

Introduction to Audit:

Audit is the examination of regulatory systems, data and documents and accounting books of institution or organization in a systematic examination to be identical with the specifications and standards that are recognized globally, and to come out of this examination with a logical and neutral opinion indicates a clear indication about the compatibility of the financial statements of the institution or organization about what it does exist on the ground. This opinion indicates how much those statements represent the results of the works of that institution from (profit or loss) at a certain period of time which represented by these financial statement.

From here it is clear that the process of auditing necessarily mean:

1- Examination:

Examination means to ensure the veracity and integrity of registration of processes, which has been done in institution or project, through examining the samples of registry process which has been done.

2- Verification:

Verification mean the possibility to judge appropriateness of the financial statements to the institution at the end of a certain period of time, to be these statements expressive for works that had done in institution through this period of time that had examined.

3- Report:

Report means, according to the examination that has done in how much the veracity of registration of data in the accounting books, and then the verification that has done in the financial statements about the specific period of time, after all this, it is installed through a professional technical

opinion, presented in a way that to summarize result of the examination and verification so that other one (inside or outside) judged on the financial status of the enterprise or project and this report must be expressive about the processes of institution, and the extent of matching records and what it was written in it, for the requirements of local and international accounting.

The historical development of Audit:

When the business is expanded, the employer is no longer able to do it alone. So he must use another one to assist in completing the work and had to be for the other to ask for wage, the network of profession expanded from employees who help in doing the work to suppliers of primary materials, also sales staff and then mediators and so on, also it became imperative to arise accounting as a function parallel to the progress and expanding of business network, to expand this function to become a science which has standards and requirement.

Thus it goes, projects and institutions - regardless of the size - worked and there who registered what changes thereto, until these projects became a larger in size than before, and here, it was necessary to enter the financiers, and there was became creditors and financiers, so it was necessary to give financiers and creditors accounting abstract which showed and announced the activities of the institution or the project who are partners in it's assets through their debts and financing.

It remained there that, these abstracts were put by people (accountants) who are employees in fact in that enterprise and they followed to the owners and managers of that institution, from here, the thinking to find a neutral third party, not relegated to interest, this person gives his opinion about what it was exist in records and then the financial statements of that institution or enterprise. Thus the idea of the Audit arose.

The first thing that has emerged in existence is the institutions and enterprise with large sizes and it must to use the other to conduct money, we can say that early institutions were the governments. Where historical documents indicate that ancient Egyptians use auditors to check the validity of their general accounts, this also was in ancient Greece. So the audit process limited on business and accounts of governments at that time. it developed until private business inflate and the result of that accounting businesses developed to become a science that stand alone, businesses has evolved and increased in size, and business finance institution appeared which is funding more than one project, and even dozens of projects. Thus, there is separation between ownership and management of the project. From here the need arises to employ neutral auditors on behalf of those financiers to monitor the work of the institutions that debtor to them.

In the sixteenth century of the twentieth century, specifically in Italy, the first organization for auditing profession emerged, where Roxonati college was founded and then the membership of college is became a condition of practicing audit, then some countries came, particularly Britain where it was practicing this profession.

In 1862 British company law came – in order to protect investors from manipulation to their money to stipulate that there must be auditors, from here it became necessary to interest at profession of auditors in order to develop and progress. France was, and then the U.S.A and then Germany, and so on, where it became comprehensive to the most if not all the countries of the world without exception.

