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The impact of the external auditor's compliance with auditing standards in reducing creative accounting practices

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Abstract

This study aimed to examine the impact of the external auditor's compliance with auditing standards on reducing creative accounting practices. To achieve the objectives of the study, a questionnaire was designed and distributed to a sample consisting of (30) external auditors working in the Qassim region.

The study found a statistically significant relationship between the external auditor's compliance with general (personal) standards and the reduction of creative accounting practices. In contrast, the results did not show a statistically significant relationship between compliance with fieldwork standards and the reduction of such practices.

In light of the findings, the study recommends enhancing external auditors' compliance with general (personal) standards, due to their effective role in improving audit procedures and reducing creative accounting practices. This can be achieved by focusing on professional and ethical aspects, strengthening auditor independence, enhancing professional competence, and intensifying continuous training programs for auditors.

The study also recommends reconsidering the mechanisms for applying fieldwork standards and developing them to ensure greater effectiveness in detecting creative accounting practices. This includes improving audit evidence collection procedures, expanding substantive testing, and applying analytical review procedures in a more accurate and in-depth manner.

Furthermore, the study recommends establishing clearer regulatory guidelines to reduce the multiplicity of accounting alternatives and treatments, thereby limiting opportunities for creative accounting practices and enhancing the comparability and reliability of financial statements for users.

Keywords: Personal Standards, Fieldwork Standards, Creative Accounting, Saudi Arabia.

1. Introduction

The increasing complexity of modern business environments and financial transactions has intensified the demand for high-quality accounting information that is both reliable and transparent to support informed decision-making by stakeholders. Financial statements remain the primary mechanism for communicating such information; however, the growing use of creative accounting practices poses a significant challenge to financial reporting quality by exploiting the flexibility embedded in accounting standards to achieve opportunistic managerial objectives (Zhong & Goel, 2024; Alzoubi, 2018).

In response to these concerns, external auditing plays a central role as a key governance and assurance mechanism aimed at enhancing the credibility of financial reporting and mitigating inappropriate accounting practices. In particular, external auditors' compliance with auditing standards is widely recognized as a critical determinant of audit quality, as it strengthens audit planning, enhances professional skepticism, and improves the detection of material misstatements and earnings manipulation practices associated with creative accounting (IAASB, 2023).

Prior research has emphasized that the effectiveness of external audit in constraining creative accounting is influenced by auditors' adherence to professional standards, as well as their competence and independence (Alhadab& Clacher, 2018). Nevertheless, the empirical evidence remains inconclusive regarding the extent to which compliance with auditing standards effectively reduces creative accounting practices, particularly within different institutional and regulatory environments.

Accordingly, this study aims to examine the impact of external auditors' compliance with auditing standards on reducing creative accounting practices from the perspective of external auditors. In doing so, it seeks to contribute to the auditing literature by providing empirical evidence on the effectiveness of auditing standards in enhancing audit quality and limiting opportunistic financial reporting practices.

Research Problem:

In light of the increasing prevalence of creative accounting practices and their potential to mislead users of financial statements, the importance of the external auditor's compliance with auditing standards has emerged as a key factor in enhancing the effectiveness of audit procedures and reducing such practices. This, in turn, contributes to improving the reliability and credibility of financial reports (Mohammed et al., 2024). Some studies have shown that the effectiveness of audit procedures is closely linked to the auditor's adherence to professional and ethical standards, which helps improve the quality of financial reporting and reduce earnings management (Abdullah, 2023).

Despite the attention given in accounting literature to examining the relationship between auditing standards and creative accounting practices, the findings of previous studies have been inconsistent. Some studies have indicated a positive and significant impact of compliance with auditing standards in reducing these practices and improving the quality of financial reporting (Saeed, 2022) while other studies have found no significant effect for certain aspects of auditing standards—particularly fieldwork standards—on limiting creative accounting practices (Jamil et al., 2022; Thleib, 2015).

This inconsistency in findings reflects a research gap concerning the unclear nature of the relationship between the external auditor's compliance with auditing standards and the reduction of creative accounting practices. Additionally, there is a scarcity of studies that have examined this relationship within the Saudi environment, which calls for further applied research to test this relationship and provide more consistent evidence to support professional practice.

Accordingly, the research problem can be formulated in the following main question:

What is the impact of the external auditor's compliance with auditing standards on reducing creative accounting practices?

