A CONTRIBUTION ON UNDERSTANDING PROFESSIONAL PERCEPTION AND PRACTICE IN BORDERLINE CASES: CREATIVE ACCOUNTING VS FRAUD: THE CASE OF GREEK EXTERNAL AUDITORS

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ABSTRACT:

This is an exploratory study on the perception of Hellenic Auditors of borderline practices (Creative accounting, widow-dressing...) and the difference they have with fraudulent practices. Greece financial economy has been pointed out as full of corrupted practices after the 2008 financial crisis. The finding shows a tendency to show more rigorous auditing system that serves more a transparent will, beyond the traditional conservative tax oriented system. Auditors seem confident with their qualifications and seem to be able to cope with IAS needs.

Keywords: External Auditing, Creative accounting, Fraud, Financial Crisis, Hellenic Accounting system

INTRODUCTION

From the perspective of a financial analyst, Smith (1992) considers that the highest part of the economic growth of the ‘80s is “due” to creative accountingrather to a real economic growth. While being creative implies positive connotation, Creative Accounting has been surprisingly related to negative fraudulent misrepresentation practices. The term 'Creative Accounting' can be defined as a process whereby accountants use their knowledge of accounting rules to manipulate the figures reported in the accounts of a business. This term however is normally associated with Window Dressing; window dressing is actions taken to improve the appearance of a company's financial statements, it might be illegal, or not. The term Income Smoothing refers to a kind of income management that reflects economic results according to the management wish. Accordingly, Income Smoothing not only relies on falsehoods and distortion but on the various alternatives available in accepted accounting principles.Amat Blake&Dowds(1999).

In this perspective Fraud refers to practices where accounting allows clearly to step down outside the legislative framework to give a false picture of the accents; nevertheless, imagining the difference between these terminologies might give the impression that fraud is bad and creative accounting is intelligent and legitimate. This research questions how this relation might be too tight and interrelated.Even before Enron, Treadway Commission in October 1987, has seen since then that aggressive target of financial performance will lead to fraud. But the unexpected collapse of Enron and the bewildering demise of Arthur Andersen in the aftermath sent shock waves through the accounting profession worldwide. The impact of Enron's collapse was greater because it was closely followed by the bankruptcy of WorldCom in the USA, while scandals and collapses involving companies such as HIH Insurance in Australia, Parmalat in Italy, Royal Ahold in the Netherlands and Equitable Life Assurance Society in the UK showed that this was not just a US phenomenon. ''Enronitis" became a label associated with highly questionable accounting and auditing practices. There was a considerable interest in the Enron scandal and its consequences within the critical accounting literature (see, for instance, the special issue of *Critical Perspectives on Accounting* entitled ''Enron.Con" – O'Connell, 2004).

A salient feature of the current financial crisis is that it has been incubated by the financializing of western economies, creating an abundance of credit and encouraged excessive risk-taking through complex financial instruments (derivatives, credit default swaps) and corporate structures and ineffective regulatory mechanisms (Ferguson, 2008; Morris, 2008; Soros, 2008).On this aspect, Salustro and Leburn (2000) would say: "Crisis periods are actually trials for enterprises; affecting their cash flow and generating risks, that accounting doesn't deal with in a flawless manner. Therefore, managers are tempted to resort to ingenious, more often questionable procedures, for refining accounts presentation."

External audit is promoted as a trust engendering expertise (Power, 1999) to convince the public that capitalist corporations and management are not corrupt and that companies and their directors are made accountable; the emergence of the auditing profession in Greece and how it was used by the state to further its strategic interests during the late 1940s and early 1950s period. The evidence presented shows that auditing was perceived as an instrument of both economic and political control as well as a legitimizing device of the Greek government at that timeBallas(1998).

This study is an exploratory study aiming at the examination of practitioners point of view concerning borderline practices (Creative Accounting and Fraud) in the professional, and how it has emerged after the 2008 crisis that has interrogated the transparency of the Hellenic economy and the role of auditors in the enforcement of accountability.