While in the Arab world, Egypt was proactive in this track and in the beginning of twentieth century specifically in 1909 law No 1 was issued, which organized the profession of audit, and in 1946 the association of auditors was established, and one of its purposes was organizing audit profession and keep the level that suits it, the association turned to the trade union in 1955

However, specifically between 1950 and 1955 a major development happened through steps done by authorities in Egypt at that time, the first steps issued a audit law in 1952, which legalized a profession of audit and it require to enter this profession a minimum qualification, second step was in 1953, the second step was in 1953 where the Income tax law was modifying, It provides for the requirement of authentication of an independent auditor on most endorsement of income tax, in 1958 association of accountants and auditors had issued constitution to this profession which regulate works, duties and rights of this profession

Iraq also like Egypt, fall under British rule, it has legislation that derived from the British legislation, it has reveal many rights and duties of auditors, and the license for this profession it was given by the government or by recognized body, this legislations stipulate inadmissibility of practicing corporate employees to profession of Audit

As in Syria and Lebanon, it was different, where the two countries were fall under French rule during the colonization , France was not like a colonizing authority that eager to make any changes in the commercial law that was prevailed – Ottoman law – since 1850, In fact, this law did

not more than translation from the French law which was prevailed in the beginning of nineteenth century from twentieth century, there was no mention of the audit profession in terms of organization in French law, only when it was been updated in 1867, and from here Ottoman law has been _ prevailed _ . In Syria and Lebanon profession of audit was not mention until the coming of 1882 where the ottoman law authority necessitated that there a contract for the establishment for joint stock companies

Despite of the issuance of Lebanese commercial law in 1943, this law did not enter any improvements to the rules and conditions of the audit, and it did not required any professional terms that must be available in auditor, and just kept the appointment of two auditor's, one is appointed by the share holders and the other by the court

And Syrian commercial law was issued in 1949, where it was to some extent better than Lebanon commercial law, and so that was by virtue of modernity, where the Syrian law has specified for the auditors their rights and duties

In Palestine, and it being fall under British rule, in the beginning of the twentieth century, it had an advanced professional legislation which it derived from the British legislation, in 1929 the corporate legislation Palestinian was issued, and kept on what was regards of audit profession from texts in the previous legislation, it added that, it has blocked shareholders of companies, employees from doing the works of audit

While In East Jordan – at that time – the auditors came from Palestine to do the accounting business in East Jordan, and in 1948 – the plight of Palestine – the auditing profession has moved from Palestine to what became known as the Hashemite kingdom of Jordan, which has included East Jordan and the rest of Palestine.

With regards to the profession of audit in the Hashemite kingdom of Jordan, we should note some of the dates that may give idea of the evolution of the profession, in addition to what was its statement to profession in Palestine under British rule

- 1- In 1944 permanent office of audit was created in Oman and this was the office of the company George kheder.
- 2- In 1946 the income tax act was developed which was only includes government, employees, so that became includes all obligated citizens and companies.
- 3- Law No 10 of 1961 under the name of "practice of auditing law".
- 4- Law No12 of 1964, "Jordanian companies' law" which made the auditing, mandatory for contributes companies.
- 5- Law No32 of 1985 "Auditing profession law in Jordan" which was organized the auditing profession properly, and also found association of statutory auditors.
- 6- Companies law No 22 of 1997.

Objectives of Auditing:

The historical development of auditing leads us to great change that came on the audit in terms of the objectives and content, during the march of this profession over the years it discern that, in the previous, the process of audit limited to discover what might be exist in accounting books of the institution or project of fraud or accounting

errors or even all of them. The auditor was considered as security man, came because there were crimes that must be search for perpetrator or even charge workers by doing fraud and forgery or the errors in various institutions and projects.

Aforementioned situation was continued to the ends of the nineteenth century and the beginning of the twentieth century, when the judges in Britain acknowledged legal base "that – discovering errors and fraud is not the goal of the audit" Hence, at the beginning of the twentieth century the auditor in addition to doing his Job through examining records and the financial statements, ensuring the safety of inputs and conform it to reality, auditor has became audited the organizer of accounting books and records, he also gives his technical opinion in accounting process and provide his opinion technically and professionally.

Generally the objectives of the auditing could be limited to the following:

- 1- To make sure that the institution was holding accounting books which prescribed by the legislators.
- 2- To ensure the validity and accuracy of accounting data contained in the books and records accounting which in the possession of the institution.
- 3- To discover what may exist in the accounting books of accounting errors of fraud or cheating in numbers blog.
- 4- Evaluating the results of enterprise business and match it with objectives set previously by the owners or boards of directors.
- 5- To ensure the efficiency of productivity and that through reducing expenses unwarranted.