This main question gives rise to the following sub-questions:

- What is the impact of the external auditor's compliance with general auditing standards on reducing accounting practices?
- What is the impact of the external auditor's compliance with fieldwork standards on reducing accounting practices?

Study Objectives:

The main objective of the study is to measure the extent to which the external auditor's compliance with auditing standards contributes to reducing creative accounting practices.

Importance of the Study:

The importance of this study stems from the significance of the problem it addresses, which involves examining the impact of external auditors' compliance with auditing standards on limiting creative accounting practices. Accordingly, the study derives its academic and practical importance from the following:

- Despite the attention given by previous research to creative accounting practices and ways to limit them, these studies have not addressed—within the researcher's knowledge—the impact of compliance with auditing standards on reducing creative accounting practices.

- The study seeks to shed light on an important issue, namely creative accounting practices in financial statements, given that such practices may mislead users of financial information through the manipulation and distortion of financial statement data.
- This study contributes to enriching the literature by exploring external auditors' perspectives on the impact of external auditors' compliance with auditing standards on reducing creative accounting practices.

2.Theoretical Framework

The relationship between the external auditor's commitment to auditing standards and the reduction of creative accounting practices can be explained through several complementary theories. Agency Theory assumes the existence of a conflict of interest between management (the agent) and owners (the principal), which may lead management to engage in creative accounting practices. In this context, the auditor's compliance with auditing standards strengthens the monitoring function and reduces such behavior by narrowing information asymmetry and reducing the information gap (Jensen & Meckling, 1976).

Similarly, Corporate Governance Theory conceptualizes external auditing as one of the key governance mechanisms. Accordingly, the higher the auditor's adherence to auditing standards, the stronger the oversight of financial reporting becomes, thereby limiting opportunities for manipulation and creative accounting practices (Shleifer & Vishny, 1997).

In addition, Audit Quality Theory links auditors' compliance with professional standards to the overall quality of the audit process. A higher level of compliance enhances the auditor's ability to detect material misstatements and inappropriate accounting practices, which in turn contributes to reducing creative accounting behaviors (DeAngelo, 1981).

2.1. Commonly Accepted Auditing Standards:

2.1.1. Concept of External Auditing:

External auditing is a systematic, professional process that involves collecting, evaluating, and verifying evidence related to assertions concerning economic events and decisions. The objective is to assess whether these assertions conform to established criteria and to communicate the results to relevant stakeholders, thereby enhancing the credibility of financial information. (Al-Rifai 2017) defines external auditing as an examination that ensures the information produced and disclosed by an organization is accurate and reliable.

Auditing encompasses all procedures performed by a competent and independent external auditor to provide an impartial professional opinion on the reliability, integrity, and transparency of the financial statements. In this study, understanding external auditing is essential because auditors are the primary mechanism for mitigating creative accounting practices.

2.1.2. Concept of Auditing Standards:

Auditing standards are formal guidelines that assist external auditors in performing their responsibilities effectively. They define requirements for audit quality, professional competence, independence, evidence collection, and reporting (Arens, and Loebbecke,2008). Issued by recognized national and international professional bodies, these standards are widely accepted and integrated into routine audit procedures (Dleimi, 2018).

2.1.3. Types of Commonly Accepted Auditing Standards:

General (Personal) Auditing Standards:

General standards focus on the auditor's qualifications, professional competence, independence, and due care (Awadi, 2016). Key elements include:

- Professional Qualification and Competence: Audits must be conducted by individuals with sufficient technical training and practical experience to ensure reliability.
- Independence and Objectivity: Auditors must maintain mental and formal independence to exercise unbiased judgment.
- Due Professional Care: Auditors should apply appropriate care in planning, executing audit procedures, and preparing reports.

Fieldwork Standards:

Fieldwork standards govern the practical execution of audits, including planning, supervision, internal control assessment, and evidence collection (Bouhafs, 2018). They encompass:

- Planning and Supervision: Preparing structured audit plans and overseeing assistants.
- Assessment of Internal Controls: Reviewing internal controls to determine reliability and necessary testing.
- Obtaining Appropriate Audit Evidence: Collecting sufficient, relevant evidence through inspection, observation, confirmations, etc.

Fieldwork standards strengthen auditors' ability to uncover irregularities and reduce opportunities for creative accounting.

Reporting standards:

Reporting standards guide auditors in preparing, presenting, and issuing professional opinions (Qabbal & Difni, 2016), covering:

- Compliance with GAAP.
- Consistency of applied accounting principles.
- Adequacy of disclosures.
- Clear expression of opinion and auditor responsibilities.

