

Sudan University of Science and Technology

College of Graduate Studies

**TRANSLATION OF PAGES (61-105) FROM BOOK ENTITLED: THE
SCIENCE OF AUDITING**

BY DR: ZUHAIR ALHADRAB

ترجمة الصفحات (105-61) من كتاب "علم التدقيق"

لمؤلفه الدكتور: زهير الحدرب

**A Research Submitted in Partial Fulfillment for the Requirements of
the Masters Degree in Translation**

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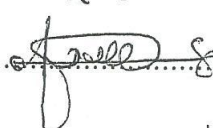
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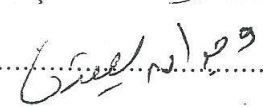
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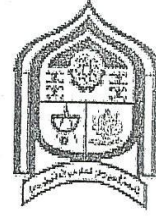
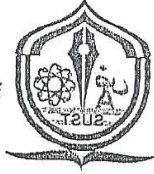
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Declaration

I, the signing here-under, declare that I'm the sole author of the (M.Sc.) thesis entitled.....*Translation of the pages (61 - 105) from Book Entitled "The Science of Auditing" by = Zuhair Alhadrab.*.....

which is an original intellectual work. Willingly, I assign the copy-right of this work to the College of Graduate Studies (CGS), Sudan University of Science & Technology (SUST). Accordingly, SUST has all the rights to publish this work for scientific purposes.

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إقرار

أنا الموقع أدناه أقر بأنني المؤلف الوحيد لرسالة الماجستير المعنونة *ترجمة الصفحات (61 - 105) من كتاب "علم التدقيق" لمؤلفه = زهير الحدراب.*.....

وهي منتج فكري أصيل . وبإختياري أعطى حقوق طبع ونشر هذا العمل لكلية الدراسات العليا - جامعة السودان للعلوم والتكنولوجيا، عليه يحق للجامعة نشر هذا العمل للأغراض العلمية .

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Dedication

This work is dedicated to My Parents

My Friends

To All People

Who Supported and helped me....

Acknowledgement

First of all I would like to express my thanks and gratitude to my supervisor D: WigdanYaquob for her guidance and advice throughout the research, for her helpful ideas and suggestions, as well as her positive and supportive manner.

Also I would like to express my thanks to those who encouraged and helped me in this research.

Translator's Introduction:

Auditing Science book defines the theoretical basis of accounts auditing .The researcher translated the pages from (61 – 105) of book the science of Auditing by the writer **D:Zuhair Elhadrab**.

The translator presented it in simple form and she chooses the book for several objectives:

Firstly: The translator choose this book because it contains information concerning the Auditing in the rules of behavior and its objectives, types, disciplinary procedures and the rules of professional behavior also the reports.

Secondly: This book includes the scientific qualifications of the Auditor, his appointment, his rights and duties.

Abstract

The auditing book includes: Financial auditing and accounting. The researcher have tried to translate pages from 61-105 which include the rules of behavior and its objectives, types, disciplinary procedures and the rules of professional conduct also the reports. She also translated the personal qualities that must be available in the Auditor, in addition to his scientific qualifications and how he appointed to ensure the principle of neutrality and independence and determine his fees which is determined before by the body that appointed him and his rights and duties

المستخلص:

يتضمن كتاب علم التدقيق المحاسبية المالية وتدقيق الحسابات، وقد حاول الباحث ترجمة الصفحات من 61-105 حيث قام بترجمة قواعد السلوك المهني وأهدافه وأنواعه والإجراءات التأديبية ونصوص قواعد السلوك المهني وكذلك التقارير، كما تطرق إلى مدقق الحسابات والصفات الشخصية التي يجب أن تتوفر فيه بالإضافة إلى مؤهلاته العلمية وكيفية تعيينه لضمان مبدأ الحياد والاستقلال، وتحديد أتعابه والتي تتم من قبل الجهة التي قامت بتعيينه، وكذلك حقوقه وواجباته.

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Chapter Five

Introduction:

With the development of business as well as the expansion and diversification of its activities, the science of accounting developed. Accordingly, auditing developed as a science in one aspect and as a profession on the other aspect. Moreover, it was necessary to develop and upgrade auditing as a profession to cope up with the rapid change in business and economic growth throughout the globe.

Therefore, for the purpose of achieving the highest degree of accuracy and transpierce in auditing, the credibility, neutrality and professionalism for auditing has been formed.

With the increase of bodies and institutions which depend on what the auditor is published, it is also necessary to put professional behavioral rules to control the manners of this worker group in the economic field by considering these behavioral standards to lead and help the auditors during their work.

The goals of professional rules of behavior

It aims to achieve many purposes among them:

1- To raise the accounting and auditing levels through keeping the profession dignity and improve the progress that the profession gains among the other free professions.

2- To strengthen and develop the spirit of co-operation among the accountants, auditors and protect their financial, moral rights as well as to keep their rights.

3- To strengthen, fulfill and support the legal texts and rules that set by legislators set these to realize the principles of scientific and practical qualification as well as experience and independence.

4- To maintain stability, security and trust among the stakeholders related to the accountants and auditors such as agents and different groups.