The difference between auditing and accounting:

Audit is one of the sciences emerging from accounting, but it is independent, it is an advanced degree than accounting, where means measuring the extent of confidence in the data and information provided by accounting for users of such information and data.

Audit as a science emerging from accounting bestow on its data credibility and trust for no reason expect for being comes from a neutral party.

It is true that both auditing and accounting means documents which carry the accounting figures.

The following table shows the difference between the accounting and auditing.

1- Accounting and Bookkeeping:

- A. The accountant registered in the journal and then transferring to the ledger.
- B. The accountant is doing IPA process and worked necessary budget for each account.
- C. The preparation of the trial balance.
- D. Organize business result account and trading account and profit and loss account.
- E. Regulate the balance sheet.

2- Audit Accuracy:

- A. Check the works which has done by the accountant through the samples that is chosen.
- B. Organize neutral technical opinion through conviction that formed as a result of the text carried out.

From the above it is clear that there are differences between the accounting and auditing could be summarized as follows:

A- Work Field:

Accounting interested in registration of accounting process which take place in the enterprise or project, thus summarized these processes through the numbers and data, while auditing interested in examined those numbers, data and gives appropriate opinion about it.

B- The Nature of Work:

Work of accounting is a syntactical work based on registration from the reality of documents in the journal, then transferring process and then summarizes those data in the financial statements. In time when auditor examined those statements, which may return to the initial data and document.

C- Outputs:

Outputs of accounting are the financial statements, while the outputs of auditing are the report which auditor gives his neutral technical opinion.

D- The extent of independency and neutrality:

Accounting and its employees are staff of the institution or enterprise and they follow it, while the auditor is an independent and neutral side that does not follow to the administration of the enterprise in any way.

Types of Audit:

There are several different types of audit and that through the difference of prospective, audit is classified according to the objective or purpose, according to the following categories.

Firstly: Audit According to the Objective:

1- Financial Audit:

This type of audit regards with examining the control systems in the project as well as examining the accounting records and documents in order to reach a neutral independent opinion that show the extent of connotation of the different financial statement to the financial center and the works of the project during that financial period which has undergone the auditing.

2- Management Audit:

It means auditing the productive efficiency of the management, which means that project funds are disbursed economically, so that, getting better and best service at lowest possible cost, audit also includes sureness of the validity of management procedures and financial control over it.

3- Effectiveness Audit:

This type of audit aims to identify whether the project has achieved the objectives that made for them.

4- Statutory Audit:

It means that the auditor makes sure that the enterprise has applied legal texts and regulations that legislated by the state, also restrict the company or the project on its internal systems and contract establishment.

5- Social Audit:

This type of audit seeks to make sure that the enterprise has achieved the private and public objectives, for example, the contributing company is seeking to achieve profit and at the same time it has into account to achieve the social welfare and health of the community which it works on it.

Secondly: Scope of Audit:

1- Complete Audit:

in the past, when business were small in size, the audit was done through a full examination of the documents, accounting records and what it includes of data, which means complete audit, as a result of the development the fields of trade and industry and what joined with multiplicity of projects and their large size and the multiplicity of their fields. Complete audit became almost impossible in addition, it being costly and waste of time and that is because it takes effort and expenses. From here, a complete audit developed to optional complete audit (test choice), this trends has helped in increasing the interest of internal control systems and put Microsystems, from here the size of sample which subject to the audit process has become heavily dependent on the accuracy and robustness and effectiveness of internal control systems that adopted in the project, however the difference between a complete and the test choice audit limited only to the scope of the audit and doesn't extent to the assets, principles and accounting standards related.

