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The role of assurance services in reducing credit risk management

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***Abstract*---**Given the importance of assurance services in providing management and the beneficiaries in Iraqi banks with the information necessary to work on reducing credit risks, which will have positive repercussions on banking performance in general in order to enhance the accuracy of the information used and contribute to raising the awareness of Iraqi banks on how to benefit from the services Emphasis on and to represent an important tributary to improve the functioning of Iraqi banks. Based on the foregoing, the research aimed to present and discuss the concept and characteristics of assurance services and the mechanisms for preparing the practitioner's report (provider of assurance services), as well as identifying bank credit risks in terms of types, indicators of their measurement and ways to reduce them, as well as showing the relationship between assurance services and ways to reduce credit risks. The bank according to the relevant standards, and then measuring and analyzing the level of banks' application (the research sample) to the requirements of the standard (IFRS9) related to the measurement of expected credit losses, as well as measuring the impact of applying the requirements of (IFRS 9) in terms of measuring expected credit losses on the design and implementation of the practitioner (submitted to the assurance service) and its final report.

***Keywords*---**assurance services, credit risk management, Professional oversight organizations.

Introduction

Professional oversight organizations have been striving to avoid deficiencies and play a fundamental role in the economic life of various societies and achieve the goals of users of all financial statements, especially after the great development in

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the technological field and the massive expansion of economic units and the expansion of the size of the currency blocs in circulation, as well as the recurring financial crises that are often characterized Deficiencies in the control and auditing aspect and non-compliance with the relevant international standards and legislation issued by professional authorities. Therefore, the profession of auditor is no longer limited to a specific type as in the past, but rather diversified and became a package containing a large number of services called assurance services, which represents an important stage in the profession Account control, according to which the auditor is transformed from his traditional role in examining or auditing pre-prepared information or financial statements with a specific financial formula, until he grants a certificate of assurance in preparing this information or financial statements, even non-financial, and given the importance attached by specialized professional organizations, It issued a set of special standards for these services in order to rationalize their practical application. In view of the role of credit risk management and the great importance it represents for the list of financial position in banks, especially after the mortgage crisis in the United States, which cast a shadow on the global economy, as banks sought when granting credit on factors of security, profitability and liquidity and as a result of diversity and continuous renewal in banking activity and response For the requirements of the supervisory and supervisory authorities came the necessity of planning credit grants for the analysis and assessment of bank credit risks in accordance with the international financial reporting standards, especially the standard (IFRS9) and the decisions of the (Basel III) committee. Those risks are measured in accordance with the relevant criteria.

The first topic: research methodology
First: the research problem

The most important challenges facing the work of banks are the difficulties they face in managing credit risks resulting from default in payments, which leads to financial default. Assurance services provided by auditing companies and offices have formed as a result of these factors in various countries of the world, and therefore the problem of research (to what extent The effectiveness of assurance services in assisting banks (the research sample) to form the appropriate ratios of credit provisions.

Second: the importance of research

The importance of the research comes from the nature of the role that assurance services play in providing the management and the beneficiary parties in Iraqi banks with the information necessary to work on reducing credit risks, and thus this research acquires its importance as it is one of the few research to the knowledge of the researcher that deals with the important aspects related to the conceptual framework of assurance services And the preparation of the assurance report, which significantly affects the workflow of one of the most important departments of banks that are compliant with credit risk management.

Third: the research objectives

The research seeks to achieve several objectives, which can be stated as follows:
1. Presenting and discussing the concept and characteristics of assurance services and the mechanisms for preparing the practitioner's report (providing assurance services).
2. Identifying bank credit risks in terms of types, indicators for measuring them, and ways to reduce them.
3. Measure and analyze the level of application of banks (the research sample) to the requirements of IFRS9 related to the measurement of expected credit losses.

Fourth: the research hypothesis

This research assumes that assurance services have an important role in reducing credit risk in banks (research sample) through the type of tasks and services that are provided and in line with the research problem and its objectives in knowing the impact of assurance services to reduce credit risks in Iraqi banks. The assumptions are as follows:
1. Assurance services contribute to giving Iraqi banks a clear picture of the future credit risks that they will be exposed to.
2. Confirmation services help Iraqi banks to form the appropriate percentages of credit provisions.

