

FACTORS AFFECTING THE QUALITY OF EXTERNAL AUDITOR PERFORMANCE: AN ANALYTICAL STUDY OF THE OPINIONS OF AUDITORS WORKING IN IRAQI AUDIT FIRMS AND COMPANIES

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ABSTRACT

This study aims at providing a clear understanding of the factors that affect the quality of the performance of the external auditor working in the Iraqi audit firms and companies. The importance of external auditing stems from its impartiality of working to increase the credibility of the reports by conducting high quality audit to provide the appropriate information and raise the degree of reliability. In addition, this study highlights the important role of the auditor's performance quality. The study has an empirical field dimension related to finding the factors affecting the quality of external auditor performance, which is an analytical study of the opinions of auditors working in Iraqi audit firms and companies. To achieve the objectives of the study and approve its hypotheses, a survey was conducted consisting of 102 questionnaires distributed to a number of auditing offices and companies operating in Iraq, which represent the population of the study. The population of the study was all majored in accounting and auditing to obtain adequate answers that reflect the reality of the audit work provided by the audit offices in Iraq. As far for the statistical methods, the researcher has chosen two reliable methods that are suitable for the researcher empirical results and findings. These methods adopted are SPSS and Five-Point Likert Scale. The study has reached a number of conclusions, the most important of which is that 'The need to strengthen the role of external auditing through the issuance of instructions, guidelines, and controls to develop the profession, in the field of accounting and auditing.' The study reached important recommendations, the most important of which is the need for the audit offices to adhere to the quality control system (peer review) and complete independence from the customer, which enhances confidence in the auditor's report by all parties dealing with the economic unit.

Keywords: International Standards on Auditing (ISA), American Institute of Certified Public Accountants (AICPA), International Federation of Accountants (IFAC).

INTRODUCTION

The quality of the audit is a necessary requirement for all parties to the audit process. The auditor is concerned that the audit process is performed in high quality in order to validate the results of the audit. The management ensures that the audit process is conducted in high quality to provide confidence in the financial statements prepared by the auditors. In order to ensure the accuracy and fairness of the financial information contained in the audited financial statements that will be adopted in the decision-making process, and that the professional organizations seek

to improve the quality of audit to safeguard the interests of all parties through issuing standards and ensure the safety of their application. The audit profession is a social profession, which aims at providing service to others based on mutual trust between the auditor and the relevant parties of the users and preparers of financial statements. The increasing reliance of these entities on the audited financial statements as a source of appropriate information has led to the adoption of appropriate economic decisions and the increased accountability of the auditor to these entities. Audit has been carried out with a high degree of efficiency, justice, speed, economy and the procedures governing its work.

RESEARCH METHODOLOGY

Research Problem

The number of legal cases brought against auditors in recent years has increased due to negligence in the performance of their professional duties, which has led to increased attention to quality control on the work of these auditors by professional associations. Therefore, the problem of research is focused on the following:

1. Do auditors working in audit firms in Iraq comply with quality control requirements approved by the American Institute of Certified Public Accountants (AICPA) and the International Federation of Accountants (IFAC)?
2. Is the specialized qualification in the field of accounting and auditing beside the practical and professional experience positively affecting the quality of the auditor's performance in the audit process?
3. Does the auditor stay for a long time auditing the accounts of the same client that affects the quality of the audit?
4. Does the intense competition among the external auditors to attract customers affect the quality of their performance in the audit process?
5. Do the audit team's independence and the size of their fees affect the quality of their performance, which is reflected in the quality of audit performance?
6. Have the weakness of the supervisory role of the professional organizations responsible for the accounting and audit professions led to a lack of confidence in the firms and auditing companies?
7. Is there a commitment to quality control guidelines in accordance with the requirements of ISA 220 and the auditor's quality of audit performance?