LITERATURE REVIEW

The literature on the effect of financial crises on the reinforcement of Auditing profession or the traditional claims on the failure of the profession to address the crisis. the paper stresses the importance of studying auditing within its context – and, how nowadays, it investigates behind a claimed silence by the profession to highlight the scale of 'behind the-scenes' activity and policy responses on the part of the auditing profession.

This part is divided into threesections. The first addresses some difficulties of auditing creative borderline methods, the second addresses the role of auditors, and the third addresses the specificities and the generalities of the Hellenic Auditing framework.

CREATIVE ACCOUNTING AND FRAUD

Authors like Stolowy and Breton (2003) are among the few interested in the subject of creative accounting daring to suggest a theoretical framework for the understanding of the accounting manipulation practices. Their seminal article on the subject has come in after the scandals of (2001-2002) to enable a more comprehensive analysis to this subject.

The fundamental principle which their theoretical framework is based on is the following: the aim of publishing financial information is that to reduce the costs of the enterprise projects financing. The practical means to operate these transfers are based on the results and the balance between the debts and share capital. Consequently, the purpose of accounting data management is to change these two measures: the variation of the result per share and the relation liabilities/assets.

The result per share can be changed in two ways: either adding or subtracting certain profits or expenses (which represents the change of the net result) or transferring a column from the upstream or the downstream of the results serving as a computation base of the result per share (which is the management through classification). Regarding the relation between liabilities and assets, this can be modified by increasing the benefit or hiding certain financings with the help of engagements generating devices, off the balance sheet. This might be motivated by the managers well to increase their wealth (approaching the exercise of their stock options for example), this is referred to her as the maximization of managers' compensation. The Other type of manipulation is the minimization of cost of capital by making the profit of the company looks like more attractive which will have influence on the ability of issuing more shares or on the borrowing policy of the company. The third specific manipulation is when accounting is used to minimize the cost of political costs. This related to the practice of reducing company profitability in order to pay less tax. It is common in non-market financing oriented companies.

Stolowy& Breton (2000) described that creative accounting is a concept dealt by professions:

> i. Creative Accounting in a professional perspective: The motivation which they understood is what investors want to see, than what actually was to mislead them.

ii. Creative Accounting in an Academic Perspective: creative accounting also entered in academic literature, in the U.K. under the label of window dressing. Manipulations was widely spread and have been dramatic effects on the understanding of risk and return potential of the firms far from efficient market hypotheses.

iii. Creative Accounting and Creativity: creative accounting, as it is dealt with in a perspective, almost nothing to do with creativity. It is more likely to relate with accounting alternative than creativity.

Examples of some main known creative accounting practices are presented in the next table:

Tables- some window-dressing sources

Tangible assets: "subjective depreciation"	Management estimates that recoverable value is lower than net accounting assets are considered impaired for difference. The result will be affected by recording a depreciation expenses.
Goodwill	Goodwill capitalization and depreciation during its useful life have influence on the outcome of further coming year
Depreciation	Different method of depreciation has different impact on outcome change in methods or estimation is also highly used
Inventories	The under estimation or over estimation of stock finally has an impact not only on the financial statement of current year but also on the following year. The rule of the least of cost and market or cost and net realizable value is so confusing
Provisions for liabilities and charges	Establishment of provisions in those years where the profit results lead to decrease, while the resumption of the provisions in the income year in which the registers deficit increase leads to the result.
Construction contracts	Under the completed contracts, the result will be recognized after the completion of contract, while in percentage of completion definitive result will be staggered over time switching from one method to another method also impact on profit and loss account
Fair value estimation	Arriving at fair value pose serious problems on some assets specially of financial assets evaluation over IAS 39
Impairment and revalorization	Applying impairment test or tests of recovery imply future cash flow estimates that might create volatility from year to your specially that IFRS envisage reducing as well as increasing the value with corresponding gain and loss
Special industries R&D	Pharmaceutical and high technology industries engage he amount of R&D and the judgement on their feasibility is a critical point in their revenue recognition model
Bankingsectorriskassessment	The applicability of Bal II and Bal III is questionable and the recourse of risky investments is highly recurrent in this sector