The second topic: the theoretical side
First: the conceptual framework of assurance services

The profession of auditor has gone through many changes, due to the increase in demand, the global financial crises, the technological development of information and the increase in risks as a result of creative accounting. All these factors prompted the auditor profession to try to combine these services in order to continue, and from here the term audit entered into another more general and comprehensive term called professional assurance services (Al-Sahn et al., 2007: 10). There are different views on assurance services by researchers and theorists, and they can be summarized in the following table:

Table (1)
Perspectives of some researchers for confirmation services

No.	Researchers	Viewpoints
1	(Adams & Evans, 2004: 63) (2004: 102 ؛Deegan ،Cooper) (O'Dwyer & Owen, 2005: 39) (Shelly, 2006: 69) (Simnett et al, 2009: 122) (Weber, 2014: 40)	Provide credibility and transparency of information provided to stakeholders.
2	(Simnett et al, 2009: 72) (Hodge et al, 2009: 90)	Act as a mechanism to increase stakeholder confidence not only in the quality of information but also in the commitment of the

		company.
3	(Moroney, 2012: 55 & Windsor)	Reducing information asymmetry and uncertainty when information is questionable or difficult to discredit.
4	(Wong & Millington, 2014: 120)	Act as a monitoring tool for executives, as it helps the board of directors in the process of controlling performance.

Source: Prepared by the researcher based on the above sources

Specialized professional organizations, writers and researchers have paid clear attention to assurance services, and the following are some definitions of assurance services in order to clarify their purpose and what they included to determine the nature and nature of assurance services, as the International Auditing Practice Committee (IAPC) of the International Federation of Accountants defined (IFAC) Assurance services are: "Professional services intended to serve the purposes of various decision makers and to improve confidence in information according to certain standards" (IFAC, 2008: 975). The SCAS Special Committee on Assurance Services of the American Institute of Certified Public Accountants (AICPA) has defined it as "independent professional services aimed at improving the quality and content of information to serve the purposes of various decision makers" (AICPA, 2010:35), we note From the two definitions above, the focus was on improving the quality of information, its content, and the level of trust in it.

And (pany) defined assurance services as "services performed by a certified public accountant, and the name assurance services is used to describe a wide range of information improvement services that are designed to enhance the degree of confidence in information, and the accountant must be "independent" to perform these services. In general, assurance services consist Of two types: those that increase the reliability of the information and those that include placing the information in a form or context that facilitates decision-making (pany, 2016: 18). The International Audit and Assurance Standards Board (IAASB) emphasized that assurance services represent "the process that the auditor expresses a conclusion designed to raise the degree of confidence of the intended users, with the exception of the party responsible for the result of an evaluation or measurement of the subject on the basis of standards, bearing in mind that the result of an evaluation or measurement Subject matter is the information that results from applying the metrics to the subject (IFAC, 2017: 74).

Arens defines an assurance service as "independent professional services that improve the quality of information for decision makers. The provider of this service is independent and is seen as unbiased with respect to the information examined, and individuals responsible for making business decisions seek assurance services to help improve The reliability and relevance of the information used as a basis for their decisions and assurance services may be performed by chartered accountants or by a variety of other professionals" (Arens, 2018: 133).

In light of the foregoing definitions, the researcher believes that assurance services represent professional services performed by a certified accountant with sufficient scientific and practical qualifications, who enjoy independence and have no subordination to the economic unit. These services provide information to decision makers and work to develop and improve the quality and content of the information provided to them. Which would play an important role in giving confidence to those involved in the economic unit, including shareholders, customers, investors, dealers in the stock market, and other relevant parties.

Second: the concept of credit risk

As banks are of a special nature that faces returns and risks of various forms at the same time, credit risks are among the most important risks faced by banks and resulting from banking transactions with customers and units, which are classified into different types that can be measured with advanced indicators that allow the bank to accurately identify and predict them in the future. Which helps her to control it or reduce it if it is difficult to eliminate it. It can be said that credit represents an exchange of present value with a future value, and it is represented in providing one party to another party with an amount of present money in exchange for an amount of money and often more than the first in the future (Ahmad, 2008: 123). Bank credit is defined as a debt relationship based on trust between the creditor (the bank) and the debtor (the borrower) through which the debtor can obtain a certain amount or guarantees provided by the bank to customers according to certain conditions or to achieve specific purposes in return for the debtor's pledge to return the original amount or the original with The interest is agreed upon on the specified date (Al-Jazaery, 2008: 69). While others believe that the facility allows its customers to pay the value of the goods and services that it produces or provides after a period of time agreed upon between the two parties, following their receipt of the goods or their benefit from the services (Al-Nuaimi et al., 2009: 293) and that the word credit is taken from safety, so the bank when lending to the customer He entrusts him with a loan, and the customer must return the loan on time (Al-Zawam, 2009: 5), and it is known as giving a creditor to a debtor a period of time that the debtor is obligated to pay the debt at (Al-Ashqar, 2009: 18).