Types of professional rules of behavior :

They are classified according to their perspective into:

1- The institution which issued them, here we find two types:

A- Legal rules: The rules which set by the legislator to arrange the profession.

B- Organizational rules: The rules which were set by unions or professional organizations or institutions to encourage their members to abide by them.

2- According to the means of evidence and form of publication issue we find two types:

A- Written rules: The rules which were written in a document issued by the legislature or the executive authority or the related organizations in the country.

B- Customary rules: which were known by accountants and auditors as the rules and principles which have become obligatory without issuing a written document.

Disciplinary procedures

Law number 32 for year 1985 stipulates the issue of disciplinary procedures which relate to auditor's punishment by the council which this law dictates that competent by auditor's legalization, which provide that the council is the competent authority in punishing the auditors and sentence them for any bad manners. This council consist of: The head of the accounting divan as leader, divan undersecretary as member and vice-president and membership of: the undersecretary of financial ministry, the undersecretary of commercial and industrial ministry and the general manager of income tax and the deputy governor of central bank and general manager of Oman financial market and two of faculty in Jordan universities and three of accounting auditors, the decision of this council due to one of the auditors will be valid by ratification of the head of the accounting divan.

The article 24 – 29 of this law stipulates the procedures of auditor's punishment and is explained in chapter 13 of this book.

Texts of professional rules of behavior

The Jordanian legislator was concerned with the issue of professional behavior in the law of firms and in the law of auditing profession, for an explanation of this please returns to the law of firms number 12 for the year 1962.

Articles (169, 174, 225, 226) and also (4, 12) of the law number 32 of the year 1985 stipulates the professional rules of behavior and also all the mentioned articles do the same.

So, to complete this topic these are the texts of professional rules of behavior as mentioned in Association of Accredited legal Accountants in the Middle East and the American Institute for Legal Accountants.

Rules of Professional Behavior:

Association of Accredited Legal Accountants in the Middle East.

The American Institute for legal accountants

Rule (1): It's possible to any institute or firms all its partners are colleagues in this institution to name itself by (Accredited Legal Accountants) and not allowed to use this title in the following cases:

1- With any institution or company whose members are not affiliated to this Association.

2- Any individual who practice profession under a name which point to existence of a firm, where as in reality there is not a partner or partners.

3- Any individual or individuals who practice the profession under a name which is not the owner name or partner name or partners name either previous or current.

Rule (2): Not allowed to any member to be manager or contributor or representative or undersecretary or partner or employee.

1- With anyone who practices profession by any shape that indicate the existence of firm while in the reality there is no partner or partners.

2- In any union or contributed firm or any other kind of institutions lay on their owners a limited responsibility, practice the profession of accounting in the Middle East.

3- With any individual or individuals doing accounting services profession or provide commercial instructions or practicing this profession under any name but not the owner name or the name of any partner or partners either previous or current if its appear that any member has a relation or connection or contribution with individuals

or firms that mentioned, he will immediately expelled by agreement of two-third voice of (Committee of Professional Behavior and complaints).

Rule (3):

Not entitled to the member to allow to any other person to practicing the profession as a representative of him or to use his name, unless this person was his partner or employee that works all the time in his service, the member is not entitled to operate an office in his name or the name of his organization only if managed the office by himself or by someone else who has the right to practice the profession as a representative for him or has the right to use his name under this rule.

Rule (4):

It's not entitled to him to agree with or witness or provide an opinion that relate to accounting intact or financial data which did not revise or audit under his or other person control which represented himself in accordance with the third rule that mentioned before.

Rule (5):

Not entitled to any member to prepare or sign or express opinion that related to any report or statement of account or knew that he had contains differ from the reality also its maybe hiding or omitting these

truths in way produce real distort or explaining the financial positions in any trade or institution in showing its transactions or the relation of any individual, firm or institution with it. If the reservations that related to the member opinion with regard to accounting data or reports that audited before in core of data and it must be explained down the page or to associate with signed report or to be attached in a form of report which signed as in such a case must be determined clearly on every page of computational data pages if the member reached after finishing of examining the accounting data for the institution to conclusion that this data does not present fairly the financial position of this institution or results of its operations and he must express his opinion which it against the audit certificate and mention all the fundamental reasons that call for it, and that is just to express an opinion with some reservation or to say that it could not give any opinion does not consider enough, when there is a reason to express an opposite opinion.

Rule (6):

The member will be guilty by committing shameful work due to profession when he express his opinion about data accounting which checked by him and he may expelled from the association according to

the recommendation of the Committee Professional Behavior or complaints.

1- If he neglected to show a material fact that known to him which is not clear on the accounting data and this cover up lead to deception and to show the financial situation on its reality.

2- Omits indication in his report to any incorrect materials information containing by accounting data.

3- Neglect his duty of examining accounting data or put his report on it.

4- Neglect obtaining enough information which enables him to express his opinion about accounting data.

5- Expresses his agreement an accounting data and at the same time he put enough reservation to make this agreement meaningless.

6- Does not give any idea about any financial irregularities to accounting principles that generally accepted or omitted to indicate any material deviation from the principle of recognized auditing during the examining of accounts.

