements for implementing the planned budget and adhering to the provisions of the Companies Law No. (21) of 1997 (amended)? What are the justifications for the occurrence of overspending without obtaining the necessary prior approvals or carrying out the required legal transfers between ?accounts</p>

Seventh. Evaluating the adequacy of management's written statements in light of deficiencies in ownership, documentation, and accounting balances. Observations related to the leasing of land whose legal ownership remains untransferred to the company, the incomplete transfer of ownership of certain fixed assets and inadequate maintenance follow-up, in addition to the lack of returns from long-term financial investments and the absence of confirmations from the investing entities, reflect deficiencies in the recognition, measurement, and disclosure of assets and investments. This results in an increased risk of inaccurate representation of the financial position, as there is the potential to record assets or revenue without full legal basis or documentation. Additionally, the absence of external confirmations undermines the reliability of investment balances, hence limiting the potential for verifying the same, which affects the reliability of financial reports as well as the confidence of regulatory bodies.

Table (7) Evaluating the adequacy of management's written statements in light of deficiencies in ownership, documentation, and accounting balances

Enhancing the reliability of financial reports by detecting misrepresentations	Evidence	Written declarations
<ul style="list-style-type: none"> - Land Leasing: The company leased part of the Baghdad Modern Slaughterhouse to Zain Iraq Telecommunications Company from 2004 to 2023, despite the land being owned by the Ministry of Finance. The company states that it purchased the slaughterhouse from the Ministry of Agriculture, but the ownership transfer procedures are still ongoing. - Vehicles and Assets: There is a Super Saloon car whose ownership has not been transferred to the company due to requirements from the relevant authorities. Several vehicles have not had their annual registrations updated, and a number of vehicles are out of service, with no action taken regarding them despite the Board of Directors' approval. - Long-Term Financial Investments: The company's balance - amounted to approximately 1.485 billion dinars, representing its contributions to the capital of other companies. The company has not realized profits from most of these investments because they are not traded on the Iraq Stock Exchange. The company has not received confirmations from some of the companies in which it holds .shares, despite contacting them 	<ul style="list-style-type: none"> - Land lease (incomplete ownership) - Slaughterhouse purchase agreement between the company and the Ministry of Agriculture - Lease agreement with Zain Iraq Telecommunications Company - Legal correspondence or legal advisor's opinion regarding the company's right to lease before the completion of the ownership transfer - Vehicle registration documents (annual registrations) to verify legal ownership - Technical reports or maintenance records detailing the condition of parked vehicles - Shareholding certificates or investment contracts in the companies in which the company has investments - Legal documents and external certifications 	<p>Does management, through its written declarations, confirm the soundness of the legal and accounting positions relating to assets, investments, debit and credit balances, contracts, and leases, and that they are fully and correctly recorded and disclosed in the ?financial statements</p>

Eighth: Evaluating the adequacy of management's written statements regarding the existence, completeness, and measurement of assets and liabilities. There are substantial discrepancies in the recording, measurement, and accounting recognition of the accounts, including the discrepancy between the fixed asset register and the depreciation account, the increase in accounts receivable due to the suspension of balances and the failure to create an allowance for doubtful debts, and the failure to recognize accrued revenues and the balance confirmation procedures. Additionally, the failure to have title deeds, the inaccuracy of the land area, the acceptance of incomplete guarantees, the failure to use approved letters of guarantee, and the expiration of leases without renewal all contribute to the level of uncertainty regarding the accuracy of the assets and liabilities being recorded. In summary, these practices have a negative impact on the attributes of accounting information, particularly the truthful representation of the accounting information, verifiability, and reliability.

Table (8) Management's Written Statements Regarding the Existence, Completeness, and Measurement of Assets and Liabilities

Enhancing the reliability of financial reports by detecting misrepresentations	Evidence	Written declarations
<p>- The electronic fixed asset register does not match the annual depreciation entry for some accounts, and discrepancies are detailed in the table showing the financial amounts.</p> <p>- Accounts receivable balance: Approximately 8.12 billion dinars, most of which (99%) are outstanding balances from previous years. Revenue accrual entries for invested and leased entities, amounting to approximately 2.84 billion dinars, were not recorded, contrary to accounting regulations. No provision was made for doubtful debts despite the existence of outstanding balances. Accounts payable balance: Approximately 3.19 billion dinars, of which outstanding balances constitute 78%. Procedures for obtaining confirmations of debit and credit balances are inadequate.</p> <p>- The Audit Bureau was not provided with title deeds for some slaughterhouses and projects, contrary to the requirements for preparing financial statements.</p> <p>- Incorrect recording of the areas of some leased lands.</p> <p>- Sada Al-Khair Company received incomplete real estate guarantees.</p> <p>- Electronic letters of guarantee were used without paper authentication and without official receipt from banks. - Land lease contracts on which projects are located have expired without renewal despite demands for renewal.</p>	<p>- Reconciling the asset register with the general ledger entries and recalculating depreciation.</p> <p>- Reconciling the electronic record with the accounting books.</p> <p>- Re-estimating the provision.</p> <p>- Reviewing contracts and invoices and reconciling revenues.</p> <p>- Sending external certifications.</p> <p>- Examining original ownership documents and confirmation letters from the Land Registry.</p> <p>- Reviewing guarantee files, mortgage terms, and legal documentation.</p> <p>Reviewing contract dates - and management minutes</p>	<p>Does management certify in writing that the information provided regarding fixed assets, debtors and creditors, leases, guarantees, and title documents is complete and accurate, and that it has estimated the necessary accounting provisions and addressed differences and withheld balances in a manner that ensures the fair presentation of the financial statements and the absence of material misrepresentations</p>

Ninth. Internal Control. Table (9) shows that the lack of a clear internal system for defining responsibilities, weak control over delegation and budgets, the absence of training and job rotation programs, and the inadequacy of internal audit activity indicate a weak internal control environment. This increases the risk of errors and material misstatements and limits the accounting system's ability to produce reliable financial information, negatively impacting the credibility of financial reports and the confidence of their users.