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2.3. Creative Accounting:

2.3.1. Concept of Creative Accounting:

Creative accounting involves the intentional use of flexibility within accounting standards to shape financial information for managerial objectives. Although often compliant with regulations, it misrepresents economic reality, potentially misleading stakeholders and compromising ethical accountability (Yacoub & Al-Asmari, 2020)

2.3.2. Motivations for using Creative Accounting Practices:

Prior studies highlight several managerial motives for creative accounting (Al-Maghrebi, 2020; Al-Khafaji, 2022; Jabbar, 2022):

- Tax avoidance.
- Meeting regulatory or performance targets.
- Securing or maintaining financing.
- Personal gains for managers.
- Enhancing market reputation during financial distress.

2.3.3. Creative Accounting Practices in Financial Statements:

Creative Accounting Practices in the Income Statement:

Common practices include premature/fictitious revenue recognition, shifting expenses across periods, deferring revenues, inflating estimation-based expenses, inconsistent application of accounting policies, and delaying purchase recognition (Abdulrahman et al., 2022).

Creative Accounting Practices in the Statement of Financial Position:

Includes manipulation of receivables and debt provisions, misclassification of investments, applying lower depreciation rates, nondisclosure of restricted assets, and short-term liquidity window dressing.

Creative Accounting Practices in the Statement of Cash Flows:

Manipulation occurs via reclassifying cash flows between operating, investing, and financing activities, such as capitalizing software costs to inflate operating cash flows.

3. Literature Review and Hypotheses

The issue of external auditing and the reduction of creative accounting practices has received increasing attention in accounting and auditing literature, given the threat these practices pose to the credibility of financial statements and the quality of accounting information, as well as their negative consequences for the decisions of investors and other stakeholders.

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The following is a review of the most prominent previous studies related to the current research topic, with the aim of analyzing them and benefiting from their findings in formulating the hypotheses and identifying the research gap that the present study seeks to address, as follows:

The study by Hassan et al (2026) examined the extent of external auditors' compliance with international auditing standards in the age of artificial intelligence, analyzed the effect of such compliance on reducing creative accounting practices, and evaluated the role of AI tools in supporting the work of external auditors. The findings showed that external auditors' compliance with international auditing standards has a positive and significant effect on reducing creative accounting practices. In addition, the level of auditor experience had a significant effect on compliance with auditing standards.

The study by Al-Tayeb (2025) aimed to analyze the role of artificial intelligence techniques in reducing creative accounting practices, identify the methods of creative accounting and the motives behind their use, and measure the effect of applying AI tools on the quality of financial information. The results indicated that AI techniques contribute moderately to strongly in reducing creative accounting practices.

The study by Noor et al (2025) sought to measure the impact of artificial intelligence systems on the quality of the external audit process, evaluate the extent to which audit firms comply with auditing standards under digital transformation, and identify the challenges faced by auditors when using AI. The study was applied to a sample of external auditors in Kuwaiti audit firms. The results revealed a significant positive impact of AI systems on audit quality, in addition to a higher level of compliance with auditing standards when using intelligent digital tools, as well as the ability of AI to improve the detection of manipulation and accounting errors.

The study by Mohammed et al (2024) aimed to identify the extent to which external auditors' commitment to professional ethics reduces creative accounting practices in companies operating in the UAE. The study population consisted of external auditors working in audit firms. The results indicated that external auditors play a role in detecting and reducing creative accounting practices.

The study by Bouhia and Al-Sadi (2024) investigated the effect of external auditing on reducing creative accounting practices in small and medium-sized enterprises within the Saudi environment, through a field study on audit firms not licensed to audit listed joint-stock companies. The study concluded that attention to the efficiency of external auditing helps reduce creative accounting practices in SMEs.

Farhat and Khalafallah (2023) examined the role of external auditing in reducing creative accounting practices under corporate governance. The study concluded that external auditing positively affects the reduction of creative accounting practices through the external auditor's commitment to auditing standards (general standards, fieldwork standards, and reporting standards). Such commitment also increases the auditor's efficiency in confronting creative accounting methods and achieving governance objectives.

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Abdullah (2023) analyzed the effect of external auditors' commitment to professional ethics on reducing earnings management practices from the perspective of external auditors in Yemen. The study population consisted of auditors working in audit firms in Yemen. The findings showed a positive effect of external auditors' commitment to the principles of professional ethics—integrity, objectivity, professional competence and due care, confidentiality, and professional behavior—in reducing earnings management practices.