Research Significance

Due to the importance of the external audit process in instilling confidence in the financial statements and their adoption in the investment decision-making by their users and the economic role of the audit, it has been necessary to go towards developing the audit process of ethical rules and methods of application. The audit process is subject to examination and evaluation with the aim of improving quality. The audit process is subject to examination and evaluation in order to improve the quality and assurance of those who are interested in the audit process as a conduct of scientific methodology in the examination and obtaining evidence to show a neutral professional opinion in the financial statements. One of the most important concerns is the issuance of international standards for the conduct of quality control on external audit work. The importance of this research is determined by determining the factors and variables that affect the quality of the audit work and the possibility of applying quality control in the auditors' firms in Iraq in accordance with ISA 220 and the quality requirements approved by AICPA.

Research Objective

1. Evaluating of the quality of Iraqi audit firms and the factors that affect the auditor's performance.
2. Drawing the attention to the subject of controlling the audit work quality and to highlight its importance and its role and objectives in activating the audit profession in Iraq, and highlighting the importance of the existence of regulatory bodies responsible for supervising the implementation of quality control in Iraqi audit firms.
3. Identifying the differences among Iraqi audit firms in the degree of following and applying all audit quality control requirements taking into account the size or the date of the audit firm establishment or the existence of a special department responsible for quality control and the extent to which the Iraqi audit firms are committed to the auditing standards, especially the quality control standards and the role of those responsible bodies in evaluating and monitoring quality control.

HYPOTHESES

The study is based on the following hypotheses:

H₁: There is a statistically significant relationship between the external auditor's compliance with the requirements of complying with professional standards and the legal requirements for quality approved by AICPA and ISA 220 and the auditor's quality of audit performance.

H₂: There is a statistically significant relationship between the specialized educational achievement in the field of accounting, auditing and the practical experience of the external auditor and the positive effect on the auditor's quality of audit performance.

H₃: There is a statistically significant relationship between the length of time held by the external auditor of the client (the company) with a strong competition to win customers and the positive effect on the auditor's quality of audit performance.

H₄: There is a statistically significant relationship between professional associations in Iraq applying the quality control system to the work of certified accountants, and improving the quality of the services that professional associations provide to all beneficiaries of the published financial statements.

H₅: There is a statistically significant relationship between the factors affecting the quality of the audit (the audit team, the reputation of the audit firm, the independence of the audit team members and the audit company) and the auditor's quality of audit performance.

H₆: There is a statistically significant relationship between compliance with quality control guidelines in accordance with the requirements of ISA 220 and the auditor's quality of audit performance.

THEORETICAL FRAMEWORK

Literature Review

Scholars and researchers have dedicated considerable efforts in analyzing the audit performance quality. Some of the studies are at the international level, whereas some others are at the local level. The short upcoming paragraphs illustrate some of the most prominent studies in this concern.

Dunn et al. (2000) conducted a study entitled "Auditor industry specialization and client disclosure", which aimed to measure the impact of a number of elements on the quality of auditing, including specialization in a particular industry. The study found that the auditors in a

particular industry achieve higher quality because of their desire to maintain a good reputation in the industry and to get adequate knowledge of the problems of the industry itself.

Vanstraelen (2000) conducted a study entitled "*The impact of renewable long-term audit mandates on audit quality*", which aimed to determine the impact of the following factors on audit quality, customer retention period, size of firm, audit fees and financial cost of the customer. The study found that the longer the period of customer retention, the lower the probability of issuing a clean report, which negatively affects the quality of the audit.

Donnelly et al. (2003) conducted a study entitled "*Auditor acceptance of dysfunctional behaviour: An explanatory model using auditors*" personal characteristics' in which they showed that the conduct of the audit and the turnover of the auditors are two variables in order to reduce the quality of the audit. The premature suspension of the completion of the audit has negative effects on the profession itself. The study concluded that the low performance of the auditors is in line with the acceptance of increasing behaviors leading to lower audit quality.

Another study conducted by Krishnan & Schauer (2000) entitled "*The Differentiation of quality among Auditors: Evidence from the not- for- Profit sector*", which aimed to test the relationship between the audit quality and the size of the audit firm of the non-profit units. It was concluded that there is a positive relationship between the size of the audit firm and the quality of the audit.