Source: Authors

Salustro and Leburn (2000) predicted even before ‘‘Enronitis” that “Crisis periods are actually trials for enterprises; affecting their cash flow and generating risks, that accounting doesn’t deal with in a flawless manner. Therefore, managers are tempted to resort to ingenious, more often questionable procedures, for refining accounts presentation”. At this occasion Stolowy and Breton (2003) proposed what could be qualified as a pivotal work on creative accounting trying to propose a conceptual framework that addresses the main research to that date on the subject.

In their framework they distinguish Creative Accounting from Fraud and point out the absence of empirical research on Creative accounting in comparison to research on Fraud and earning management. Due at the time to the perceived nature of creative accounting; this seems to be so ideal oriented, prior to 2002 scandals auditors seemed to consider creative accounting practices more than normal, look to a questionnaire surveys of auditors' views on creative accounting have been conducted in the UK (Naser 1993) and Spain (Amat and Blake 1996) prior to scandals.

THE ACCOUNTABILITY OF AUDITORS OR BY AUDITORS

Both the audit profession and academia continue to be concerned about auditor independence and financial statement quality (Public Company Accounting Oversight Board [PCAOB] 2012; Fu, Tan, and Zhang 2011; Hatfield, Houston, Stefaniak, and Usrey 2010).

According to Joannides (2012) Accountability can be framed by four interrelated questions (who, to whom, for what and by which means). The who, for what and by which means questions have been largely addressed in studies of limits to Accountability and transparency and the paretic nature of account giving. The to whom question seems to have been underexplored.

In this study, we deployan exploratory studyto collect and study in an exploratory manner the Auditors abilities and obligations and it is real implications on the professional in Hellenic business (i.e., the agreement or refusal of a client). We also compare two legislative frameworks in order to isolate the effects of each method.

The role of auditor as whistle blower is questioned. Claims to serving the public interest by mandating additional disclosures by auditors is fully consistent with the criticisms that traditional audit reports are overly technical, lack depth and are more concerned with the limitation of auditor liability than the provision of decision-useful information to stakeholders (European Commission, 2010; IAASB, 2012; King,2012; Solomon, 2009). From a rational economic perspective, added controls over the attest function are part of the process of improving audit quality, this leaves a clear need for more interpretive studies that high-light complex social and institutional forces at work on auditing.

GREEK TAXATION LAW AND THE AUDIT PROFESSION

The Greek accounting system is characterized as tax-driven (Spathis&Georgakopoulou, 2007). As the corporate tax rate is perceived to be high, many firms attempt to avoid taxes using creative accounting (Baralexis, 2004). With respect to the IFRS transition, Ballas, Skoutela and Tzovas (2010) argue that it has increased reliability, transparency and comparability of financial statements. In contrast, the results of Karampinis and Hevas (2011) indicate that only minor improvements have been perceived. Ball (2006) questions the convergence efforts of financial reporting stating that EU economic rules are not implemented evenly, with some countries, including Greece, being well-known for their reluctance to comply with convergence initiatives (Tsipouridou&Spathis,2014).

During the last three decades, Greece has beeninfluenced by neo-liberal, free-market forces, but Greek culture, politics and economics remain a mixture of Eastern and Western influences (Caramanis, 2005). The significant expansion of the Athens Stock Exchange (ASE) in the late 1990s turned many firms from private-family owned businesses to publicly listed entities (Spanos, 2005), without changing the existing relatively high levels of family ownership concentration (Lazarides, 2010).The effectiveness of the external audit function has been questioned by various parties, such as financial institutions, investors, journalists and politicians (Leventis, Weetman, &Caramanis, 2011). In 2003, the Greek Ministry of Economy established the Accounting and Auditing Oversight Board (ELTE) in response to the Sarbanes Oxley Act (SOX) of 2002.