Jamil et al (2022) tested the relationship between external auditors' commitment to auditing standards and creative accounting practices in agricultural companies through a sample of external auditors in Iraq. The study found a statistically significant relationship between general auditing standards and creative cost accounting practices, while no statistically significant relationship was found between fieldwork standards and creative cost accounting practices.

Saeed (2022) examined the effect of external auditors' compliance with international auditing standards on reducing creative accounting practices, based on a sample of external audit firms in Sana'a, Yemen. The study concluded that the academic and practical qualifications of external auditors help increase their skills and efficiency in performing the audit process to reduce creative accounting practices. It also showed a strong positive relationship between compliance with auditing standards and the reduction of creative accounting practices.

Al-Samarrai and Al-Shuraida (2021) investigated the role of the external auditor in reducing creative accounting practices and its impact on the auditor's report. Among the key findings were the importance of the ethical dimension of accountants and the technical dimension of the accounting profession in increasing the credibility of financial statements. The study also found that external auditors comply with the necessary testing procedures to detect creative accounting practices in Saudi listed companies.

Nasrat and Khalifa (2021) studied the role of external auditors' commitment to professional ethics in Algeria in reducing creative accounting practices, through adherence to ethical principles represented by integrity, objectivity, confidentiality, and professional behavior. Based on a sample of 47 external auditors, the study found that external auditors play a significant role in reducing creative accounting practices when they comply with professional ethics.

Banasser and Al-Sayegh (2020) analyzed the role of corporate governance accounting mechanisms in reducing creative accounting practices in telecommunications companies operating in Riyadh. The sample included audit committee members, internal auditors, accountants, and external auditors of these companies. The results showed that activating governance mechanisms, particularly internal audit committees and external auditing, contributes significantly to reducing creative accounting practices, as they serve as control mechanisms capable of protecting companies, shareholders, and stakeholders from manipulation or misleading financial reporting.

Al-Jaali and Ahmed (2017) examined the effect of external auditors' commitment to professional ethics on reducing manipulation in financial statements. The study found that adherence to the

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fundamental principles of professional ethics reduces manipulation in financial statements. It also showed that harmony between practical auditing experience and academic qualification leads to stronger commitment to professional ethics.

Bouarouj (2016) aimed to identify creative accounting, its various techniques and methods, and the motives encouraging management to practice it, as well as assess the ability of external auditing to confront creative accounting practices in Algerian institutions. The study concluded that external auditors' commitment to auditing standards and professional ethics contributes to detecting creative accounting practices, and that the ethical deterioration of such practices represents a major threat to the future of the accounting profession.

Thalib (2015) examined the relationship between auditing standards and the reduction of creative accounting practices using a sample representing 85% of auditors in Biskra Province, Algeria. The results indicated no statistically significant relationship between auditing standards (general standards and fieldwork standards) and the reduction of creative accounting practices.

Based on the review of previous studies, it can be concluded that external auditors' compliance with auditing standards plays a significant role in reducing creative accounting practices by enhancing the efficiency and effectiveness of audit procedures. Such compliance improves auditors' ability to detect material misstatements, assess risks associated with accounting manipulation, and obtain sufficient and appropriate audit evidence. Consequently, this contributes to improving the reliability of financial reports and limiting management's ability to exploit accounting flexibility to achieve personal objectives.

Several empirical studies have demonstrated a positive relationship between audit quality and the reduction of creative accounting practices (Bohya & Al-Sadi, 2024; Saeed, 2022). Other studies have supported this view by highlighting the role of professional and ethical commitment in enhancing auditors' ability to detect and mitigate inappropriate accounting practices (Mohammed et al., 2024; Abdullah, 2023).

Regarding auditing standards, Farhat and Khalaf Allah (2023) indicated that compliance with various auditing standards contributes to reducing creative accounting practices. In contrast, Jamil et al. (2022) found a significant relationship between general auditing standards and these practices, while no significant relationship was found with fieldwork standards. Furthermore, Thlib (2015) reported different findings, as the study found no statistically significant relationship between some auditing standards and the reduction of creative accounting practices. This variation in previous findings highlights the need for further investigation in this area.