Rule (7):

The member must not provide opinion about accounting data for any institution unless he authorized to own financial utility in that

institution and if this utility was essential and material either to the institution's capital or his own wealth or if one of his relative authorized to own essential utility in the institution or if he was a partner or employee or contributor to any institution that authorized to own like this utility unless he was a member in all cases that announced in his report about the existence of such utility.

Rule (8):

Not allowed to any member to tempt either directly or indirectly any work by means of any publication or advertisement or personal connection or meeting which is not resulted from previous personal relationship and he must not contact with other agents accounting clients to tempt them to appoint him, not allowed to any member to provide any lose to anyone who require it even he was the require or still client to another accountant. When the member come to a new client that he was a client for another one, he should write to a previous accountant explained about the existence of any acceptable objections if the acceptable objections means any objections that result from neglected violation of a rule or more of these rules.

Rule (9):

Not allowed to any member to announce about his professional services, all the members have the right in the following:

1- Using the heads of printed devices, report covering, visa card and board by office name not to exceed (50x30 cm) in size however, these things must not contains more than:

a) Institution's name unless is not inconsistent with the texts of the first and second rules.

b) The position of the office or offices and the telephonic, postal and telegraphic information.

c) The firms names or the individual name who practicing the profession that followed by the initials letters, which indicates the professional membership or the certificates carried.

d)Phrase or sentence showing the types of work such as((Accredited Legal Accountants)) if these rules produced or so ((Legal Accountants))where cannot use the official title of this Association.

2- Recording names in a manual that exclusive on mentioning the name or surname, address and personal phone number or institution by condition that record must not be with notable

letters or inside frame work or any kind of showing or by any shape that can mark it from any other names appear in the same manual unless it's not writing the name more than one time in any part of the manual.

Rule (10):

Not allowed to any member to give even directly or indirectly not accountant any commission or brokerage or share him his wages or fees for any professional work whatever disregard of his kind and it is not allowed to any member to accept even directly or indirectly any commission or brokerage or any fortune on wages or benefits for any work that recommended or gave it to not accountants people as he belongs to the interests of customers.

Rule (11):

Not allowed to any member to join between any profession or trade with the profession of legal accountant which is not suit with it and by conformity with this rule self-evident that providing all kind of technical services in a professional business is each allowed wage.

Chapter Six

Rule (12):

Not allowed to any member to use his name joined with estimation of any expected benefits with coming transaction in a way that can lead to believe that the member witness on the credibility of the prediction .

Rule (13):

Not allowed to any member to offer service or really provide it in return for wage paid after the service result appear but the wages which the courts or other public authorities appoint which do not known price when accepting the agreement, it's not consider as mortgage wages with results in intended meaning in this rule.

Rule (14):

It's not allowed to offer either directly or indirectly to use any employee in other accountant of legal service without informing the other previously. This rule did not declare that it's not forbidding negotiate with any one advanced by himself or response to general advertisement of application in member service, but if this negotiation resulted of usage for request so mentioned member must inform the accountant who was the service asker before the last appointment.

Rule (15):

Not allowed to any member to enter any negotiation as competitor to any other legal accountant to obtain any professional service. The term of (speculation to obtain the professional service).menace any show that provided to person or institution or general authority but not to regular client to provide specific service in return to specific money or any obligation or estimate be caused by the same results when the speculate member be known that the person is waiting or that institution looking at the presentation of more than one accountant or one institution in intent to one of them.

Rule (16):

The member must keep all information which he received from any clients and don't reveal it, unless when he has candid permission from his work or by judicial order.

Rule (17):

The member must control his special life in way that not break association's dignity and any sentence pronounced by judicial court that convict the member if he committed it, it will consider enough cause to dismiss the member from the association.

Rule (18):

Not allowed to any member to distinguished one of his employees or his representative to provide his customers with any service, not allowed to the member himself or his institution to perform.

Rule (19):

Not allowed to any member asked to perform specific work to specific clients by other legal accountant to expand by offering other services outside the original mission without obtaining previous written agreement from the mentioned accountant.

Rule (20):

Not allowed to any member to reveal his name on any declaration that show the financial position or operation's results in way of conclusion that he characterized as independence legal accountant with opinion if:

- 1) Expresses his opinion without any reserve or,
- 2) Expresses his opinion with some reserve.
- 3) Refused to express his opinion upon the accounting data totally and he explain clearly the main reasons which motivate him to do that,
- 4) Expressed anti opinion on accounting data totally and mentioned all main reasons that motivate him to do that.

5) presented accounting data that don't auditing on his special papers without giving notices and show in obvious place of any page from all pages of accounting data they do not auditing.

Preface

The report auditor's report is the final stage in auditor's work which may extend for period of time; it differs according to dissimilarity of institution size or the institution under auditing. Auditor lastly reaches his final report through using different professional styles.

It is well known that the general authority is appointed the auditor, so auditor remains as he is employee with wage from general authority which appointed him, from here, the auditor offers his final report for the person or institution that appoint him and this is what happen actually.

The report is the statement which is offering by the auditor in United State of America was called (certificate) while it was called (report) in Britain, then the word (certificate) change in United States of America to (report) and the use of this word popularized in various countries of the world.