The researcher believes that bank credit is the granting of a loan or providing a facility to a customer or an economic unit in return for paying it in the future, as well as the benefits arising from it. It's important to recognize that any credit operation carried out by the bank is beset with certain risks, the degree of which varies according to each operation. Therefore, the credit-granting bank must try everything in its power to prevent the occurrence of these risks, because it leads to the failure to achieve the desired return from the process of granting credit, but rather It may also lead to the bank losing the money provided as credit. (Al-Hanafi, 2007: 324) believes that credit risks are those risks resulting from the loss of all or part of the accrued interest or the principal, or both, whether for investments in securities or loans in accordance with concluded agreements and contracts. Others see it as the possibility of the borrower not being obligated to pay the loan amount on its due date (Al-Husseini and Al-Douri: 2010:129). It is defined as the potential financial losses resulting from the customer's inability to fulfill his obligations on the specified dates, and this type is related to the quality of assets and the possibility of default. There is great difficulty facing the process of assessing the quality of assets because the available and published information is scarce and limited, and whenever the bank acquires a profitable asset, this reduces the risk of non-payment or bank default (Kamal, 2013: 2). (Weston & Brigham: 2018:28) believes that credit risk represents that type of risk that states that the value of the loan, according to the debt payments, will decrease due to the change in the borrower's financial ability to make payments, whether that change is actual insolvency or it is a change From the possibility of insolvency of the borrower, and insolvency means the inability of the facility to meet its obligations at the time of payment. And some defined it as the borrower's failure to pay his obligations or postponement of payment and inconsistent with the terms of the loan (ECON, 2019: 22). As for (Hempel: 2019: 68), credit risk is defined as the risk of not paying interest or principal amounts or both for securities and loans on time.

Through the foregoing, the researcher sees that credit risk is the borrower's failure to pay his dues on time, and thus facing the economic unit to the degree of possibility that the borrower will fail to pay. Among the most important factors affecting these risks:- (Badran, 2005: 66)

1. Availability of guarantees, including a margin of guarantee that makes their value exceed the value of the loan.
2. Diversification according to loan segments, as well as sectorally and geographically, considering that diversification protects the bank from accumulating risks.
3. There are a number of factors that contribute to the realization of credit risks, some of them are factors outside the scope of the institution such as changes in the economic conditions of the country, or internal factors such as weak credit management or investment in the bank, whether for lack of experience, lack of sufficient training or lack of rational credit policies. There are customer-specific factors such as the use of the loan for undisclosed purposes when granting credit, or the existence of a failed project management.
4. According to Koch & MacDonald, 2016: 75, credit risk is associated with the quality of individual assets and the probability of default. It is very difficult to assess the quality of individual assets due to the limited information published.

There are several means that can be used to face credit risk and reduce its effects, as the bank (the economic unit) can adopt one of the two policies to face risks, which are: - (Sarkar: 2016:254-255)

1. Minimal Risk Approach
2. Risk Pricing Approach

Where the first policy depends on dividing loans into two groups, the first includes loans that there is no doubt that they will be recovered from borrowers and achieve a good return, while the second includes loans whose recovery is doubtful, and the bank rejects the second and accepts the first. As for the second policy, it is a developed policy from the first and is more modern. It is based on linking loan prices and risks, as prices rise with increased risks and fall with decreases. The importance of this risk is due to the fact that it is the basis for estimating the interest rates on loans, as it is expected that the interest rates on loans will vary with the size of the risks that the bank is exposed to as a result of the lending decision, and this is called the balance between return and risk. The bank can also reduce the effects of credit risk by adopting a conservative lending policy, but this leads in turn to not providing some profitable loans, and it is difficult to estimate the credit risk without carefully examining the components of the loan portfolio (KPMG, 2014: 74). The credit risk will be higher if the value of medium-quality loans increases, but the returns will also be higher. Thus, the returns tend to be lower if the bank chooses to reduce the credit risk by keeping a smaller percentage of its assets in the category of medium-quality loans (Hempel: 2019: 68). The bank can also protect itself from losses related to loans by collecting and analyzing the credit information of the borrower and through good diversification, so diversifying loans according to their sectoral and geographical segments protects the bank from the accumulation of risk (Risk Congestion) (Deloitte, 2016: 9).