Alam et al. (2000) conducted a study entitled "*Perception of the peer review program of the accounting profession: Implications and management*", which aimed to test the effectiveness of the peer review, program in developing audit quality. The study found that the peer review program contributed to the development of the audit profession and self-development of the auditors.

Colbert & Murray (1998) implemented a study entitled "*The association between auditor quality and auditor size: an analysis of small CPA firms*", which showed that there was a positive relationship between the quality of the audit and the size of the audit firm.

Alqam & Alrajabi (1997) conducted a study entitled "*The factors which lead to change the external auditor in the Jordanian public companies: Field study*", which aims at showing whether there is a difference of views among auditors, investors, and Chief Financial Officer (CFOs). The researcher reached many of the recommendations that they offer to raise the level of auditing profession, and to increase the quality of its work and promote it to the required level.

The most important of these recommendations are:

1. Audit firms should be keen to select a team of specialists and professional experience.
2. The necessity of activating professional laws related to the ethics and conduct of the profession, such as independence, impartiality and objectivity.
3. The need for audit firms to apply the audit quality control system through the establishment of a special section within the audit firm that is responsible for monitoring audit policies and procedures within the auditing firm.

Jerboa (2000) conducted a study entitled "*The extent of the responsibility of professional associations in quality control on the work of auditing firms in accordance with international standards*", which aimed to analyze the factors that led to the raising of legal cases against auditors during the last years and exposing the profession of accounting to attack by society. The study also revealed the importance of professional associations and their professionalism in accounting and auditing profession to guide the profession to serve the society and gain public confidence through the application of quality control system to the work of audit firms. The

study found that the professional associations are responsible for quality control over the work of the audit firms. The study also concluded that professional associations should support the independence of auditors by encouraging adherence to international accounting and auditing standards and improving the quality of education and training.

Dehash (2009) conducted a study entitled “*Extent of application of quality control in audit firms in Jordan*”, which aimed at to highlight the concept of audit quality control and to examine the extent to which the auditing firms in Jordan have followed the quality and analysis controls (professional requirements, skills, competence, allocation of tasks, consulting, customer acceptance and retention, and supervisory control). Moreover, the study aimed to test the existence of any differences in the extent to which audit firms comply and apply audit quality standards and to identify any possible obstacle that may prevent these firms from following the quality control system. The main findings of this study are:

1. The audit firms in Jordan have sufficient awareness of the quality control audit concept, as well as the importance of following and applying audit quality controls in their audit firms.
2. Jordanian audit firms follow and apply audit quality standards by (60%-79%) of the audit case adopted. It was also found that (3) audit Jordanian firms follow audit quality audit in percentages ranged between (80%-100%). Ten of the Jordanian firms were ranged between (60%-79%) as far as their compliance with the audit quality standards, and four of the audit firms were ranged between (39%-49%) among the audit cases.
3. The degree of compliance with all audit quality standards varies according to the date of establishment of the audit firm.

Quality Audit Concept

Audit quality has received wide attention from professional associations and researchers. However, the concept of quality was not crystallized clearly either in standards issued by professional organizations or in studies conducted by researchers. AICPA and the General Accounting Firm (GAO) announced in 1987 that the quality of auditing is an important and an ongoing issue in the profession because it is intrinsic to all parties in the audit services market, and the audit profession does not constantly interact with rapid changes in the environment. Therefore, the factors affecting the quality of the audit should be continually reviewed and taken into consideration when conducting audits. (Reisch, 2000). Although AICPA has established three specialized audit quality centers to improve the quality of the audit service; it is still difficult to develop a specific quality audit concept for the following reasons (Arens et al., 2000):

1. Services provided by audit firms cannot be tested in advance as in physical goods.
2. There is a difficulty in measuring the quality of the audit after the completion of the audit, because there are no specific measures for it.
3. Lack of experience with the beneficiaries of this service.