Therefore, considering these inconsistent results, the current study seeks to examine this relationship in the Saudi context in greater detail. Accordingly, the following research hypotheses are proposed:

- Main Hypothesis (H): There is a statistically significant relationship between the external auditor's commitment to auditing standards and the reduction of creative accounting practices.

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- First Sub-Hypothesis (Ha): There is a statistically significant relationship between the external auditor's commitment to general standards and the reduction of creative accounting practices.
- Second Sub-Hypothesis (Hb): There is a statistically significant relationship between the external auditor's commitment to fieldwork standards and the reduction of creative accounting practices.

4.Research Methodology

This study adopts the descriptive-analytical method to examine the effectiveness of external auditors' compliance with auditing standards (general standards and fieldwork standards) in limiting creative accounting practices. To achieve this, the study relies on surveying the opinions of external auditors working in licensed audit firms.

4.1. Research Population and Sample:

The research population consists of external auditors working in audit firms in the Qassim region of the Kingdom of Saudi Arabia. A random sample of these auditors was selected, comprising 30 external auditors.

4.2. Research Data Collection Instrument:

The data collection instrument was a questionnaire designed after reviewing the relevant literature and previous studies related to the research topic. The questionnaire comprised three (3) dimensions, including questions aimed at measuring the research variables. A five-point Likert scale was used to assess respondents' responses to the questionnaire items.

4.3 Validity and Reliability of the Research Instrument:

4.3.1. Validity:

The questionnaire, in its initial form, was reviewed by several faculty members as expert judges to provide their opinions and comments. In light of their feedback, some items were deleted or modified to achieve appropriate wording and the highest possible level of neutrality. Accordingly, the questionnaire was prepared in its final form.

4.3.2. Reliability of the Research Instrument:

Cronbach's Alpha coefficient was used to measure the reliability of the research instrument. This coefficient is employed to verify the accuracy and internal consistency of the research constructs, that is, to ensure that repeating the study would yield the same results. A Cronbach's Alpha value is considered weak if it is less than 60%, acceptable if it ranges between 70% and 80%, and excellent if it exceeds 80% (Sekaran & Bougie, 2021). To ensure the trustworthiness of the results, the reliability of the three study dimensions was tested. The alpha value reached (0.909) for the dimension of the external auditor's commitment to the general (personal) auditing standards, (0.950) for the dimension of commitment to fieldwork standards, and (0.959) for the dimension of procedures to limit creative accounting practices in the financial statements. These values are considered excellent as they exceed

80%, which allows reliance on these responses in achieving the research objectives and analyzing the study results.

4.3.3. Analysis of Data for the Dimension Items:

- Analysis of the Items of the First Dimension: (External Auditors' Compliance in the Qassim Region with General Auditing Standards).

Table (1): Percentage Distribution and Descriptive Statistics for the Items of the First Dimension- Source: Prepared by the researchers based on the results of statistical data analysis

Item No.	Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Mean	Std. Deviation	Direction
1	The external auditor exercises due professional care at all stages of the audit process.	14 (46%)	9 (30%)	3 (14%)	4 (10%)	0 (0%)	4.1000	1.06188	Agree
2	Audit tasks are performed by individuals who have obtained an adequate level of practical training prior to practicing the profession.	14 (46%)	10 (34%)	4 (10%)	2 (5%)	2 (5%)	4.1333	1.04166	Agree
3	The external auditor possesses a sufficient level of academic qualification.	15 (50%)	9 (30%)	5 (17%)	1 (3%)	0 (0%)	4.2667	0.86834	Agree
4	The auditor works objectively in all stages and tasks of the audit process.	17 (57%)	5 (17%)	6 (20%)	1 (3%)	1 (3%)	4.2333	0.81720	Agree
5	The external auditor ensures avoidance of any pressure from any party, whether at the acceptance of the engagement or during the performance of audit tasks.	18 (61%)	9 (30%)	2 (6%)	1 (3%)	0 (0%)	4.2300	0.99545	Agree
6	The external auditor keeps up with developments related to the auditing profession through professional practice (such as discussions, seminars, etc.).	15 (50%)	9 (30%)	5 (17%)	1 (3%)	0 (0%)	4.2667	0.86834	Agree
7	The external auditor does not accept an audit engagement for a company in which he/she is a member of the board of directors.	14 (46%)	13 (44%)	3 (10%)	0 (0%)	0 (0%)	4.4333	0.85836	Agree

It is evident from Table (1) that the mean responses for the items of the independent variable (external auditors' compliance in the Qassim region with general auditing standards) range between 4.1000 and 4.4333. Item (7) "The external auditor does not accept an engagement to audit the accounts of a company in which he/she is a member of the board of directors" ranked first, with a mean of 4.4333 and a standard deviation of 0.85836.