Third: Indicators for measuring credit risk

Accurately identifying credit risks and developing indicators and data that help measure them is one of the things that help manage and control these risks and then reduce risks to their lowest levels. The most important indicators of credit risk measurement are as follows:

1. Data on the distribution of the loan portfolio on the economic activity sectors on a quarterly basis.
2. Data on the distribution of the portfolio into facilities with an in-kind guarantee, with a determination of the value of the guarantee at the last assessment, on a quarterly basis, and facilities without an in-kind guarantee.
3. Indicators of the quality of assets approved within the bank according to the warning system, which is calculated on a monthly basis as follows:
    A. The ratio of the credit portfolio to the total deposits.
    B. Allocating the portfolio to sectors of economic activity.
    C. The ratio of unsecured loans to the total portfolio.
    D. A statement of the concentrations that reach 25% or more of the bank’s capital base, whether they are in the form of the bank’s investments with the client in the form of capital shares and credit facilities, or in various forms of financing.
    E. Aggregate data on concentrations that exceed 10% of the bank's capital base (with a maximum limit).
    F. Proportion of provisions to the total non-performing facilities represented by outstanding loans and facilities.
    G. Ratio of non-performing facilities/total credit portfolio.
    H. Ratio of provisions for doubtful debts/total credit portfolio.
    I. The expected rate of return on the total loans.
    J. The total net return on the total loans.
4. Data on the compatibility of the existing guarantees with the facilities granted to determine the amount of provisions, and it is calculated by dividing the present value of the guarantees over the total granted facilities.
5. Reports on some credit cases that require determining their status to ensure the regularity of their repayment, and determining the causes of default on irregular debts.

The following is a figure showing the most important indicators of credit risk measurement:

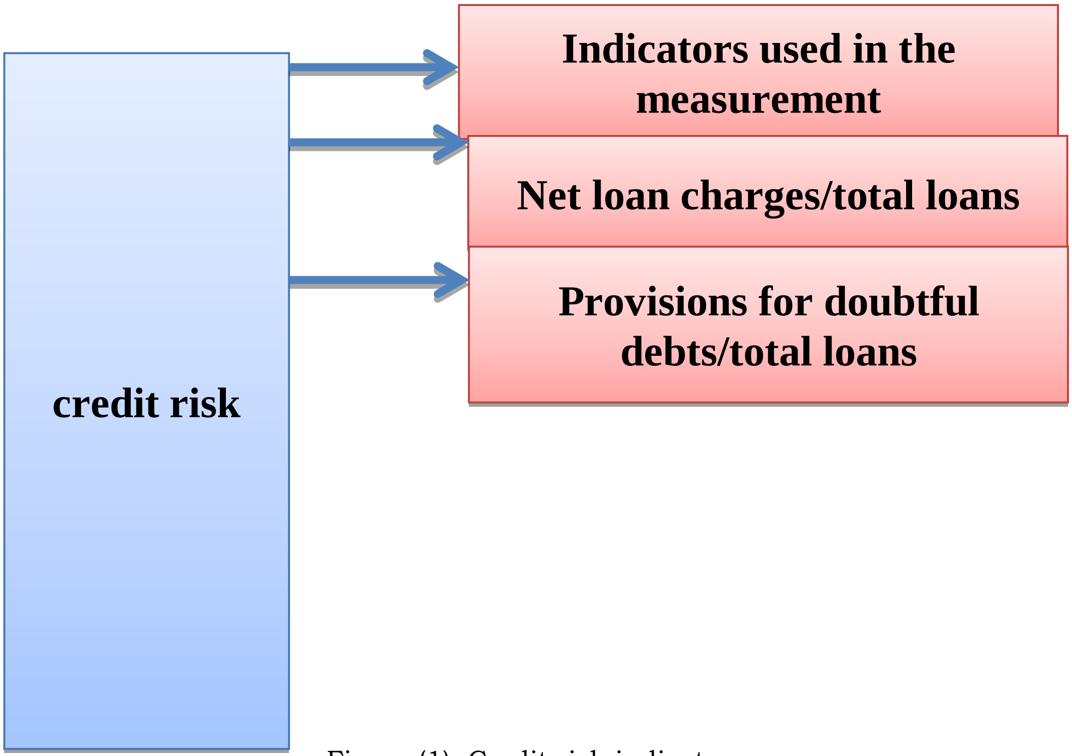

Figure (1). Credit risk indicators
Source: prepared by the researcher

The third topic: the practical framework
First: Credit rating procedures granted to the borrower by banks (research sample)