As it is known, the quality of the audit is a guarantee that the audit firms will continue to operate and maintain in the future. Professional organizations focus on the need to adhere to professional standards and quality control standards in order to improve the level of services provided (Awadh, 2008). The audit quality can be seen as a final product of the various actions and decisions undertaken by the audit team as a single working group, so that any malfunction or any part is inconsistent with the requirements of the audit process determined by the professional standards and the Generally Accepted Auditing Standards (GAAS) reflects Impact on quality audit (Hameedat, 2004).

Several definitions of audit quality have been received. For instance, Knapp (1991) defined the quality of audit, through the concept of audit risk, as reducing the auditor's risk of discovery, which in turn reduces the risk of final audit. Accordingly, the auditor will seek to disclose and report material misstatement of the financial statements. According to Arens et al. (2000), audit quality is the means used by the audit firm to ascertain the extent to which professional responsibilities are met.

Measuring Audit Quality

The absence of a unified concept or definition of the audit quality by all interested parties has made it ambiguous and difficult to approve or even measure directly. This difficulty in measuring the quality of the audit is that the only product of the audit is the report of the visual and read auditor, which is a general template, and that most reports issued by the auditors are typical reports with non-conservative views (the so-called clean report). Krishnan & Schaur (2000) believe that to measure the quality of a product there are two methods (direct and indirect methods) with alternative means (such as product fame or firm fame). With regard to audit quality, there are two common methods to measuring audit quality:

1. The indirect method: It includes alternative means such as the size of the audit firm, the auditor's reputation, the period of contract with the customer, the provision of services other than the audit process, the proportion of court cases related to the auditor's work, and experience in industry and others.
2. The indirect method (behavioral approach). This method assumes that the probability of disclosure and reporting of any breaches related to the audit contract will be reflected in the outcome of the audit process such as errors made by the auditors.

Factors Affecting Audit Quality

In this section, some factors ,such as audit firm size, audit firm reputation, auditor's independence, and auditor's fee, and completions among audit firms, will be tackled and as follows:

Audit firm size

Large audit firms are motivated to perform better audits because they have a high reputation and do not want to risk losing their reputation. They also have substantial material and human resources to attract more specialized and skilled personnel. Large audit firms earn more revenue because they reduce their clients' exposure to prosecution because of having more experience. The size of the audit firm is one of the most important factors affecting the measurement of audit quality, as it is positively related to the quality of audit, where audit firms often provide better audit quality than other audit firms do. According to Dang (2004), the audit firm size limitation, as an alternative to measuring audit quality, is based on two main assumptions:

1. Audit firm reputation: Carcello & Nagy (2004) believe that the reputation of the audit firm means the circulation of the audit firms name in the market as it provides quality audit services by giving credibility to the audited financial reports, and the auditor must act in a manner consistent with the reputation of the profession and refrain from any misconduct that negatively affects the audit firm reputation. Moreover, the audit firm reputation is measured by the increasing the number index of clients and the size of the audit firm. Iskandar et al. (2010) add that the audit firm's reputation is a combination of many interrelated factors: compliance with professional standards, codes of conduct and ethics, professional experience of

audit team members, experience in client activity, the duration of the work of the professional audit firm, the size of the audit firm, engagement with an international audit firm, evaluating the extent of the customer's satisfaction and the continuation with them in auditing process, and litigation against the audit firm.

2. Auditor's independence: The auditor's independence is one of the key pillars that are closely related to audit quality, which in turn requires auditing firms to improve professional performance. The auditor's independence may be considered intellectually or intellectually, in the sense that the auditor must be independent in his or her opinion and opinion in the financial statements. He must express his opinion on the financial statements fairly and honestly, and not allow any important considerations that affect his opinion. (Abu Daghim, 2001).

Al-Sabban (2003) notes that the concept of auditor independence can be defined in two areas:

1. Internal and external independence: auditors should be independent from parties that might have a financial interest in the business being audited. The auditor must be neither one of the shareholders, partners, or one of the employees in the company audited.
2. Independence of mind: In the sense of the auditor's independence mentally and professionally by the absence of any pressure or intervention by a higher authority or a particular body on the auditor's role in checking the integrity of the books and the accuracy of the presentation of the financial statements of the business results and the financial position and cash flows of the audited company.