2- Partial Audit:

This audit is a process that carried out by the Auditor, and is limited in objective or oriented towards specific goal, for example examination o cash transactions over a certain period of time or examined of processes cash sales during a specified period or examining the accounts of stock or inventory. This type of audit aims to get a report

which includes the steps that have been followed and the results of the examination, this type of audit does not aim to obtain a neutral technical opinion on the appropriateness and fairness of the financial statements and the extent of significance to the financial position of the project or enterprise, the auditor who wishes to do partial Audit, he must obtain a written contract to illustrate what is required from him to do, in order to protect himself and not attributed to him a shortened in performance.

Thirdly: Timing of Audit:

1- Final Audit:

It means audit at the end of the financial year of the facility after closing the records, restrictions of accounting and restriction settlement, then prepare the facility's financial statements. This type of audit characterized that there hadn't any changes in the data installed in accounting books or change in accounting balances, where audit process start after balance the accounts and lock the accounting records. This type of audit is called, Audit of the balance sheets, and it fits small and medium – sized facilities, it is limited to examine the vocabulary of financial statements, specially the vocabulary of budget detailed examination to the records and the accounting books to ensure that the vocabulary of the financial statement confirm to what – is apparent in books and records.

Maligned on this kind of audit the following:

1. Failure to discover the errors or fraud that can be found in accounting books and records.
2. May lead to delay the submission of financial statements in a legally timely manner because the examination and audit take long time.

3. It may leads to scarifying the accuracy required to achieve the speed in completing the work.
4. It may leads to confuse working in office of audit for synchronization of lock the accounting books in several facilities which is audited in the office.
5. It may leads to the suspension of work at the audit office until the office can collect evidence and necessary proof evidence.

2- Continuous Audit:

this means carrying out process of audit and examination on an ongoing basis, through periodic visits by the auditor of the facility during the financial year, to audit and examine the data that take to accounting books and records, this doesn't mean that the auditor is not doing a process of auditing at the end of the fiscal year, after be balances and closes the restrictions and adjustments.

Continuous audit characterized by the following:

1- Provide sufficient time for the auditor to achieve:

- Completing the audit process and expands the scope of the examination and its details.
- Accuracy in documentary examination.

B- Speed in detecting errors and fraud and manipulation when they occur because of his continuing reluctance to audit the enterprise operations.

C- It enables the auditor to identify the activates of the project or enterprise and to know the administrative and accounting systems.

D- Regularity of the process of registration books and accounting records without delay, and this because the staff expecting, the attendance of the auditor.

E- Reduce the chances of manipulation of accounting books and records because unexpected visits have effect on the staff.

F- Enables the auditor to follow up the issues that it deems necessary.

G- Helping on show in the early financial statements.

H- Regularity of work in audit office, which making it easier to the auditor to distribute work and continuity in the office.

Disadvantage of the continuous audit method:

- A. The possibility that some of the staff of the facility changes or omit or switch data installed in the books and records after audited in good faith or deliberately. Intent to cover the embezzlement or other wise. The auditor is cautious for that matter through putting certain symbols in front of the data, and account balances, or taking a note of balances which he audited.
- B. The possibility of in attention of auditor to complete process which he started and has not terminated, and auditor avoids this by taking a note for all processes that have not been audited and needs to be accomplished in the future.
- C. It leads to delay the work of the accounting department of the enterprise, especially in periods of pressure at work, and to avoid this, auditor resort to choose appropriate times to his visit.
- D. The possibility of forming a connection or friendship between the auditor and the staff of the enterprise or the project, causing embarrassment to the auditor during the time of writing the report, to avoid this, it relies on the auditor's profit.
- E. Continuous audit may turn to a routine work so that it is done automatically.