Banks (research sample) work on grading the credit granted to customers and of all its types into six categories, the first three of which are working credit and the other three are non-working credit and called rated credit. The rating process is carried out monthly, and the granted credits change up and down the rating ranks as follows:

1. Preferred credit: It includes credit granted with easy and quick guarantees, such as precious metals (gold and silver), reservation of fixed deposits, reservation of saving accounts, seizure of government bonds whose value is at least twice the value of the credit granted, and guarantees provided by the government and guarantees provided by the countries of the Organization for Economic Cooperation and Development OECD These credits are not subject to provision for credit losses until their maturity.
2. Good credit that is not due for payment: This category is characterized by the fact that it carries normal risks, good sources of repayment and strong financial positions for borrowers, and that it has not been renewed or rescheduled. It also includes the existing and unpaid pledge credit. As for the pledge credit paid by the bank, it is classified according to What is

mentioned in the classification paragraphs below and according to the date of payment.

3. Intermediate credit: It is the credit due for payment that has not been due for more than 90 days and requires follow-up for the purpose of preventing its conversion to non-performing credit.
4. Below-average credit: which has been due for more than (90) and less than (180) days since its due date, or one of the related installments or interests, as well as overdraft current accounts that have been used in full and interests have not been paid for three months, as well as those that have not been paid for three months. It is used in full and no interest has been paid or no movement has been made on it for a period of six months, as well as all types of credit that have been renewed or rescheduled for one time only as of the date of renewal or scheduling.
5. Bad credit: it is credit that has passed its due date (180) and less than (360) days and has not been paid, and credit that has been renewed or rescheduled only twice from the date of renewal or second scheduling for it, and no more than twice is allowed.
6. Losing credit: which has been due for more than a year and is considered uncollectible (the classification and allocation include all types of credit granted in foreign currency after being equalized in Iraqi dinars on the day of classification and allocation according to the foreign currency rates of the auction or the list of the Central Bank of Iraq and added to the calculated provision on all types of credit in Iraqi dinars).

There are other credit ratings in banks (the research sample), where the Central Bank of Iraq’s instructions require banks to disclose and transparent about granting credit and determine the risks involved, especially since most loans granted by commercial banks are financed by the Central Bank of Iraq, accordingly banks classify credit as follows:

1. Regarding the guarantees provided for credit (without collateral, personal guarantee, real estate mortgage, shares mortgage, etc.).
2. In terms of the sectors to which the credit applicant belongs (industry, agriculture, commerce, services, construction and construction, transportation and communications, etc.).
3. In terms of geographical distribution (cities, villages, countryside, inside and outside the bank city).
4. In terms of amounts categories (less than one million, one million - less than 10 million, 10 million - less than 100 million, 100 million - less than 500 million, 500 million to less than one billion, one billion and more).
5. In terms of residence (resident loans - non-resident loans).
6. From the borrower's personality (individual loans - private corporate loans - government loans).

Second: Provisions for credit losses (working / non-working) Credit Loss Provisions

For the purpose of reducing credit losses and avoiding the bank’s exposure to loss as a result of non-performing credit, the bank must make provisions for credit losses on a monthly basis and in the percentages mentioned below as a minimum and according to its classification:

1. Excellent credit, without assignment.
2. Good credit, 2% of the total amounts of good credit.
3. Medium credit, 10% of the total medium credit.
4. Below average credit, 25% of the total credits are below average.
5. Bad credit, 50% of the total bad credit.
6. Credit losing, 100% of the total credit loss.

The above credit losses are credited to the credit loss allowance account and debited to the expenses account in the income statement. The credit granted with in-kind guarantees that can be quickly and easily liquidated, such as (fixed deposits - savings deposits, gold pledge, pledge of shares if they are salable and quickly and at a price equivalent to at least twice the credit granted), is excluded from the allocation. It is rated as Excellent Credit unless repayable. Delayed interest is calculated on non-performing credit and debited to an account (accrued and unreceived interest) and a credit to an allowance account for non-performing interests. Revenue is not taken until after it has actually been collected in implementation of paragraph (c) of (2) of Article (29) of the amended Iraqi Banking Law No. (94) of 2004, but during the working credit stage and if the delayed interest is recorded as a final income, it must be reversed when transferred to A non-working credit and the entry is considered valid when it is paid during that paragraph, which is specified in less than (90) days from the due date, but if the preparation of the annual budget of the bank coincides with 12/31 of the end of each year, the interests are reflected on that date even if (90) days have not passed on it.