Auditor fees

Al-Matarinah (2003) points out that auditor's fees refer to the mounts charged by the auditor because of performing an audit of a company's accounts. The amount of the fees are determined according to the agreement between the customer and the auditor in accordance with the time that the audit will take, the type of services required, and the volume of such transactions. There are a number of things the auditor must consider when determining the audit fee, such as the time required to plan and perform the audit, the number of auditors and assistants performing the audit, the size of the audited company, the extent of the audit process and the complexities involved., the size and quality of the audit firm, the number of reports required of the customer, the nature of the company's work being audited and the extent of its need for specialized expertise and competencies in the activity in which it operates. The determination of the fees of the audit process is a matter of great importance to the auditor on the one hand and the client on the other hand, because each party wants to equalize the value of audit services provided, but there is no scientific way to determine the auditor's fees fairly and reasonably. The audit fees are more difficult to determine at the beginning of the contract between the auditor and the customer, because the auditor does not know the nature of the audited company, the specific circumstances, the volume of the audit operations, the extent of the audit procedures to be performed, and the time and effort required to perform it (Carcello & Nagy, 2004).

Competition among audit firms

The auditing profession operates in an open market as it is in the rest of the professions based on the competition among its members to attract customers, especially with the increase in the number of audit firms and the number of licensed auditors practicing the profession. Due to the importance of the competition among audit firms and its impact on audit quality, it has received wide attention from professional organizations. For instance, the Cohen Committee noted that competition is one of the problems facing the auditing firms at present, because it

affects the hours of auditing and time balance (Al-Tuwaijri & Al-Nafibay, 2008). The high level of competition among audit firms on the quality of auditing has received a great deal of attention in research and studies. The owners of this view assume that the more competition among the auditors to get customers the greater the desire and ability of the customer to change the auditor. One of the reasons for changing the auditor and looking for another auditor is to try to reduce the fees. Whenever the auditor feels that another auditor is trying to replace him in checking the client's accounts, the more he relies on the client, and this course affects the quality of audit of the best favorably. Audit quality is one of the areas of distinction between audit firms, as competition is based on audit quality as an alternative to competition.

ISA 220 Audit Quality Control Guideline

Al Dhilaey (2004) points out that IAS 220 consists of a set of guidelines and procedures that auditors are required to comply with in their audit work aiming at providing assurance to the profession and its functionaries. The most important guidelines of ISA 220 are as:

Professional requirements

1. Policy: Employees of the Foundation should adhere to the principles of independence, honesty, objectivity, confidentiality and professional conduct.
2. Procedures: It means the assignment of an individual or a group of individuals to provide guidance and solutions to matters relating to (honesty, objectivity, independence and confidentiality) and to inform the members of the institution of the policies and procedures relating thereto.
3. Monitoring the adherence to the policies and procedures and emphasizing the mental independence in training, supervision and follow-up programs.
4. Assigning the task of obtaining written representations and following up the execution of the files of the obligation of independence to persons with appropriate authority.
5. Periodic follow-up of the relationship of audit firms with the client to ascertain whether there are areas that weaken the independence of the firm.

Skills and efficiency

1. Policy: Audit firms must be equipped with individuals who have received and maintained the technical standards and professional competence required to carry out their tasks with due diligence.
2. Procedures: They include recruitment, professional development and promotion.
- A. Employment: It is the planning to recruit a number of staff who are required by the audit firms and maintain a program designed for those firms to have qualified staff with the appropriate skills and competencies to assist them in carrying out their assigned tasks efficiently and effectively due to the positive relationship between the success of the audit firms and the efficiency of their staff, and developing guidelines for periodically evaluating staff for each occupational level.
- B. Professional development
 1. Audit firms should develop guidelines and programs that ensure continuous professional development and assign professional development to a person or group of persons with appropriate authority.
 2. Following-up of the programs established by the audit institution and the objectives and basic requirements for education or experience as well as the preparation of a new orientation program for new individuals.
 3. Encouraging individuals to prepare articles and participate in other professional activities.
- C. Delivering information to employees on current developments in professional and technical standards governing the profession.
- D. Updating training programs as needed and in light of new developments and changing circumstances while maintaining a file containing professional publications and books on technical and professional matters.