Some of accounting scientists saw that the word (certificate) is not possible where as auditor do the optional examination that is, he has not examined all the

documents and data and then all the accounts and statements, therefore it is not allowed to give a certificate because giving a certificate means credibility of all that in the works of the institution or enterprise.

According to this he is confirming and proves that all works have been checked and tested and it found correct, which did not happen.

The use of term (report) comes from here to be more realistic, credibility and more expressing of what the auditor has done.

And from here we can say that the report of the auditor is a written statement, addressed to the general authority or institution or enterprise. Auditor use it to expresses his neutral and independent opinion based on what he has done from examination, procedures, auditing of data, financial documents, records and accounting books, and the extent of conforming it with what is mentioned in the data of business results of that institution during the financial year under auditing, this report illustrates the extent of expression of the results of the enterprise business about profits (losses) and the real financial position of the enterprise.

The standards of preparing the reports:

- 1) The report must show if the financial lists were prepared in accordance with what is well known accounting principles.
- 2) The report must explain the principle of stability that means, do the accounting principles that applied in the current period in the same way to the previous period.
- 3) Applying the principle of full disclosure principle this means the data that mentioned in the financial lists discloses fully about what these lists carry unless the report stated odd things.
- 4) Disclosure the auditor opinion about the financial lists.

The formalism terms of the report:

The following formal requirements must be available in the report:

- 1- The report must be written documents. In Jordan the law of Jordanian companies stipulated it in paragraph (1) Article (171).
- 2- The report must be directed to the General Authority for Shareholders, such as the phrase (To the Shareholders), where it is the body that appointed (employing the auditor) to be a client for the shareholders in maintaining its rights, this from

aspect of the public share holders companies, but with regards to the companies of individuals the report is directed to the person who appoint the auditor therefore, he must pay his fees.

3- Auditor's report must be signed by the auditor who has authority to audit and not by any one of the employees.

4- The report must indicate the financial period which the report prepared for.

5- The report must contain auditor's signature and the date.

6- The report must be clear and uses easy terms to read and understand.

The elements or inclusion of the report:

Because of the importance that the auditor report has, many of legislations concerned with what the report must indicate from points and these points are:

1) Auditor obtain the information and necessary explanations for the purpose of Auditing according to his opinion or not, where legislations ensured to the auditor the right to see either by himself or through the person who delegate him to this work on all restrictions and the books and records which are deemed necessary to form together his convictions about what he will put in his report, this form one aspect, on the other side the report must also contain the manager's position and

the board members and to the extent of presenting data which is requested by the auditor.

2) Matching the budget and the list of business results which pending before to the general authority, and conforming to the laws and the company's books and to its financial position.

3) If the project books organized in fundamentalist and tidy way.

4) Occurrence of the firm system or the firm's law and the auditor's position from that.

5) The position of the managers and board members from their cooperation with the auditor.

6) The report must indicate whether the inventory had been completed in accordance with the known procedures and to the followed principles.

The types of the reports:

Reports are differing according to the angle at which it is seen:

Firstly: In terms of legal compulsion degree

1- Special reports (optional) it is a non-compulsory reports and it linked to specific and special tasks such as: The individual projects and the individuals firms.

2- Public reports (obligatory) it is an obligatory report where the law obligates to that.

Secondly: According to the contents of the information

1- The absolute report:

This opinion issues when the auditor does not find any observations or suggestions throughout the audit process. This type of reports called (clear report) this indicates that the behaviors of the institution management was sound and consistent with the internal systems of the institution or the enterprise and there is no any violations of the companies law or the other laws and systems.

2- The report which includes reservations:

This report is issued when there are some reservations from observations and objections, and the auditor may try to convince the institution during the audit stages to leave it but it insisted, and the auditor thought that these

reservations are necessary, so he must mention them in his report, these reservations are divided to:

a) Reservations relate to the procedures:

They are reservations which the auditor mentioned, when he is not able in any stage to follow the procedures of Auditing that generally accepted for one of the following reasons: lack of time for example, or being not able to attend the inventory process not obtaining the bank statements, example of that mentions in the report.

(... Our audit conducted in accordance with the auditing standards that generally accepted and in accordance with the special tests of the accounting records and other Auditing procedures which we considered necessary in such circumstances but because of asking us to audit in your institution after you finished the inventory process, we did not convince by the stores amount.

b) Reservations relate to restrictions:

The institution or the enterprise may impose a certain restrictions on the Auditing process, such as Auditor inability to gain the customers endorsements on numbers of debtors to institution, here the Auditor must reserve because of this

restriction as follows: (our audit conducted in accordance with the auditing standards that generally accepted and in accordance with the special tests of the accounting records and other auditing procedures that we considered necessary but according to the orders of the management we did not ask the customers about the endorsement of the balances numbers of debtors. So, we cannot express an opinion about this constant which is worth as its in the balance sheet (...). Note that this value affect the results of the process and financial positions ...).

3- Reservations relate to multiplicity of auditors:

The auditor which is appointed to audit on the processes of any institution may ask for help from another auditor for many reasons include:

If one of institutions branches exist in a place or far town, so it's better to ask for help from other auditor who resides in that town, here the reports which received from the sub auditor in the final report will use. And the original auditor may face two options:

Firstly: He must not indicate in his final report to the other auditor, it is often happening in the following cases:

- a) If the sub-auditor who asked to help a client of the original auditor.
- b) If the sub-auditor has been assigned to work as a guide to the original auditor.
- c) If the original auditor has checked all the work that the sub-auditor has done.