Fourthly: Audit in terms of the body which is doing:

Internal Audit:

it is an evaluating activity which is done through a particular organization, it aims to audit and check the processes, restrictions and the documents continuously as a basis for management service, it is considered as management control, practiced for measure and evaluate the effectiveness of other supervision methods and it done through the internal institution or auditors employees in the enterprise, and the internal audit includes the internal control systems, accounting and administration and the internal settings, the internal audit may emerged and developed through:

- a. Turning the audit from full detailed audit to an optional full audit.
- b. Adoption of enterprise management to accounting data as a means of administrative supervision and its needs to ensure the accuracy and validity of this data.
- c. Administration's need to evaluate and analyze the processes of internal institution with aims to achieve more efficient and possible production and lowest possible loss or damage.
- d. The responsibility of institution's management towards other parties of governmental oversight and its commitment to implementing instructions, decisions and provide it with the required data which prompting the administration to depend on internal data to ensure the validity of data and reports that intend to provide.

2- External Audit:

It aims mainly to report that the other financial statement (balance sheet and other financial account) represent the real situation of the institution's business through the report selfroth in the financial statements and this audit represents a natural independent opinion.

Here we should notice that whatever the circumstances are, the existence of internal audit doesn't compensate in any way, the existence of the external audit for several reasons includes:

- A. Existence of several differences between what the internal and external auditor have done in terms of activities and things that checked by each.
- B. The internal auditor is not neutral and his no matter how his professionalism, still remained on employee who follow to the management of the enterprise or institution.

The difference between internal audit and external audit

Internal audit :

1. The process of internal audit is done by the employee of enterprise or institution
2. The internal audit process is done to meet the needs of the enterprise or institution
3. The internal audit process is often concerned with the extent of the application of the regulations and procedures which established by the enterprise
4. The internal audit meant that reveal errors, fraud and forgery during the financial period
5. Internal audit is done on the ongoing operations in the current fiscal year process
6. The audit process is done continuously to the enterprise activities

External Audit:

1. The external audit process is done by a professional auditor who is independent from enterprise management
2. External audit process concerned with guarding the interest of the shareholders of the firm or enterprise
3. It aims to ensure the safety and justice of enterprise accounts
4. The external audit process is completed in the light of the financial statements which submitted by the enterprise
5. External audit mainly means ensuring the integrity of financial accounts, and stage of discovering fraud and manipulation come later
6. External auditor is completing its work on a regular basis and usually a year

Fifthly: degree of Mandatory law

1. Mandatory audit:

It is the audit that imposed by legislation and applicable laws and regulations in the country, and it was coupled in the case of non conducted in sanctions, such as audit of public shareholding companies and companies recommendation, this type of mandatory audit comes in order to preserve the rights of owners and their investments and creditors' rights.

2. Optional audit:

This kind of audit is done by the request of the owners of the enterprise without mandatory law, and it is in individual institutions

Sixthly: The degree of comprehensiveness of Audit

1. Normal audit:

It is an audit that conducted at the end of the financial year and it mean examining the installed data in the accounting books and records and the significance of financial statements and financial position of the enterprise and its works during that period. Thus give a neutral technical opinion shows how justice indication those data and statements.

2. Audit for a particular purpose:

It is an audit that conducted for a specific goal, such as examining particular documents of a specific operation, or examining inspection system and control at the enterprise

Errors and Frauds:

Introduction:

The errors located in the accounting process, that the data of accounting process passing through many stages, from stage of registration in the journal, to transfer this data to the ledger, and then collecting balances, and balance the accounts and then arrange it, and thus prepare of data and financial statements in it's various farms, all this in addition to the multiplicity of staff and the differences of their specialties, hence the likelihood of error is not strange, errors come as a result of work.

And error define as any change or delete in any operation of the project, what is not known customary by omission, neglect or default, regardless of the goal if it was exist and what helps the auditor to detect these errors, is the extent of how the auditor know the reasons for these errors.

Reasons for committing errors:

1. Ignorance of canonical accounting principles that to be followed, from registration and transferring until take out the financial reports.
2. Delectation or negligence in the accounting department staff.

There are many reasons for committing errors like:

1. Embezzlement from some of assets in the enterprise or institution.
2. Covering any deficit in the treasury or cover previous embezzlements.
3. Some attempt to evade taxes, regardless of taxes type.