According to the literature review the root causes of the financial crisis are (Travlos, 2011): (1)the irrational use of securitized mortgage loans (Securitization), (2)excessive use of loans (Financial Leverage), (3)the incorrect classification of credit risk from relevant organizations (Bond Rating Agencies), (4)the non-effective remuneration system of the executives, (5)inadequate supervision of financial system and lack of transparency in the balance sheets and (6)finally the weak corporate governance in financial institutions.

The problem of tax avoidance and fraud of Greek's companies has been considered as one of the main reasons of the 2008 crisis. Tax authorities were made-up to be inefficient and in some cases corrupted when controlling companies and especially big companies and the social costs engendered in this case (Charitou, Lambertides, &Trigeorgis, 2007). Tax avoidance in any case was a permanent issue from the beginning of the Modern Greek State in 1828 till nowadays.

In order to improve the situation and under the pressure of European Union the adoption of law v.2238/1994 creating tax controls made by independent auditors was a first step in the right direction. The problem again was that the law has never being applied till July 2011 (POL.1159/22.07.2011) providing a certain number of obligations for companies. According to this act a "Year Taxation Certificate" has to be issued by Legal Auditors registered in Greece giving them for the first time a public service prerogative. This certificate is required for every SA or Ltd company having the obligation to be controlled by external legal auditors. The scope of its applicationwas both for quoted and non-quoted companies.

The process is simple. Companies calculate and declare taxes to tax authorities. VAT, Income tax, Value Added Tax for Assets, Deferred Taxation…. are included on this calculation and declaration. Then, external auditors control the declaration and edit the year tax certificate. The document has not the power of a tax control report issued only by tax authorities (Dec.1156477/16.11.2011) because; tax authorities maintained the right to re-control any company.

What is more interesting is the relationship between the companies, tax authorities and external auditors is that for any mistake or omission on the year certificate of the company, the individual auditor and the company of the auditor are considered co-responsible. In fact, the legal auditor verifies the annual report of the company (management report) and the tax legal auditor have to be two different persons but still belonging to the same auditing company and auditing conditions have to be the same for the tax report and the management report.

If there are no findings at the end of the tax control the report has to be submitted together with the annual report and taxes are to be paid to tax authorities. If there is a qualified opinion, an adverse opinion or a disclaimer of opinion, the auditor calculates the tax, increases on taxes and administrative penalties and the company has to pay those elements to tax authorities. In the first two cases a second tax control may be ordered and made by tax authorities. In case of disclaimer the tax control is compulsory.

In case of re-control of tax authorities if omissions, mistakes or fraud are discovered the tax auditor is asked to explain why he was unable to discover them and risks penalties from 10.000 up to 100.000 Euro (N.3943/2011 art. 26 and POL.1159/22.7.2011 art.6) and the auditor may face professional disciplinary actions up to lose his ability to practice. Same penalties may be applied to the auditors company separately. If tax authorities discover that a member of the management team of the auditing company is involved in those practices the company's penalties may be increased up to 1.000.000 Euro (POL.1159/22.7.2011 art.10 §6).

Moreover, Auditors, Auditing companies and controlled companies are co-responsible for the tax gap or lost taxation up to 2 times of the remuneration of the individual auditor and to 10 times of the revenue of the auditing company (POL.1159/22.7.2011 art.10 §6).

Greek auditing standards (GAS) converged with the objectives of the International Auditing and Assurance Standards Board (IAASB) and were developed according to the principles and requirements of the International Standards on Auditing (ISA), as issued at the end of 2004. Thus, during the audit process and the issuance of the audit report, auditors were encouraged to use ISA as a frame of reference. In 2008, new regulation was introduced and audits were, thereafter, conducted in accordance with the clarified ISA, which applied to audits of financial statements for periods beginning on or after December 15, 2009. To facilitate the implementation of these standards, ELTE, with the assistance of SOEL, translated the clarified ISA into Greek, and it was approved by law in October 2012 (Tsipouridou&Spathis ,2014).