Secondly: Mention the other auditor to specify responsibility, here an examples to the report which has been indicate to another auditor((... we have audited the balance sheet of your institution on 1/1/2000 as well as trading account and the profit and loss account. However, we did not audit the financial lists of the private branch in your institution ... which has been audited by one of the legal auditors there and we received his report from him in these lists and we depend on this report to express our opinion on these lists....))

4- Reservation relates to the non-stability in the application of accounting principles:

The management of the institution or enterprise may not follow the principle of stability in applying one of the accounting principles that generally accepted; here the Auditor must point to that in his report and state the events of the impact of this change on the financial lists and such a reference:

(... Except of the change in the valuation of inventory method from cost method or market whichever is lower to the cost method, and the lists of business result will not affect by this change because the formation of institution provision for reserves falling prices of goods ...).

5- Reservations relates to non-application of accounting principles:

Sometimes the management of the institution or the enterprise management may not commit to apply generally accepted accounting principles or some of these principles, thus leading to influence in the lists of business results, for example: Non-formation of the allocations to meet the losses or liabilities in the future or not depreciating the fixed asset, and the reservation comes in the report on the following form:

(... in view of the decision of the Board of Directors to reduce the volume of production, one of the production equipment stopped working in the middle of the year and the institution has not calculated the annual consumption of the device for the period of downtime which leads to effect the lists of business result by the value of consumption and for half a year which did not count...).

6- Reservations relates to the discretionary aspects:

The institution's management may resort to use the style of personal estimation for some elements of expenses or liabilities which may affect the lists of business results and the financial position, for example:

Estimation of the value of the provision for doubtful debts, and such a reservation as follows: (... The institution forms the provision for doubtful debts by 5% of the total debt; note that the ratio which the institution followed in previous years is not less than 10% of the value of debts ...).

Thirdly: Types of reports in terms of auditor's opinion:

Auditors' opinion appears when they express their opinions in the financial lists as follows:

1- Un reserve opinion:

Auditor doesn't show reservations in his report so the report is considered legal when there is no restriction on the scope of examination he has done and when he has no significant observations about the validity and fairness of the financial lists and the extent of its expression of the enterprises business then the institution must apply accounting principles that generally

accepted and apply them orderly and not to violate laws and regulations which were applied locally.

2- The reserve opinion:

Auditor may express a reserve opinion if he noted during his work or saw that the data and financial lists something can restrict his opinion, in this case he will be complied to register his reservations and objections which is considered necessary points with it.

It's necessary to note the importance of the reservation which is contained in the Auditor report; also Auditor report must contain an independent special paragraph which can disclose the reasons of the reservation that mentioned in the report.

3- The opposite opinion:

When the auditor finds that the final financial lists did not give the correct, truthful and fair picture about financial position of the institution in accordance with accounting principles that generally accepted and the auditor or auditors did not have any reservations that can relate to the scope of the check and audit process and they (auditors) collect enough clues and evidences.

Here the Auditor can give an opposite opinion with notice that the auditor cannot refuse to express his opinion.

We can divide the parts of auditor's report which includes an opposite opinion to three paragraphs:

The first paragraph describes the procedures carried out by the auditor and the scope of the examination process.

The second paragraph mentions the reasons of an opposite opinion and the effects which relate to this opinion.

And the third paragraph includes the opposite opinion of the Auditor which concentrate on what is stated in the second paragraph; in general it is very rare for the auditor to give an opposite opinion.

4- Refusing to express an opinion

There are conditions that the auditor cannot express clear opinion free of any reservation also he cannot offer to give an opposite opinion or reserved opinion, examples of those circumstances that the institution management placed restrictions on the auditor's work which enable him to do the procedures of auditing that generally known as not allowed him to attend the inventory process or enable him to obtain authentications system of

institution's customers and so on, here the auditor finds himself compelled to refuse giving his opinion and the auditor must show in a separate paragraph from his report the reasons that led him refused to express his opinion.

Subsequent events and the extent of auditor's responsibility:

These events mean the events that happened after the end of the financial year and before the submission of the report of general authority and these events are three types:

A) Subsequent events that affect directly on the lists and require editing of these lists such as: the payments of obligations on the contrary basis to the previous years.

B) Subsequent events that have no direct effect on the financial lists for the previous year but it's better to disclose it without making adjustments on the financial lists, such as: buying a project or debentures.

C) Subsequent events are unrelated to the financial lists either directly or indirectly, and this does not append to the report because appending it with the firm may harm it such as: Competition's case and the principle of stability must be followed during the audit ways.

Chapter Seven

Unaudited financial lists and the auditor's position toward it:

The auditor requires to sign on an unaudited data, and if he signed his name on the financial lists and there are some data unaudited, he must write the phrase (unaudited) on each page that not audit to disclaim himself of responsibility.