Moreover, the standard deviation for most items is less than 1, indicating a high level of agreement among the majority of the sample respondents regarding the statements of this dimension.

- Analysis of the Items of the Second Dimension: (External auditors' compliance in the Qassim region with fieldwork auditing standards).

Table (2): Percentage Distributions and Descriptive Statistics for the Items of the Second Dimension- Source: Prepared by the researchers based on the results of statistical data analysis

Item No.	Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Mean	Std. Deviation	Direction
1	The external auditor ensures that audit working papers necessary to complete the audit engagement are complete and accurately prepared.	17 (56.7%)	6 (20.0%)	5 (17%)	1 (4%)	0 (0%)	4.3448	0.89745	Agree
2	The external auditor performs proper planning of audit activities.	12 (40.0%)	12 (40.0%)	2 (7%)	4 (14%)	0 (0%)	4.0667	1.01483	Agree
3	The external auditor verifies the existence of a sound internal control system.	14 (47%)	8 (27%)	3 (10%)	4 (14%)	1 (4%)	4.0000	1.20344	Agree
4	The external auditor verifies the consistency of the entity in applying accounting principles.	14 (47%)	10 (34%)	3 (10%)	2 (7%)	0 (0%)	4.2414	0.91242	Agree
5	The external auditor obtains sufficient and appropriate audit evidence to formulate the final audit report.	19 (64%)	3 (10%)	6 (20%)	2 (7%)	0 (0%)	4.3000	0.90102	Agree
6	The external auditor provides full and adequate supervision over assistants.	17 (57%)	8 (27%)	4 (14%)	1 (4%)	0 (0%)	4.3667	0.85029	Agree
7	The external auditor clearly and thoroughly discloses in the audit report all facts discovered without interference from any party.	16 (54%)	9 (30%)	4 (14%)	1 (4%)	0 (0%)	4.3333	0.84418	Agree

It is evident from Table (2) that the mean responses of the respondents regarding the items of the independent variable (external auditors' compliance in the Qassim region with fieldwork auditing standards) range between 4.000 and 4.3667.

Item (6) "The external auditor provides full and adequate supervision over assistants" ranked highest, with a mean of 4.3667 and a standard deviation of 0.85029. Since the standard deviation for most items in this dimension is less than 1, it can be concluded that there is little variation in respondents' answers.

- Analysis of the Items of the Third Dimension: (Measures Taken by the External Auditor to Limit Creative Accounting Practices in Financial Statements).

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Table (3): Percentage Distributions and Descriptive Statistics for the Items of the Third Dimension- Source: Prepared by the researchers based on the results of statistical data analysis

Item No.	Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Mean	Std. Deviation	Direction
1	Documentary audit of purchase invoices and verification of the absence of fictitious sales transactions.	19 (63%)	9 (30%)	1 (3%)	1 (3%)	0 (0%)	4.5333	0.73030	Agree
2	Recalculation of operating results to ensure that operating profit does not include gains from extraordinary items.	14 (46%)	7 (23%)	5 (16%)	2 (6%)	0 (0%)	4.1800	0.98300	Agree
3	Recalculation of depreciation of fixed assets to ensure that depreciation expense of one asset is not charged to another asset with a lower depreciation rate.	16 (53%)	10 (33%)	1 (3%)	1 (3%)	2 (6%)	4.2333	1.13512	Agree
4	Examination of sales invoices to verify that companies do not recognize revenue prematurely before completing the sales process.	14 (45%)	11 (36%)	2 (6%)	3 (10%)	0 (0%)	4.2000	0.96132	Agree
5	Verification of the accuracy of retained earnings to ensure that companies do not add realized gains from previous years to the current year's profit.	17 (56%)	6 (20%)	4 (13%)	2 (6%)	1 (3%)	4.2000	1.12648	Agree
6	Ensuring that companies apply depreciation rates consistent with those commonly adopted within the industry.	12 (40%)	10 (33%)	5 (16%)	3 (10%)	0 (0%)	4.0333	0.99943	Agree
7	Review of expenses to ensure that companies do not capitalize operating expenses without meeting capitalization requirements.	14 (46%)	13 (43%)	0 (0%)	3 (10%)	0 (0%)	4.2667	0.90719	Agree
8	Examination of inventory count sheets and verification of the physical existence of inventory items.	15 (50%)	11 (36%)	1 (3%)	3 (10%)	0 (0%)	4.2667	0.94443	Agree
9	Verification that companies do not overstate ending inventory to reduce the cost of goods sold and increase profits.	18 (60%)	9 (30%)	1 (3%)	1 (3%)	1 (3%)	4.4000	0.96847	Agree
10	Verification that inventory count reports do not include obsolete or slow-moving inventory items.	13 (43%)	10 (33%)	3 (10%)	3 (10%)	1 (3%)	4.0333	1.12903	Agree
11	Review of current liabilities to ensure inclusion of current portions of long-term loans due within the year.	15 (50%)	10 (33%)	1 (3%)	3 (10%)	1 (3%)	4.1667	1.11675	Agree