Third: The credit activities of private commercial banks (research sample) Credit Activities of Private Commercial Banks (Research Sample)

For the purpose of identifying the credit activities of banks (research sample) capital adequacy is assessed on the basis of supervisory guidelines, the nature and size of the risks it faces and the management's ability to manage risks. The total assets of the bank, total loans and the total loan loss allowance to total loans for the period 2018-2020 are taken into consideration. And according to the following table No. (2):
As for the total loans to total assets and the ratio of the total loan loss allowance to the total loans to private commercial banks (research sample) for the period 2018-2020, it was as shown in Table (2) below:

Table (2) Gross loans to total assets ratio and total loan loss allowance to total loans ratio for private commercial banks (research sample) for the period 2018-2020

Bank name	year	Ratio of total loans to total assets	Ratio of total loan loss allowance to total loans
Trans-Iraq Bank	2018	23%	6%
	2019	29%	11%
	2020	39%	11%
Sumer Commercial Bank	2018	6%	48%
	2019	5%	44%
	2020	7%	39%

Al-Mansour Investment Bank	2018	14%	7%
	2019	15%	6%
	2020	19%	10%
Iraqi Middle East Investment Bank	2018	27%	6%
	2019	23%	18%
	2020	15%	34%

The source was prepared by the researcher based on table (2).

The following is an analysis of the percentages mentioned in Table (3), as follows:

1. The Trans-Iraq Bank has achieved an increase in the provision for loan losses to total loans, as it reached (11%) for the years (2019) and (2020), while it was (2018) (6%), and the ratio of total loans to total assets also increased as It reached (29%) for the year (2019) and also reached (39%) for the year (2020), and despite the increase in the provision for loan losses to total loans, which amounted to (11%) for the years (2019-2020), this increase In the ratio is the result of the rise in the ratio of total loans to total assets and the concentration of this increase in the risk-weighted assets of credit facilities.
2. The ratio of the total provision for loan losses to the total loans of Sumer Commercial Bank decreased to (44%) in (2019) and also decreased by (39%) for the year (2020), while it was (48%) in (2018). The same applies to the ratio of total loans to total assets, the ratios fluctuated between a slight decrease and a rise, and when observing the general trend of the ratios, we find it due to the bank's policy of investing in cash and pledge credit, which affected the decrease in those ratios, despite the support of liquidity, which is less than counterpart banks, i.e. The hedge ratio of the bank is higher than that of those banks.
3. Al-Mansour Investment Bank achieved a slight increase in the ratio of the total provision for loan losses to total loans amounted to (10%) for the year (2020), while the percentage decreased in the year (2019), which amounted to (6%), while it was (7%) in In the year (2018), as well as the ratio of total loans to total assets, it achieved a clear increase for the year (2020), reaching (19%), while it was (15%) in the year (2018). This increase indicates the bank's orientation to credit facilities This was reflected in the credit risk, which was represented by the increase in the provision for loan losses to the total loans.
4. The Middle East Bank has achieved an increase in the provision for the ratio of total loan losses to total loans, which reached (34%) for the year (2020), which was in (2018) (6%), which was offset by a decrease in the ratio of total loans to total loans. Assets in the year (2020), which amounted to (15%), this indicates that the bank has reduced its credit policy, but it has used a conservative policy to manage its cash credit.

Fourth: Ratios of the general trends of credit risk management policies for non-performing loans in private commercial banks (research sample)

Represents the policies followed by banks, which are based on assessing non-performing loans on the basis of the level, distribution and trends of assets, the problems they face, doubtful, classified, overdue, non-performing assets, restructured assets from within and outside the balance sheet, the adequacy of reserve provisions against loan losses, and the ability to identify, manage and collect doubtful assets In its collection, the diversity and quality of the loan portfolio, the appropriateness of lending policies and procedures, and credit concentrations, all of this would enhance the effectiveness of credit management procedures. Table (3) shows the ratios and general trends of credit risk in private commercial banks (research sample:

Table (3)
Ratios and general trends of banks' non-performing loans (research sample) for the years 2018-2020

Trans-Iraq Bank			
proportions	2018	2019	2020
Non-performing loan/total loan ratio	16.7%	45%	31.5%
Non-performing loan/core capital ratio	8.5%	13%	9.2%
Provision for loan losses/bad loans ratio	193%	95%	108%