Disparate opinions and the precluding asserting expressions:

The disparate opinions are fragmented opinions and the fragment opinion is mostly is abstention of expressing comprehensive or negative opinion at some points and the scope of the audit process where the management plays in narrowing the audit process for the provision of time or cost and these disparate views can lead to a unified opinion in the financial lists as all.

Asking for extra copies of the report:

In case of asking for additional copies of the auditor about previous report preferred to be a mirror image of its predecessor as carbonaceous image or completely similar, this happens if the firm has no any changes.

If a change occurs as result of events with changed the essence of the institution, it is better to issue a new report explain that

the data show the institution's position according to the time of preparation with clarification of the attachments of the changes in the project.

The responsibility of the main Auditor for part of the process that done by another auditors

in such case a situation comes as one of these following situations:

1- If the other auditor is an a client or a branch manager to audit office of original auditor (basic) in this position it's not allowed to mention his name or reference to what he had done because his client adopt him as if the original (client).

2- If the other auditor is not a client or manager to the branch of client's office, the main Auditor is entitled to take one of two positions:

a) Issues a report showing that the auditor is not responsible for the validity of the data which is completed and audited by other auditor.

b) To treat him as a client to the office and that in case of ensure the efficiency of the other person.

- **The reports of the private institution: -**

There are some governmental institution such as: Lending institution, the legislator is issued laws to regulate the accounting work, so the Auditing process in the institution must be in accordance with what is stipulate in the laws, so, the auditor indicates in his report that the accounting data had prepared in accordance with the accepted principles to this institution and in accordance with the laws issued by the legislator, and the audit bureau performed external audit process on the work of the executive authority and offers his report to the parliament and the legislative authority.

- **Auditor's opinion:**

Auditors report must include the following opinions: -

- 1-** The mentioned financial lists must express in a fair way.
- 2-** The financial lists were prepared in accordance with the principles of accounting that generally accepted.
- 3-** The financial lists are prepared according with the principles which followed in the previous years or according to principles of stability.

- **Models of reports in terms of expressing an opinion:**1- Absolute opinion:

Shahwan and Partners

Certified Chartered Accountants

Address

Date

To Shareholders of.....company.

We have examined the balance sheet of (yy) company as of December 31 /1992 and the profit and loss statement for the year ended on that date we have got the information and explanations which were necessary according to our knowledge and our beliefs for the purposes of audit which we have done according to surveillance of generally accepted rules our examination is included the necessary exam of the restrictions and accounting records also include other control procedures that we found suitable.

We have seen that the company reserves by restrictions and accounting records are fundamentalist organizations as seemed to us from examination of those note books and the final accounting data that attached and agreed with the books, accounts and documents provided to us. as we see on the best of our knowledge and according to the information and explanations given to us and as recorded in the

company's books and its records that the attached budget agree with the law and it was organized so that they appear fairly the financial and real position of the company on 31/ 12/ 1992 profit and loss statement shows its business results for the mentioned data organized in accordance with the generally accepted accounting principles and the mentioned year and in accordance with principles that followed in the previous year.

Shahwan and his partners

2-The reserve opinion:

Shahwan and his partners

Accredited Legal Accountants

Address

Date

To shareholders of (zz) company, We have examined the balance sheet of (zz) company as of December 31/1992 and the profit and loss statement for the year ended on that date, we have got the information and explanations which were necessary according to our knowledge and our beliefs for the purposes of audit which we have done according to surveillance of generally accepted rules. Our examination include the necessary exam of the restrictions and

accounting records also include other control procedures that we found suitable.

During the year under audit (zz) company followed the method of (Firstly contained firstly issued) which is followed by the company before. This change has led to a reduction in the net income for this year by 250,000 Dinars, and if they followed the method of (lastly incoming firstly issued) the value of inventory amounted to the end of the year 430,000 Dinars.

As we see on the best of our knowledge and according to the information and explanations given to us and as recorded in the company's books and its records that the attached budget agree with the law and it was organized so that they appear fairly the financial and real position of the company on 31/12/1992 and the profit and loss statements shows its business result for the mentioned year and the mentioned data organized in conformity with the generally accepted accounting principles and in conformity with principles that followed in the previous year with the exception of the foregoing and we have referred to above mentioned about the change that occurred in the basis of pricing of the inventory with notice that we agree with this change.

Shahwan and Co.

3- Refusing to express an opinion

Shahwan and his partners

Certified Chartered Accountants

Address

Data

To Shareholders of (MM) company, We have examined the balance sheet of (MM) company as of December 31/ 1992 and the profit and loss statement for the year ended on that date, we have got the information and explanations which were necessary according to our knowledge and our beliefs for the purposes of audit which we have done according to surveillance of generally accepted rules. Our examination is include the necessary exam of the restrictions and accounting records also include other control procedures that we found suitable, except as described in the following paragraph:

Based on your instructions in accordance to terms of appointment we did not follow the generally known audit procedures that relate to contacting with customers to verify the validity of their account balances as well as we could not observe the methods used in stock inventory.

Because of this limitation the scope of the examination which we have done was not enough to allow us providing total opinion in attached accounting data.