Employment promotion

1. Developing guidelines describing the responsibilities and performance to be performed for each functional level within the audit institution and the qualifications required for promotion.
2. Identifying the criteria to be taken into account when evaluating personal performance (technical knowledge, analytical ability, communication skills, leadership and training skills, customer relationship, etc.).
3. Evaluating the performance of individuals periodically by collecting information about their performance and using specific models for this purpose and verifying the completion of the evaluation on time.
4. Consulting periodically with individuals about their career progression and career opportunities, taking into account future goals, preferred tasks, and career opportunities.
5. Assigning the task of making career promotion decisions to specific persons and conduct interviews to evaluate candidates for promotion, document the results of interviews and maintain appropriate records for this purpose.

Distribution of tasks

1. Policy: Audit work should be entrusted to individuals with degrees of technical training and professional competence.
2. Procedures: According to Muraey (1998), they include:
 - i. The following factors must be considered in balancing the requirements of the labor force for auditing and personal skills and the development and utilization of individuals (e.g., the size of the audit process, the availability of staff with the skills and competence required for the work assigned to them, the timing of the work to be carried out).
 - ii. Assigning an appropriate person or group of staff to the assignment of tasks taking into account the estimated time and availability of audit staff, cases where there is a conflict of interest or independence such as entrusting a staff member with auditing the employer's previous accounts or auditing the financial statements of a relative, supervision and participation of supervising individuals.

Orientation and supervision

1. Policy: There should be orientation, supervision and follow-up at all levels of work in order to provide reasonable assurance that the work performed meets the appropriate quality standards.
2. Providing procedures for planning audits by reference to information on previous audits and updating them according to circumstances and variables.
3. Providing procedures to maintain the quality standards of audit firms and each completed work through (providing adequate supervision at all organizational levels, developing guidelines on the form and content of working papers, using standard forms and checklists within appropriate limits to assist in the completion of audits).
4. The importance of practical training during the implementation of the audit as an important part of the development of individuals.

Acceptance and customer retention

According to Kelly (2002), acceptance and customer retention includes the followings:

1. Policy: Audit firms should assess their potential customers and continuously follow up on their relationship with existing customers. When making a decision to accept or continue with a client, they must take into account the independence of the audit firm and its suitability to serve the client appropriately as well as the client's trust.
2. Procedures: Developing procedures for assessing potential clients for the purpose of approving them as clients of the audit firms, such as obtaining financial statements for the client, inquiring from third parties such as the banks with which the client deals or the previous auditor.

3. The designation of a person or group of people at administrative levels appropriate to evaluate the information obtained to make decisions to accept or retain customers.
4. Among the factors that must be taken into consideration when assessing current and expected customers are the nature of the customer's activity and reputation, the legal claims against the management system, the financial position of the company, the efficiency of the customer's internal control system and the purpose of the audit.

Consultation

1. Policy: Experienced persons should be consulted from within or outside the institution when necessary.
2. Actions: Identifying the situations and areas that need to be consulted and encourage individuals to adhere to them through the designated official resources and inform individuals about the policies and consultative procedures of the institution.
3. The designation of persons with experience and competence as official sources to be consulted during consultation.
4. Documenting the results of the consultation and determine who should retain the results.

METHODOLOGY

In addition to the analytical descriptive approach that the study dealt with in its literature review, this study has an empirical field dimension related to finding the factors affecting the quality of external auditor performance, which is an analytical study of the opinions of auditors working in Iraqi audit firms and companies. In order to strengthen the practical side, achieve the objectives of the research and data collection, classify the necessary information objectively and impartially, and analyze the results accurately, questionnaires were designed consisted of six axes. The researchers were keen to have the questionnaire items carefully prepared and focused to achieve the goal of the research and what and consistent with the hypotheses of research to cover comprehensive answers to all the questions included. To approve the appropriateness of the questionnaire items included, the questionnaires was presented to a jury members of wide scientific and academic qualifications in auditing working in various audit firms in Iraq. A total of (114) questionnaires were distributed, (108) which represent (94.7%) of the total number of the questionnaires, were retrieved and (6) others were excluded from the analysis due to the lack of serious answers to their questions. Thus, the number of the analyzed questionnaires is (102), which represent (94.4%) of the total retrieved questionnaires and that is a high percentage. The data were analyzed using the statistical program (SPSS), and the arithmetic means and standard deviations were reached for respondents (employees of Iraqi audit firms and companies).