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Item No.	Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Mean	Std. Deviation	Direction
12	Review of justifications for changes in depreciation methods and inventory valuation methods.	15 (50%)	14 (47%)	1 (3%)	0 (0%)	0 (0%)	4.4667	0.57135	Agree
13	Verification that companies disclose restricted cash and exclude it when calculating liquidity ratios.	16 (53%)	12 (41%)	2 (6%)	0 (0%)	0 (0%)	4.4667	0.62881	Agree
14	Review of operating cash flows to ensure they are not manipulated through the reduction of gains from the sale of investments.	15 (50%)	9 (30%)	4 (13%)	1 (3%)	0 (0%)	4.3103	0.84951	Agree
15	Comparison of net profit with net cash flows from operating activities.	14 (46%)	12 (40%)	1 (3%)	1 (3%)	2 (6%)	4.1667	1.11675	Agree

It is evident from Table (3) that the mean responses regarding the items of the dependent variable (measures taken by the external auditor to limit creative accounting practices in financial statements) range between 4.1667 and 4.5333. Item (1) "Documentary review of purchase invoices and verification of the absence of fictitious sales transactions" ranked highest, with a mean of 4.5333 and a standard deviation of 0.73030. Since the standard deviation for most items is less than 1, this indicates a high level of agreement among the respondents regarding the statements of this dimension.

4.3.4. Testing the Study Hypotheses:

This section discusses the results of testing the study hypotheses. It examines the main hypothesis (H), which states that: "There is a statistically significant relationship between the external auditor's compliance with auditing standards and the reduction of creative accounting practices."

To test this hypothesis, multiple regression analysis was employed to identify the effect of the dimensions of the independent variables on the dependent variable. This was carried out through testing the following sub-hypotheses:

- The first sub-hypothesis (Ha) states that: "There is a statistically significant relationship between the external auditor's compliance with the general (personal) standards and the reduction of creative accounting practices."
- The second sub-hypothesis (Hb) states that: "There is a statistically significant relationship between the external auditor's compliance with fieldwork standards and the reduction of creative accounting practices."

To test these hypotheses, the multiple regression method was used in model construction. The external auditor's compliance with the general (personal) standards was identified as an independent variable represented by (X1), while the external auditor's compliance with fieldwork standards was identified as another independent variable represented by (X2). The reduction of creative accounting practices was considered the dependent variable represented by (Y), as shown in the following table:

Table (4): Results of Multiple Regression Analysis for Hypotheses Testing- Source: Prepared by the researchers based on the results of statistical data analysis

	Regression Coefficient	t-value	Sig.	Interpretation
β_0	3.705	33.333	< 0.001	Significant
β_1	1.057	10.844	< 0.001	Significant
β_2	0.032	0.312	0.757	Not Significant
Correlation Coefficient (R)	0.906			
Coefficient of Determination (R^2)	0.808			
F-value	26.074	Sig < 0.001		

The results of Table (4) can be interpreted as follows:

A. Main Hypothesis:

There is a statistically significant relationship between the external auditor's compliance with auditing standards in the and the reduction of creative accounting practices, as the significance value (Sig) equals (0.001), which is lower than the adopted significance level (0.05) in this study. In addition, the F-test indicates that the regression model is statistically significant, where the calculated F-value (26.074) is higher than the tabulated F-value (3.354).

B. Correlation Analysis:

The results also show a strong correlation between the external auditor's compliance with auditing standards (as independent variables) and the reduction of creative accounting practices (as the dependent variable), with a multiple correlation coefficient of (0.906). This is consistent with the findings of (Saeed ,2022).