4- Opposite opinion:

Shahwan and his partners

Certified Chartered Accountants

Address

Data

To Shareholders of (FF) company, We have examined the balance sheet of (FF) company as of December 31 /1992 and the profit and loss statement for the year ended on that date we have got the information and explanations which were necessary according to our knowledge and our beliefs for the purposes of audit which we have done according to surveillance of generally accepted rules.our examination include is the necessary exam of the restrictions and accounting records also include other control procedures that we found suitable, except as described in the following paragraph:

There are some amount must deduct to expense of income tax totaling about 5,000 pounds but the administration refused to show it, also the given figure to the commodity stock do not represent reality and as what is found in stores project and its ownership is one-third of the

value only but the accrued expenses and the deferred payment for the next period did not premeditate the necessary funds to cover them.

Because of all this which we searched in the preceding paragraph of the report we see that the accompanying financial statements not present fairly the financial position of the company as of December 31- 1992, and the result of its works for the year then ended in accordance to accounting assets that generally accepted.

Shahwan and his partners.

5- Short-Form American's Report

To the board of directors of YYZ Co.

We have examine the balance sheet of YYZ company as of December 31, 19..and the related statements of income and surplus for the year then ended – our examination was made in accordance with generally accounting records, and such auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance and statements of income and surplus (with the notes attached thereto) present fairly the financial position of YYZ company at December 31, 19..and the result of its operations for the year then ended in conformity with generally accepted accounting principles applied on basis consistent with that of the preceding year.

Date.....

Signature

(Auditor)

6- The English Report:

Report of the auditors to the member of XYZ Co. Ltd.

We have obtained all the information and explanation which to the best of our knowledge we believe were necessary for the purpose of our audit. In our opinion proper books of account have been kept by the company so far as appears from our examination of those books, and proper returns adequate for the purpose of our audit have been received from branches not visited by us). We have examined the above balance sheet and annexed profit and loss account which is in agreement with the books of accounts and returns.

In our opinion, and so to the best of our information and according to the explanation given to us, they said accounts give the information required by the companies Act of 1984 in the manner so required and the balance sheet gives a true and fair view of the company's affairs as at And the profit and loss account gives a true and fair view of the profit (or loss) for the year ended on that date.

Date.....

Signature

(Auditor)

7- The typical report to the guide of accounting and auditing in Egypt:

I've examined the copied budget for accounts centers on data – as well as the profit and loss.

Account for the period from To for company.

I have reached to that after make and examination and tests for the books and documents related to the extent appropriate according to the circumstance of the case and without a detailed review of all restrictions books and got the data and explanations that requested.

In my opinion that based on the forgoing that the budget and the profit and loss account straight elutes giving a clear and honest picture of the state of the company's business in the history – and the results of its operations for the year then ended on this date accordance to recognized accounting rules which the institution was followed before as that budget and the profit and loss account referred above containing what all the law stated and the system of the company should prove upon them and that data contained in the report of the board and by detailed coupes and stipulated in Articles 41 and 42 of law No. 26 of 1954 are consist with what is contained in the company's books at the border which proved that data in the books.

Inventory and evaluation have been completed by management known on the basis of what required by accounting rules and according to the applicable conditions.

Cairo in
Signature

(Auditor)

Preface:

Auditor is the person who perform the audit process for establishments and the institutions which vary in nature of its size and activity and submit a report to show his opinion on the financial statements in project and he may commissioned in some times by the facility to conduct studies or different research for some activities to administration account and he has synonymous: References, observer auditor, chartered accountant and other.

Auditor must have some qualities, self skills, knowledge and he must be versed by generally accepted accounting principles and various accounting systems from financial administrative and the cost accounting, this is in addition to the full knowledge by the laws and regulations in force in the country and also assets and the principles governing the practice of audit profession.

A lot of countries became aware of the seriousness of the audit profession and to the extent that the auditor should be expected and trust worthy and worthy of appreciation and respect, these countries put the conditions that must be available in each one and must permit him to practice the profession of auditing.

Qualification of Auditor:

As stated previously and given the great importance attached by the international organization's professional organizations, colleges and universities have settled opinion on the necessity of adequacy in the professional and scientific habilitation into any one wants to practice auditing profession and these requirements differ from country to another. Here in the Hashemite Kingdom of Jordan, the law No. 32 of 1985 (Article 4-d) specify the scientific qualifications and working experience for auditor.

Firstly: B.SC Accounting in addition to practical experience in the accounting and auditing and it must be not less than three years among them year in audit to be a period of practical training after academic graduation and do not put into account any period of training before academic graduation in addition to passing the examination that conducted by the council of audit profession in accounting and auditing.

Secondly: Master of Accounting in addition to practical experience in accounting and auditing not less than two years including one year in audit and as mentioned firstly training is calculated which is located after the qualification as well as pass an examination conducted by the council of the audit profession in the accounting and auditing.

Thirdly: Doctorate in Accounting in addition to practical experience in accounting and auditing for at least a year or teaching accounting and auditing in universities or colleges of Jordan for not less than two years.

Fourthly: Bachelor of Commerce, Economy or Act in addition to the practical experience in auditing and accounting for at least five years in the field of accounting and auditing.

Note: Condition training after academic qualification in addition to passing the exam which is conducted by council of the audit profession in the accounting and auditing.