Characteristics of the Study Sample

Scientific qualification

The researchers were keen to have the members of the selected research sample with high scientific qualifications starting from the people who have a bachelor's degree and working as auditors, holders of the degree of the accountant with, master degree holders, charter accountants with degrees equivalent to doctorate, and academic doctorate degree holders. Table 1 illustrates the distribution of the study sample by scientific qualification.

Scientific Qualification	Position in the Audit Firm	Frequency	Percentage
Doctorate	Owner or partner in audit firm	17	16.7%
External Auditor with Equivalent Doctorate	Account organizer	12	11.7%
Master	Owner or partner in audit firm	39	38.27%
Bachelors	Auditor	34	33.33%
Total	-	102	100%

Table 1 shows that (17) members of the study sample occupy the position of either owner of partner of audit firms with doctorate degree, and they occupy a percentage of (17.7%) out of the total number of the study sample. It also shows that (12) of the participants are external auditors with equivalent doctorate degree and they work as accounts organizers in the Iraqi audit firms. They occupy a percentage of (11.7%) out of the total study population number. In addition, it is apparent that the number of the study sample members with master degree is (39) with a percentage of (38.27%) out of the total number of the study sample. They were either owners or partners of the audit firms selected. Finally, the study sample participants with bachelor's degree were (34) with a percentage of (33.33%) out of the total number of the participants which is (102). Their occupation was auditors.

The five-point Likert Scale method was used to measure the responses of the study sample to the questionnaire items prepared for measuring the degree of sample approval on the questionnaire items as shown in Table 2.

Response	Strongly agree	Agree	Moderate	Disagree	Strongly Disagree
Level	1	2	3	4	5

Using the SPSS statistical program, the arithmetic mean and the standard deviation of the sample responses were obtained. The degree or level of approval of the responses was adopted as very high (strongly agree) on each questionnaires item, noting that the arithmetic mean is ranged between (4.21-5) and the approval score is high (agree) as the arithmetic mean is ranged between (3.41 - 4.20).

Years of experience

Years of Experience	Frequency	Percentage %
Less than 15 years	12	11.80%
From 16-less than 20 years	18	17.60%
From 21 years and above	72	70.60%
Total	102	100%

Table 3 clearly shows that most of the study sample members who were involved in responding to the questionnaire items have more than 10 years of experience, which enhances the accuracy, and realness of the answers of the questionnaire.

RESULTS AND DISCUSSION

Testing the first hypothesis

H_1 : *There is a statistically significant relationship between the external auditor's compliance with the requirements of complying with professional standards and the legal requirements for quality approved by AICPA and ISA 220 and the auditor's quality of audit performance.*

Table 4 illustrates the arithmetical means and standard deviations of the study sample members of the first axis of the study (compliance with professional and legal requirements in accordance with ISA 220 and AICPA).