C. Explanatory Power of the Model:

The coefficient of determination (R^2) was 0.808, indicating that approximately 81% of the variation in limiting creative accounting practices is explained by the external auditor's compliance with auditing standards. The remaining 19% is explained by other factors outside the study scope, including random errors due to sample selection, measurement units, and other stochastic factors.

D. Detailed Analysis of Sub-Hypotheses:

At the detailed level of the relationship between compliance with auditing standards and the reduction of creative accounting practices, the results presented in Table (4) indicate the following:

- There is a statistically significant relationship between the external auditor's compliance with general (personal) standards and the reduction of creative accounting practices, as the significance value (Sig) is (0.001), which is lower than the significance level (0.05). Therefore, the null hypothesis is rejected and the study hypothesis is accepted.
- There is no statistically significant relationship between the external auditor's compliance with fieldwork standards and the reduction of creative accounting practices, as the significance value

(Sig) is (0.757), which is higher than the significance level (0.05). Therefore, the null hypothesis is accepted and the study hypothesis is rejected.

5. Results and Discussion

The interpretation of the current study's results in light of previous studies and relevant theories can be presented as follows:

Regarding the first hypothesis, which indicated a significant relationship between the external auditor's compliance with auditing standards and the reduction of creative accounting practices, the findings are consistent with the results of (Bouhia and Al-Sadi, 2024; Saeed, 2022), which confirmed that enhancing auditor competence and adherence to standards contributes to reducing such practices. This can be explained through Agency Theory, which assumes that conflicts of interest between management and owners lead to opportunistic behaviors such as creative accounting, and that the external auditor's compliance with auditing standards reduces this conflict by strengthening control and reducing information asymmetry.

This finding is also supported by Governance Theory, where the external auditor is considered one of the key effective governance mechanisms in regulating managerial behavior. Accordingly, compliance with auditing standards enhances the effectiveness of this control mechanism, which in turn leads to a reduction in accounting manipulation practices, in line with the findings of (Banasser and Al-Sayegh, 2020; Al-Samurai and Al-Shuraida, 2021), which emphasized the role of governance in enhancing financial reporting transparency.

From the perspective of Audit Quality Theory, the current results indicate that compliance with auditing standards is directly associated with higher audit quality, As the external auditor's compliance with auditing standards enhances the effectiveness of the audit procedures applied to reduce creative accounting practices.. This is consistent with the findings of (Farhat and Khalfallah, 2023), which confirmed that adherence to standards improves audit efficiency and effectiveness.

Regarding the detailed results, which showed a significant relationship for general (personal) standards versus an insignificant relationship for fieldwork standards, this can be explained in light of Audit Quality Theory. Personal aspects such as independence and integrity constitute the foundation for enhancing the auditor's professional judgment, whereas fieldwork procedures may be influenced by various practical and environmental factors. This explains the variation observed in previous studies such as (Jamil et al., 2022) and (Thalib, 2015).

6. Recommendations

the study recommends enhancing external auditors' compliance with general (personal) standards, due to their effective role in improving audit procedures and reducing creative accounting practices. This can be achieved by focusing on professional and ethical aspects, strengthening auditor independence, enhancing professional competence, and intensifying continuous training programs for auditors.

Furthermore, the scope of accounting choices and alternative treatments should be reduced by limiting the number of available options or by clearly defining the conditions under which each accounting treatment may be applied. Strengthening the integration between external auditing and internal governance systems is also essential, through activating the role of audit committees and improving internal control systems, which would help reduce opportunities for engaging in creative accounting practices.

Reconsidering the mechanisms for applying fieldwork standards and developing them to ensure greater effectiveness in detecting creative accounting practices.

7. Conclusion

In light of the findings obtained, it is evident that the external auditor's compliance with auditing standards is one of the key factors in enhancing the effectiveness of audit procedures and reducing creative accounting practices. The study results revealed a statistically significant relationship between compliance with general (personal) standards and the reduction of such practices, while no statistically significant relationship was found regarding fieldwork standards.

This indicates that aspects related to the auditor's independence, integrity, objectivity, and professional competence play a pivotal role in improving professional judgment and strengthening the ability to detect inappropriate accounting practices, more than the procedural aspects related to fieldwork.

Accordingly, the study emphasizes the importance of reinforcing adherence to professional auditing standards due to their direct impact on supporting the reliability and transparency of financial reporting and reducing creative accounting practices in the studied business environment.

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