Fifthly: Diploma in Accounting Community College in addition to experience in the accounting and auditing of not less than six years, two of them in the audit with noticing the condition of practical training which is mentioned previously in addition to the examination conducted by the council of the audit profession.

Sixthly: Any parchment Bachelor not mentioned in fourthly and provided with in addition to the bachelor the main auditor experience with state institutions such as: the audit bureau of not less than seven years and then pass the test conducted by the accounting and auditing profession.

Seventhly: A degree in profession from one of the institutes or associations of chartered accountants internationally and to be recognized.

- **The personal qualities for the auditor:**

Personal qualities and congenital that must be available in the auditor and also the academic qualifications include:

- 1-** Full knowledge and deep understanding by the origins of accounting and its branches and follow its directions.
- 2-** Must be discreet and honest maintains the secrets of the projects which accessed.
- 3-** Should be familiar with the laws, regulations and legislations related by his work.
- 4-** Be the master of himself, no authority over him except his conscience.

5- To be very patient.

6- He must not accept any process unless he has understood its nature and must be convinced by its validity.

7- Must not come out from the circle of his specialization.

8- To be at the level of social and cultural level of the members of the board of directors.

9- Should have clean conscience and his goal is sincerity in his work with adhering to the ethics of the profession's behavior.

10- Be proficient in his language and must be able to express it written and spoken clearly.

11- Checker should be secretarial infuses and not testify only after making sure and certainly.

- **Appointment of the auditor:**

Jordan legislator rack by the issue of auditor appointment to ensure the principle of neutrality and independence and the legislator left the freedom of the appointment of the auditor in the project to the legislator but in the contributor firms it possible to summarize the auditor's appointment as follow:

Firstly: The constituent body, the auditor is set at the beginning of the project by the constituent body.

Secondly: The general authority, auditor is set during the life of the natural project by general body and is elected auditor or more for a year or more.

Thirdly: Controller of companies and intervenes the controller of companies upon placement of at least three names by the board of directions to chooses among them one or more auditor and that's when neglect the general authority for shareholders elect auditor.

Fourthly: Minister of trade and industry, "Article 214 paragraph 1" are entitled to the minister that commissioned one or more person or licensed auditor to audit the work of any company and submit a report to him about it at the request of shareholders holding 20% of the shares of the company upon the placement of the observer, and the minister estimated the volume of the award which is given to him compared to the effort he exerted.

In the case of multiplication of auditor, their responsibility is solidarity, the work should be divided between them to maintain the time and in order to avoid duplication and have a unanimous report. If the auditor may buck his colleagues he must put a separate report.

***Auditor bare place and dismiss:**

Auditor's position devoid for either resignation or death or loss of eligibility and in case of multiplication of auditor imposed for the others continue the rest of the work.

But isolating the auditor it is the right of the general authority for shareholders whether that is the side that appointed the auditor or other, and the company must notify the auditor immediately by the text of the proposal and its reasons and he has right to discuss the proposal written or personally and the auditor considered an agent with pay to the shareholders.

However, the law not provides protection for auditor in Jordan.

***Determination of auditor's fees:**

The side who determines the fess is the one who appoints, except the joint stock companies where as this right in the hand of the general authority for original shareholders originally, and the law authorizes for minister of trade and industry the right of determining the fees of auditor which he appoint.

Fees may take the shape or the following shapes:

1- Constant fees: previously determined not able to increase.

2- Changeable fees: it depends on time he/ she spend.

3- Conditional fees: it depends on future results.

***The consideration takes to determine the payment:**

1- The particular time for auditing process.

2- The quality and nature of auditing process.

3- Time and venue of the process, performance.

4- Client's financial position and the importance of the report to him.

5- The process fortune from permanent cost such as: The rent and stationery.

6- Number of employed required to perform the auditing process.

***Auditor's rights:**

1- They should inform him about the necessary things which will help him to deal with them.

2- To permit him at any time to check the books, documents and the obligatory and optional records in the company to give a neutral opinion.

3-The right to determine the time of inventory to be sure that the copy of financial data of the company is fair.

4- The right to get the copy of documents.

5- The right to call the general institution to meet in case of critical circumstance.

6- The right to attend the meeting of general institution and to consider the meeting invalid if he did not attend it.

7- He has a right to discuss his dismissal with the right to conceal all the documents till he got his payment.

8- He has a right to abstain and apologize of work after his election.

***Auditor's duties:**

The major duties which the law laid on auditor's responsibility:-

1- Observance of the profession's assets: This phrase derivative the section that performed by the auditor.

2- Put an annual written report about the company's position and its budget explaining the following: -

A- Matching the final accounts and financial position displayed on general authority for the law and for the company's books.

B- Attitude of manners and board members in term of bringing them for the auditors all the data requested by them to do their mission.

3- Control over the validity of procedure of establishing the company: auditor transact with this task automatically unless appointed to raise any liability it may come true.

4- Observing the functioning of the company and audited: without interfering in the administration and look for the organization of the books and its assets.

5- Attend the general authority meeting of shareholders: in order to be able to discuss his report, and to confirm quorum to hold the meeting.

6- Audit and investigation of the company's assets and liabilities: auditors are responsible about deductible amounts allocated to the compulsory reserve and other reasons and depreciation rates as contained in the system.