We tend to summarize them as follow Table2 , we try to respect the auditing cycle philosophy illustrated in figure:

Table- Main IAS's related to audit performance and fraud detection

ISA 210,220,230	**Agreeing Terms of the Audit Engagement,**	**enable an experienced auditor to understand i) the nature, timing and extent of the**

	Quality Control for an Audit **Audit Documentation**	**audit procedures** **ii) the results and evidence obtained and** **iii) how significant matters have been dealt with**
IAS 250,260,265	Consideration of Laws and Regulations in an Audit of Financial Statements Communication with Those Charged with Governance Communicating Deficiencies in Internal Control to Those Charged with Governance and Management	Where the auditor encounters significant difficulty during the course of an audit, the auditor is required to notify such significant difficulties to the appropriate level of management, or those charged with governance
IAS 310,315,320,330	Planning an Audit of Financial Statements Identifying and assessing the risk of material misstatement through understanding the entity and its environment Materiality in planning and performing an audit	to plan the audit so that it will be performed in an effective manner ISA 315 sets out the rules for identifying risks i.e. What can go wrong ISA 330 explains what you must do in response to these risks i.e. What are you going to do about it?
IAS 240	The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements - to identify and assess risks of material misstatements due to fraud - to obtain sufficient appropriate audit evidence regarding the assessed risks - to respond appropriately to fraud or suspected fraud during the audit	the auditor shall 1) maintain professional scepticism 2) have discussion among the engagement team 3) perform risk assessment procedures and related activities 4) identify and assess risks of material misstatements due to fraud 5) respond to assessed risks of material misstatements due to fraud 6) evaluate audit evidence 7) obtain written representations 8) communicate to management and those charged with governance.
IAS 500,505,510,540,530,570	Audit Evidence External Confirmations Audit Sampling Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures Going Concern	Objective = To design and perform audit procedures in such a way as to enable the auditor to obtain sufficient appropriate audit evidence to be able to draw reasonable conclusions on which to base the auditor's opinion
IAS 700 (amended)	New report	

Source: Authors based on Collings 2014

The role of auditors in an economic downturn, characterized by increased client financial distress, is also mixed (Ettredge, Li, &Emeigh, 2011). International evidence reveals that auditors respond to these conditions by being more conservative in their reporting decisions, i.e., they are more willing to issue qualified opinions of going-concern uncertainty. Even in the less strict institutional environment of Greece, auditors may become more conservative due to the debt crisis. The international attention and criticism towards the auditing profession as well as litigation threats that may arise during this period are some of the reasons for increased conservatism. Fargher and Jiang (2008) show that auditors became more conservative in the aftermath of high-profile corporate failures occurring in the period 2000-2002.

PROBLEM STATEMENT

This research tends to answer to the following areas of study:

First; what is the attitude of Greek auditors towards Creative Accounting and what difference they make between it and fraud?

Second; Are auditors efficiently equipped against Creative Accounting knowing the complex nature of foreign and local conceptual framework (Ex: IAS, IFRS, SOX….)?

Third; Do auditors feel accountable to stakeholders? What is the mail stakeholder to whom they feel accountable? And what implications it has on their daily work?

METHODOLOGY FINDINGS AND DISCUSSION

A questionnaire divided in 19 questions covering 3 fields of professional life of Hellenic Legal Auditors that is: Information, Practices and Attitudes have been distributed to all members of the Association of Certified Public Accountants, Greek section.

The association of certified public accountants international (ACPAInt.) is a professional accountancy body, based in United Kingdom, and a member of the worldwide CPA network. Association members can engage in public practice in UK and provide services similar to those provided by members of the six chartered bodies including that of auditor to a private concern, a partnership or a company registered under the Business Trade Names Act.