Source: Credit Risk Management Department (Adapted from the researcher)

The data in Table (3) show that there was an increase in non-performing loans in the year (2019), as they constituted (45%), while in the year (2018) it was (16.7%), and then decreased in the year (2020) to reach (31.5%).), which is considered a high percentage, which negatively affects the credit policies of the bank. Likewise, the ratio of non-performing loans to core capital increased in the year (2019) to 13%, while it was in the year (2018) (8.5%), and then decreased in the year (2020) to (9.2%). The percentage of provision for loan losses to non-performing loans decreased in the year (2019) to reach (95%), while it was in the year (2018) (193%), and it increased in the year (2020) to (108%) after it was (95%) in the year (2019).

Table (4)
Ratios and general trends of banks' non-performing loans (research sample) for the years 2018-2020

Sumer Commercial Bank			
proportions	2018	2019	2020
Non-performing loan/total loan ratio	47.6%	62.5%	91.4%
Non-performing loan/core capital ratio	33%	7%	4.6%
Provision for loan losses/bad loans ratio	15%	22.8%	67.6%

Source: Credit Risk Management Department (Adapted from the researcher)

It is noted through the percentages in Table (4) that there is an increase in non-performing loans in the year (2019), as they constituted 62.5%, while in the year (2018) it was 47.6%, and it increased significantly in the year (2020) to reach (91.4%), which is a high percentage that negatively affects the credit policies of the bank. The ratio of non-performing loans to the basic capital decreased in the year (2019) to (7%), while it was (33%) in the year (2018), and then decreased in the year (2020) to (4.6%), and it increased The ratio of the provision for loan losses to non-performing loans in the year (2019) to reach (22.8%), while in the year (2018) it was (15%), and it increased in the year (2020) to (67.6%) after it was (22.8%) in the year (2019).

Table (5)
Ratios and general trends of banks' non-performing loans (research sample) for the years 2018-2020

Sumer Commercial Bank			
proportions	2018	2019	2020
Non-performing loan/total loan ratio	26.6%	32.5%	61%
Non-performing loan/core capital ratio	21.5%	14%	36.4%
Provision for loan losses/bad loans ratio	59%	66%	40%

Source: Credit Risk Management Department (Adapted from the researcher)

It is noted from the percentages in Table (5) that there is an increase in non-performing loans in the year (2019), as it constituted 32.5 percent, while in the year (2018) it was 26.6%, and it increased in the year (2020) to reach (61%), which is a high percentage that negatively affects the credit policies of the bank. The ratio of non-performing loans to the basic capital decreased in the year (2019) to 14%, while it was in the year (2018) (21.5%), and then increased in the year (2020) to (36.4%), and it increased The percentage of provision for loan losses to non-performing loans in the year (2019) reached (66%), while it was (59%) in the year (2018), and it decreased in the year (2020) to (40%) after it was (66%). in the year (2019).

Table (6)
Ratios and general trends of banks' non-performing loans (research sample) for the years 2018-2020

Iraqi Middle East Investment Bank			
proportions	2018	2019	2020
Non-performing loan/total loan ratio	6%	19.5%	49.6%
Non-performing loan/core capital ratio	13%	29.9%	33.4%
Provision for loan losses/bad loans ratio	29%	15%	30%

Source: Credit Risk Management Department (Adapted from the researcher)

It is noted through the ratios in Table (6) that there is an increase in non-performing loans in the year (2019), as it constituted 19.5%, while in the year (2018) it was 6%, and it increased in the year (2020) to reach Its rate is (49.6%), which is considered a high percentage, which negatively affects the credit policies of the bank. The ratio of non-performing loans to the core capital increased in the year (2019) to (29.9%), while it was in the year (2018) (13%), and then increased in the year (2020) to (33.4 percent), and it decreased The ratio of the allowance for loan losses to non-performing loans in the year (2019) reached (15%), while it was (29%) in the year (2018), and it increased in the year (2020) to (30%) after it was (15%). in the year (2019).