Table (9) Internal Control

Enhancing the reliability of financial reports by detecting misrepresentations	Evidence	Written declarations
<p>Lack of an approved internal system to define the duties and responsibilities of departments</p>	<p>- Obtain a copy of the bylaws or procedures manual approved by the board of directors.</p> <p>- Review the authorization orders and the register of powers.</p>	<p>Does management confirm the effectiveness of internal control systems and their impact on data preparation</p>
<p>- Lack of clear methods for controlling delegation, reporting, and budget planning.</p> <p>- Absence of an employee rotation plan and an employee evaluation and training plan.</p> <p>- Failure to submit periodic internal audit reports and the absence of approved audit programs.</p>	<p>- Review budget preparation documents and compare them with actual implementation and deviation reports.</p> <p>- Ensure the effectiveness of planning controls.</p> <p>- Review human resources policies and employee mobility records.</p> <p>- Review annual performance appraisal forms and job competency reports, and evaluate performance controls.</p> <p>- Review annual training plans and records of completed courses.</p> <p>- Review board and audit committee minutes related to internal controls.</p> <p>- Review the organizational structure and functional reporting lines of the internal audit unit.</p>	<p>Were the oversight responsibilities clearly defined in the declarations</p>

5. Conclusions and Recommendations

5.1 Conclusions

1. The results showed that written management declarations, despite being signed by executive officers and stating their compliance with Generally Accepted Accounting Principles (GAAP), often fail to provide sufficient supporting evidence and disclosure for general assertions of the absence of material misstatements. The results showed that the declarations are not reliable in verifying the accuracy of the information in the financial reports.

2. There is a weakness in compliance with laws and regulations in the preparation and submission of the financial reports. The return of the reports due to the presence of material errors and omissions is a reflection of the weakness in the financial reporting procedures and the role of internal audit and pre-disclosure control.
3. The incomplete formation of the board of directors in conformity with the legal norms is a reflection of the weakness in the system of corporate governance and control.
4. The results showed that there are weaknesses in the application of accounting requirements for the presentation and disclosure of financial information. This is seen in the lack of preparation of the cash flow statement, incorrect application of expense allocation to cost centers, and the continued absence of the reconciliation of work-in-progress accounts. This affects the fairness of the financial statements and the accuracy of the accounting information.
5. The study established that the management disclosures on the performance of the company do not adequately reflect the material changes in the company's activities, such as reduced production quantities or the change in the type of equipment leasing. This requires an improvement in accounting disclosure on the efficiency of the utilization of assets and their capacity for the generation of cash flows.
6. The large discrepancy between planned and actual production indicates weaknesses in the operation of the company. This could cause potential misrepresentations of the company's inventory and cost components, thus limiting the accuracy of the information for the evaluation of financial and operational performance.
7. Deficiencies were identified in the documentation of the ownership of some assets and investments, and the lack of sufficient external confirmations regarding these items. This reduces the ability to confirm the accuracy of recorded balances, hence increasing the risk of an inaccurate representation of the financial situation.
8. From the results, it is clear that there were significant differences in the recording and measurement of accounting information. This included the difference between recorded fixed asset information and depreciation, inflated accounts receivable balances, and the failure to create necessary provisions. This is an indication of the weakness in the application of accounting principles and control procedures. This situation raises the risk of substantial misstatements in the financial statements.
9. Weaknesses in internal control environment: This is an indication that there is a lack of an effective system in place to establish responsibility. This is further shown by inadequate oversight of delegation and budget. Additionally, there is inadequate internal auditing activity. This situation raises the risk of errors and misrepresentations in the financial statements. This situation reduces the ability to detect errors in a timely manner.

5.2 Recommendations

1. The content of the written statements by the management has to be improved in such a way that it is not just general in nature but is supported by specific information in sufficient detail, along with sufficient documentation and evidence, in order to increase the value of auditing.
2. Adhering to laws and regulations regarding the preparation and submission of financial reports is very important. This can be achieved by designing effective internal audit mechanisms that ensure adherence to laws and regulations while submitting financial reports to the relevant authorities.
3. It is important that the board of directors is constituted in an effective manner by adhering to the laws and regulations. This is in relation to the effective incorporation of corporate governance in the organization in order to ensure effective oversight of the financial reporting process.
4. Improving the quality of accounting disclosure by adhering to the preparation of comprehensive financial statements, particularly the preparation of cash flow statements, in addition to addressing the errors in relation to the allocation of expenses and settling outstanding accounts such as projects under construction.
5. Enhance accounting disclosure of material changes in the company's operating activities, including reductions in production levels or changes in the nature of the business, in order to ensure transparent information that reflects the reality of economic activity.
6. Develop operational planning and control systems in order to narrow the gap between planned and actual production, as well as improve the accuracy of cost and inventory measurement, in order to mitigate the risk of misrepresentation in financial information.
7. Complete and officially document all legal procedures related to asset ownership, including obtaining independent external certifications for related investments and balances in order to improve their verifiability.
8. Improve accounting measurement and recording procedures, including updating fixed asset records and comparing them with depreciation entries, addressing inflated accounts receivable balances, as well as establishing the necessary provisions in accordance with approved accounting standards.
9. Enhance the effectiveness of the internal control system by clearly defining responsibilities and powers, activating the

role of internal auditing, as well as preparing periodic audit programs in order to contribute to detecting errors and distortions.

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