The main objective of the association is to help accountants worldwide to attain technical and ethical standards of the highest international order. The association exercises protection and preservation of its member’s professional independence together with professional supervision on their practice.

The profession follows the local law and regulation framework and practices under the light of the international standards providing the local practitioner with both a national and international qualification.

Members of the Greek Branch (Balkan Branch) of the ACPAInt are also members of the local professional bodies (SOEL for Greece) respecting both Greek and CPA best practices, codes and regulations. Moreover, throw training and professional examinations the local auditors acquire an international culture and professional qualification improving their international image and recognition as legal auditors.

More than 120 questionnaires have been send and 25 answers have been collected. The small number of answers could in our case be an issue in terms of findings but on the other hand they answer are provided by specialists increasing this way the accuracy of the sample and of the answers. Those Legal Auditors are on the same time members of the Hellenic Body of Auditors (SOEL) having that way the double culture of European end local auditing practice and codes of behavior.

The answers of the first second and third questions were not a surprise. The modal rating was of 5 (100% frequency). Greek auditors adopt immediately an evaluating position when they either discover a case of creative accounting or fraud. Question 4 answer is more interesting. With answers shared in majority between 3 and 4 (Mo=4) shows that Greek auditors strongly distrust creative accounting and probably suspect fraud behind any case of creative accounting they discover.

Question 5 shows a strong feeling of confidence on their own training and update (Mo=5 and frequency 100%). According to them they all feel comfortable with their knowledge and practice.

Answers to question 6 and 7 where more moderated. Auditors seems to feel more comfortable when applying their firm’s interpretations of auditing practice instead of the standards (Mo=1 with a frequency of 95%) but when they interpret findings they still prefer use their own individual interpretation if in disagreement with their firm’s interpretation (Mo=1 with a frequency of 98%). Those answers reinforce the answer in question 5 showing practitioners confidents to their experience, competencies and practice. But there is maybe another reason about that. Greek taxation law provides that auditors are co-responsible to the company from the legal point of view (in a penal and civil way) in case of fraud or mistake.

Question 8 answers demonstrate a strong cooperation between internal and external auditors in controlling periods (Mo=4) but answers sow a quite strong sharing among 3 and 5 values. Probably because auditing conditions are different in different companies and each legal auditor prefers to cooperate more or less with internal auditors as an individual. There is here one’s again a very strong individual behavior component.

The main reasons on why they may refuse a new client (question 9), problems with tax authorities (Mo=4 frequency 70%), bad market reputation of the client (Mo=4 frequency 65%) seems to be the most important reasons followed just after by the resign of the former auditor (Mo=4 frequency 50%). But the third reason has to be moderated. Some of them considers it without or moderate importance others consider it with high importance. The refusal of another colleague to accept the client seems to be without any major importance (Mo=2). This shows ones again the strong individual character of the profession and their high individual confidence.

In their perception all of them consider the total audit risk equation its conceptual and practical importance (question 10). What is more surprising is the 27,6%

average considered as a tolerable percentage of control risk and the 5% standard deviation of the same answer (question 11). They are quite risk takers in term of professional behavior.

Question 12 gave as a set of interesting remarks. Practitioners seem to be extremely careful with all assets and liabilities considered by scholars as potential sources of creative accounting or fraud cases. All of them are carefully monitored and have no differences in terms of caution (Mo=5 frequency 100%) except construction contracts before ending. This item seems to be less interesting to be tightly monitored (Mo=4 frequency 60%). Probably because they know that at realization it will be an asset as every other and will be tightly monitored.