Types of errors:

Errors can be divided according to the angle at which viewed them:

1- Deletion and omissions errors:

No confirmation of whole process or part of it in the books. Total deletion does not affect on the balance sheet while partial, affecting on the balance sheet. The total deletion reveals by documentary review and comparisons and approvals.

While, the partial deletion revealed by balance sheet immediately.

2- Committed errors:

It has resulted in error at accounting operations (addition, subtraction ...) or in transferring and IPA. It may be entirely, which in both ends of the process. It may be partially, which in one part, the overall errors reveals by documentary review and comparisons and approvals.

3- Technical errors:

It is the errors that resulted from the mistake in the application of principles and assets accounting that recognized. It does not affect the balance sheet, such as transferring of wages to the account of rent. This also does not affect the final profit, but even affect on the financial position and it is dangerous which need to discover certain good, the full study and definite experience to the principles of accounting, because it is possible to fall in to the errors that affected the financial position, such as buying a machine to the factory and record it in purchases account.

4- Equal or compensated errors:

It is commensurate with each other, which error in some, erases the impact for error in other or compensate it. It does not affect the balance sheet, frequent falling in to such errors indicates a lack of durability and safety of the accounting system.

5- Clerical errors:

These errors in entry and transfer, one of it, affects on the trial balance and other does not affect on them at all, such as transferring to the reverse side of the account or transferring in to the same side, but to another account or repeat process of entry.

And the previous errors divided to the:

- A. Errors which automatically detected, or disclosure itself, and it is the errors that easily show as a result of internal and external audit.
- B. Errors which can not automatically detected, or disclosure itself and it is not easily show as a result of audit.

And previous errors can be divided in to:

A- Intentional errors:

These errors committed intentionally or are designed earlier.

B- Unintentional errors:

These errors are not committed intentionally or are designed earlier.

Fraud and its types:

Fraud is an intended error that is committed by:

Firstly: Manipulation in books and records such as:

1. Proving fake payments in books and then embezzled or used them to cover the embezzlement in treasury or project.
2. Does not prove cash received from a customer and embezzle it.
3. Does not prove incoming goods in records and embezzle those goods.
4. Proving phony authorized exchange and embezzle those goods.

Secondly: Manipulation in accounts and records:

This happens to influence the significance of the financial statements such as reducing the profit of the project or inflate profit and evasion tax or cover the deficit of the project.

Places of error and fraud and the areas of their commission:

Accounting data pass through three main stages in accounting cycle, these stages are considered as the places of committing fraud and error and these stages are:

Firstly: First stage of record, and is divided opportunities of committing fraud and error into three types:

- A. The improper analysis of the operations, whether intentionally or unintentionally in the analysis of both ends of the process, the creditor and the debtor.
- B. Deleting operations that must be recorded, such as the non-inclusion of certain goods within the merchandise inventory of enterprise at the end of the accounting period in spite of arrival the supplier bill and this necessarily lead to inflate profits.
- C. Insert operations that must be deleted, and this often occur deliberately, and examples of that when accountant recorded a financial receipts that signed at the beginning of financial period and recorded it as it's occurred at the end of the financial period in order to improve liquidity situation in the enterprise.

The same applies to the recording of sales but unlike receipts, where enterprise seeking to show the result of longer sales.

Secondly:

Stage of transferring and collection, and this stage is the stage of writing work, in terms of transferring data from the journal to the ledger and then doing the trial balance and this stage is more prone to errors than others.

Thirdly:

Stage of preparation the financial statements, in this particular stage it is the opportunity to make errors and acts of fraud including:

- A. Insert cash improperly included as in assets in the case of inflation or show unrealized gains.
- B. Delete cash or an item in the financial statements, such as insert some of the commitments in value but it is not their real value.
- C. Give an incorrect description for some of the financial statements, example of this insert fixed assets within current assets groups in order to show working capital larger than real.
- D. Non disclosure of all the factors that affecting on the financial position in attached if it was not within its items.