Based on the accounting requirements for depreciation of financial assets in accordance with the International Financial Reporting Standard IFRS 9, some remarks can be made in the details of the guidelines issued by the Central Bank of Iraq that need to be reviewed, including:

First: The process of calculating the provision for credit losses on the basis of percentages of the total credit amounts without taking into account the in-kind guarantees represented by mortgaging the property, may affect the value and timing of the declared profit as follows:

1. Calculating the provision for credit losses from the total good credit (not due for payment) affects the value and timing of the declared profit by recognizing false losses, which leads to a reduction in the declared profit.
2. Calculating the provision for credit losses from the total amounts of medium credit up to 100% of the total amounts of the losing credit without taking into account the real guarantees represented by mortgaging the property provided by the customer, providing the freedom for the bank's management to manipulate the provision for credit losses by manipulating the value and timing of recognizing credit losses and thus Impact on the value and timing of the declared profit.

Second: The indicative regulation did not address the matters that must be disclosed in the body of the financial statements and related to the management of credit risks that the bank's management may be exposed to, and the bank should disclose the following:

1. Practice risk management.
2. Quantitative and qualitative information about the value of credit losses appearing in the financial statements.
3. Exposure to credit risk.
4. Guarantees and other credit enhancements obtained.

The researcher believes that there are noticeably non-performing loans in private commercial banks (the research sample) due to several reasons. At once without monitoring and follow-up. There are reasons committed by the customer that lead to the failure to pay when he submits wrong information about his financial situation or it is incompletely presented on the one hand, and on the other hand, his technical and management inefficiency in using the loan and directing it in inappropriate financing activities and the nature of the loan results in default and inability to fulfill his obligation towards The bank, and there are also external reasons represented in reasons beyond the control of the bank's management and the client and related to the economic situation of the country. In the years that were studied for the private commercial banks, the research sample is the years (2018-2020) and the accompanying events of the October demonstrations, through the Corona pandemic, have affected the Credit policies as well as defaulting on loans by customers.

Fourth topic: conclusions and recommendations
First: the conclusions

1. Despite the multiplicity of risks to which the banking sector is exposed, credit risks represent the fundamental basis of risks. Eliminating banking risks in general and credit risks in particular is almost impossible, as the risk remains present in all the activities of the bank, which requires taking preventive measures to avoid them or remedial measures to avoid them. And face potential consequences when they occur.
2. Despite the important role that assurance services play by mitigating the risks of banking in general and credit in particular, there are many international and regional banks that have benefited from these services, but the Iraqi banks did not pay attention to these services and we have noticed the magnitude of the risks credit to which these banks are exposed.
3. The existence of an integrative relationship between the parties involved in providing assurance services. The practitioner requires the skill and specialized knowledge of the subject of the task. The responsible party uses specific measures to provide the decision, and the users are the group of persons benefiting from the report.
4. Preparing the assurance services report requires the existence of certain standards for assurance services for the purpose of providing an objective and comprehensive assessment of the subject of the assignment, provided that these standards are appropriate, understandable and reliable.
5. Banks (the research sample) face difficulties in measuring credit risk according to the International Financial Reporting Standard (IRFS9), including the lack of a specialized electronic system, and the lack of a detailed database for each bank credit.
6. Despite the exposure of banks (the research sample) to very high risks in bank credit and defaulting on loans, they did not use assurance services, the importance of which was explained by the research in reducing those risks.

Second: Recommendations

1. Working on diagnosing and knowing the risks that accompany credit procedures and identifying them accurately and knowing the causes and factors that increase the likelihood of their occurrence, which helps the credit management to hedge them and avoid their negative effects.
2. The necessity of applying the International Financial Reporting Standard IFRS9 to download and estimate the expected bank credit risks in order to hedge them in banks (the research sample).
3. The practicing accountant performing the assurance service should reduce the burden of responsibility on his shoulders, and reduce the risks associated with his responsibility for his performance of the assurance services, to carefully evaluate the risks associated with accepting the

provision of this service, specifying the conditions for providing the service in the assignment letter accurately and using cautionary language when reporting on the performance This service with identification of potential users, if possible.

4. The necessity of increasing the scientific and practical qualification of chartered accountants and their assistants to perform assurance services, which has become a necessity in light of economic and technical developments, by obligating the chartered accountant to obtain qualified professional certificates that enable him to perform those services in light of technical developments.
5. The necessity of adopting professional organizations and bodies responsible for the work of the audit profession in Iraq to prepare training programs to qualify accountants scientifically and practically and in a focused manner on the requirements of IFRS9 and the details of its application.
6. Coordination between Iraqi universities, professional companies, and external audit offices that are obligated to apply accounting and auditing standards in order to define assurance services and their role in reducing bank credit risks, by obligating setting a minimum quality of assurance services outputs through an entity composed of the previous parties.

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