Furthermore, the tightness of the control is proven by answers in questions 13, 14and 15. The tolerable gap between one's auditor calculation and the company's evaluation to consider as material is 3,16% gap (SD=0,6) and as a potential case of creative accounting is 4,9% (SD=0,2). On the other side all of them refused to give a materiality to a case of fraud. Even a 1 euro gap in case of fraud is a fraud. Knowing their distrust on creative accounting practices the limit between fraud and creative accounting seems ones again extremely tight. On the same time all of them (no exception in answers) when deviation seems material they issue an adverse opinion, when the deviation is a mistake they issue a qualified opinion and when they are sure about fraud they disclaim opinion (question 13). This shows a first element of adoption of best practices and common codes.

In cases of deviations question 1' answers that the first stakeholder to be informed is the auditing comity of the company (Mo=5, frequency 100%) and the second one is the Greek tax authorities (Mo=5, frequency 80%). This is probably because under the actual taxation system auditors issue a tax certificate playing the same role as a tax certificate issued by tax authorities. In certain extend a certificate of good behavior or a kind of provisional control substitute. However, if tax authorities discover after the issuing of this document a fraud they consider both the company and the legal auditor as co-responsible of the fraud.

On the same time, they feel free to discuss about cases of creative accounting they discover both within the controlled company and their partners in an informal way.

Finally, when they are sure that they discovered a fraud they consider as urgent to inform the audit comity of the audited company and immediately after the management of the company (Mo=3 frequency 45%, for 4 30% frequency). In this case tax authorities seems prevail less (Mo=2) probably because control has not yet been completed (questions15, 16 and 17).

Of course this information is made available for everyone when they are sure and have fully evaluated the impact on the financial documents (question 18).

In a synthetic way a number of interesting conclusions appear during this research.

The firs one is that Greek legal auditors feel quite uncomfortable when they discover cases of creative accounting and almost immediately suspect fraud. Then based on their own analysis and standards interpretation they try to evaluate the impact of both creative accounting and/or frauds.

The variance or gap or deviation between their own evaluation and the firms' evaluation is tight and, even if they refuse to specify the deviation percentage they consider as to be a fraud limit and not creative accounting this is due probably because they prefer keeping their freedom to evaluate the nature and the impact of the malpractice.

On the same time, they are quite sensible to the reputation of their clients and they are ready to refuse a new client because of this.

A more interesting finding is their special relationship with Greek tax authorities. They consider them as a major stakeholder and one of the main partners to inform in case of fraud. Probably because of the Greek law end their legal obligations. Meanwhile, they prefer having a clear view of both the nature and the impact of the case of fraud and creative accounting they discover before communicate anything in a formal way.

Finally, they seem to adopt a kind of informal best practice behavior dealing with their own work. All of them consider that in case their interpretation of facts is the good one instead of applying their companies or international standards interpretations. They all seem to feel more comfortable with their own interpretations.

This kind of behaviors and practices are in clear opposition with the Greek reputation of fraud and tax avoidance specially dealing with big companies. And this may contribute to change this reputation in a more or less short time.

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APPENDIX

Questionnaire

During a statutory audit in a scale of 1 to 5 (less to more important) please answer to the following questions.

1. Discovering a fraud is important.

Not Important 1	2	3	4	5 Very Important

2. Suspecting a case of creative accounting is important.

Not Important 1	2	3	4	5 Very Important

3. In the second case do you evaluate the impact and the extent on financial statements?
(From no to fully)

No Evaluation 1	2	3	4	5 Full Evaluation

4. Do you consider creative accounting as fraud?

Not at all 1	2	3	4	5 Completely

5. Do you consider yourself well informed about the last updates of the conceptual framework?

Not at all 1	2	3	4	5 Completely

6. During an audit do you follow the conceptual framework or the internal guidelines (interpretations) of your own audit firm?

My company's interpretation 1	2	3	4	5 Only guidelines

7. In the same case you consider that there is a conflict between the guidelines and your own individual interpretation, what do you prefer to apply

My own Individual interpretation 1	2	3	4	Only guidelines 5

8. How often do you cooperate with the internal auditor during an audit process

Not at all 1	2	3	4	5 Very Often

9. Under which of the following conditions are you going to refuse a new client?

   i. Because of his bad reputation

No 1	2	3	4	5 Yes

   ii. Because of problems he has with tax or other authorities

No 1	2	3	4	5 Yes

   iii. Because the previous external auditor resigned.