Correcting errors:

When errors are discovered in the accounting records so the auditor decides if he requires correction or not, and if it has an impact on the financial position, then it must make the corrections.

Errors are divided from this destination into two groups:

1. Errors that affect on the account balances in the general ledger.
2. Errors that do not affect and will not have an effect on balances.

First group of errors should be corrected, by conduction daily entry, and these methods needs two entries and shortcut method by one entry, and then remove by full explanation. But the second group of errors, here it just switched numbers in ledger.

How to correct errors and fraud in the case of an imbalance in balance sheet:

1. Deletion errors in the transferring one aspect of the account ledger, and it corrected by transferring entry part that never transfer.
2. committed errors, and it is a multi such as:

In 1/8 we bought goods from Al Amal shops in amount of 187 dinars, and the entry conducted in daily entry:

Dr/ purchased 187

Cr/ Amal shops 187

- A. It may be transferred in to account purchases, and this transferring fell to the other party.
- B. It may transfer one of the two accounts (287) instead of (187).

Such error is corrected by write – off, which mean write – off the wrong number and wrote it correctly in red color, with the corrector signing, debtor party can be transferred to the creditor, and the correction done by write – off, and it can be discovered by grosses and ratifications.

Auditor's responsibility for discovering fraud or error:

Audit has become a means not an aim, as the audit shifted from a detailed audit to optional audit, which based on the samples, so the result of that, not consider the auditor is responsible for discovering all the errors and the fraud or manipulation in accounts.

But the auditor shall be responsible for discovering the errors shown by the normal audit, and the auditor must used his professional caution in choosing sample randomly, as for fraud in arbitration parties, and was not discovered by the auditor, so he is not responsible for it, but the auditor's duty is to increase the sample size and the scope of the test.

This means that the auditor is not responsible for manipulation and fraud if he performed his professional duties according to the applicable asset and has not neglected it, the judgment on the auditor's commitment and lack of commitment to his duty it's return to the general accepted auditing standers, taking in to account the circumstance of the project and the terms of the contract when it is not mandatory audit.

Hide errors and fraud:

It happens when the bookkeeper tries to manipulate in the accounting records, in order to hide the embezzlement deliberately and in bad faith in order to cover an error or fraud.

This is done on the two cases:

- Temporary case: the matter requires re-repeating the process whenever called down to it.
- Permanent fixed case: position does not need to repeat or re-manipulated at any time.

The employee may not care to hide the fraud process according to the following:

- A. Embezzlement operation will not fall within the scope of the sample selected for the audit process.
- B. Embezzler is convinced that there is no need to measure coverage.
- C. Inability to measure away to cover.

In case of payment of a customer to their account and the employee did not fill it in the bank and embezzled it, in such a situation the employee resorted to hide the embezzlement in one of the following methods:

1- Temporarily hide, when preparing the memorandum adjustment of Bank:

- A. Reducing the value of the checks that have not acted from the bank to date.
- B. Reducing the bank balance in the book.
- C. Increasing the bank balance in the detection.
- D. Increasing deposits amount that did not appear in the bank detection to date.

2- Permanent hide according to the book that he holds it and recorded it in:

A- General ledger:

Reduce the cash balance with deliberate error, both in collecting or balancing and making equivalent change in another account balance in ledger, to keep balance.

B- Cash book:

Reduction in cash receipts place with making an equivalent change in total of other place in the same book to keep balance.

C- Transferring from cash books to general ledger:

By transferring incorrect amounts to cash to cash account in general ledger.

Whatever the type of embezzlement coverage, it can be discovered whether by accounting audit or documentary or asked for statement directly from the bank, which can reveal manipulation.

How auditors face fraud at the level of administration:

It is difficult for the auditor to discover fraud carried out by the superior management, except with strenuous efforts and high costs and long time, the following instructions are help the auditor in discovering fraud:

1. Mega deals, gathering information about it for external sources in addition to internal information provided by the management.
2. Many small operations that related to one company have an impact and the financial statement and control accounts must audit carefully.