No 1	2	3	4	5 Yes

   iv. Because other external auditors refused to collaborate with the client?

No 1	2	3	4	5 Yes

   v. Other Reasons please complete up to two reasons if any.

10. Do you consider that your audit procedures are the result of the total audit risk equation?

No 1	2	3	4	5 Yes

11. What is according to you the tolerable percentage of control risk within the equation?

    Give a percentage please:

12. Which one of the following elements focuses your attention when met during an audit process in a size attracting your attention?

    12.1. Tangible Assets Subjective Depreciation (from low to high)

Low 1	2	3	4	5 High

    12.2. Goodwill (from low to high)

Low 1	2	3	4	5 High

    12.3. Depreciation (from low to high)

Low 1	2	3	4	5 High

    12.4. Inventories (from low to high)

Low 1	2	3	4	5 High

12.5. Provisions for liabilities and Charges (from low to high)

Low 1	2	3	4	5 High

12.6. Construction contracts before ending (from low to high)

Low 1	2	3	4	5 High

12.7. Impairment and revalorization (from low to high)

Low 1	2	3	4	5 High

12.8. Special Industries R&D Ex: Pharmaceutical (from low to high)

Low 1	2	3	4	5 High

12.9. Banking Sectors Risk Assessment Ex. Ball II or Ball III application (from low to high)

Low 1	2	3	4	5 High

12.10. All previous answers depend to who made the initial or the companies' evaluation.

Not Important 1	2	3	4	Very Important 5

13. At the finalization of audit work, the auditors evaluate the effect of deviations as a percentage.

13.1. What would be the tolerable level as a percentage that you would consider as material?

13.2. What would be the tolerable level as a percentage that you would consider creative accounting treatment as a mistake?

13.3. What would be the tolerable level as a percentage that you would consider creative accounting treatment as fraud?

13.4. What type of audit report would you issue (qualified opinion, adverse opinion, disclaimer of opinion) in case of:

13.4.1. Deviation is material :

13.4.2. Deviation is a mistake:

13.4.3. Deviation is a Fraud:

14. Do you prepare official report about cases of creative accounting you discover to

14.1 To the Audit Committee of the company you audit

Not at All 1	2	3	4	5 Yes

14.2 To the management

Not at All 1	2	3	4	5 Yes

14.3 To the tax authorities

Not at All 1	2	3	4	5 Yes

15. Do you make oral comments or having discussions about cases of creative accounting you discover

15.1 To the company you audit

Not at All 1	2	3	4	5 Yes

15.2 To your employer or your superior if any?

Not at All 1	2	3	4	5 Yes

16. What is according to you the importance of each one of the following stakeholders?

16.1 The Tax Authority

Not at All 1	2	3	4	5 Yes

16.2 Customers and Suppliers of the company

Not at All 1	2	3	4	5 Yes

16.3 Banks

Not at All 1	2	3	4	5 Yes

16.4 Other Stakeholders Ex. Employees, Society etc.

Not at All 1	2	3	4	5 Yes

17. In case of fraud detection which ones would you inform?

17.1. Management of the company (from no urgent to extremely urgent)

Not Urgent 1	2	3	4	5 Extremely Urgent

17.2. Chief accountant of the company

Not Urgent 1	2	3	4	5 Extremely Urgent

17.3. Tax authorities

Not Urgent 1	2	3	4	5 Extremely Urgent

17.4 Audit Committee of the company

Not Urgent 1	2	3	4	5 Extremely Urgent

18. In case of fraud detection when would you inform it? (Choose one answer)
    18.1. As soon as you discover the fraud
    18.2. As soon as you are sure about the fraud
    18.3. When you are sure and have evaluated the extent of fraud at the financial statements