Table 4								
FIRST AXIS OF THE STUDY								
Item	Agreement Degree					Mean	SD	Agreement Level
	Strongly Agree	Agree	Moderate	Disagree	Strongly Disagree			
Does the quality of audit mean the auditor's compliance with the requirements of the International Standard 220 and the professional standards, rules and ethics of professional organizations supervising the profession?	50	48	4	-	-	4.450	0.573	Strong Agreement
	49	47	3.9	0	0			
Does 'professional performance of the auditor' mean that the auditor has to maintain his impartiality and independence in all matters presented to him in the audit process?	48	48	6	-	-	4.411	0.602	Strong Agreement
	47	47	5.8	0	0			
Does the auditor have to comply with quality controls prepared by the AICPA and IFAC?	50	50	2	-	-	4.470	0.539	Strong Agreement
	49	49	1.9	0	0			
Should the audit firm develop policies and procedures to ensure that all staff are committed to the principles of independence, impartiality, objectivity, integrity, confidentiality and professional conduct?	49	47	6	-	-	4.421	0.604	Strong Agreement
	48	46	5.8	00	00			
Should the audit firm develop policies and procedures for professional development through continuing professional training, training activities, courses and training programs?	50	49	3	-	-	4.460	0.557	Strong Agreement
	49	48	2.9	00	00			
Does the audit firm have to	48	46	6	2	-	4.372	0.688	Strong

develop policies and procedures to allocate tasks to staff with technical training and professional experience?	47	45	5.8	1.9	00			Agreement
Are supervisory control procedures based on audit controls established by the audit firm and the determination of responsibilities within the firm for the application of quality control policies and procedures in general?	48	47	5	2	-	4.362	0.686	Strong Agreement
	47	46	4.9	1.9	0			
Does the professional performance of the auditor mean the specialized knowledge in all aspects of accounting and auditing?	52	50	-	-	-	4.509	0.502	Strong Agreement
	50.9	49	0	0	0			
The quality of the audit is known to ensure that the auditor performs his or her work in a manner that will ensure that the parties interested in the audit (the users of the financial statements, the auditors, the audited firm, the relevant government and professional organizations) and the expected objectives of the audit.	-	-	-	-	-			Strong Agreement
The quality of the audit is known to ensure that the auditor performs his or her work in a manner that will ensure that the parties interested in the audit (the users of the financial statements, the auditors, the audited firm, the relevant government and professional organizations) and the expected objectives of the audit.	50	48	4	-	-	4.450	0.573	Strong Agreement
	49	47	3.9	00	00			
The compliance with professional and legal requirements in accordance with ISA 220 and AICPA.						0.438	0.061	Strong Agreement

The results of Table 4 show the agreement of the study sample members strongly on all the questionnaire items mentioned in this axis of the study and the highest arithmetical mean has been reached is (4.470) to the questionnaire item which states that the quality of the audit is the auditor's ability to detect material misstatement of the financial statements, if any, and to report such misstatement when disclosed. The sample of the study also stressed the importance of the auditor's compliance with the requirements of ISA 220, the professional standards and the rules

and ethics of the profession issued by professional organizations supervising the profession as well as the quality controls prepared by the AICPA and IFAC. This is clearly reflected throughout the arithmetic mean reached (4.438) and a standard deviation (0.061), which both indicate the credibility and objectivity of the respondents of the study sample on the study first axis items and validates the first hypothesis of the study.

Testing the second hypothesis

H₂: There is a statistically significant relationship between the specialized educational achievement in the field of accounting, auditing and the practical experience of the external auditor and the positive effect on the auditor's quality of audit performance.

Table 5 illustrates the arithmetical means and standard deviations of the study sample members of the second axis of the study (specialization in accounting, auditing, and the scientific and the professional experience of the external auditor).

Item	Agreement Degree					Mean	SD	Agreement Level
	Strongly Agree	Agree	Moderate	Disagree	Strongly Disagree			
The availability of academic and professional qualifications with the external auditor increases the quality of the audit process.	51	48	3	-	-	4.470	0.557	Strong Agreement
	50	47	2.9	0	0			
The audit firm is responsible for developing planning, implementation and supervision procedures in accordance with the required quality standards.	48	47	5	2	-	4.382	0.675	Strong Agreement
	47	46	4.9	1.9	0			
The quality of the audit is based on all policies and procedures adopted by the audit firm and designed to assist in the performance of audits with a high degree of quality.	50	48	4	-	-	4.450	0.573	Strong Agreement
	49	47	3.9	0	0			
The continuous auditor's participation in specialized professional seminars and lectures reflects the quality of the audit process.	50	50	2	-	-	4.470	0.539	Strong Agreement
	49	49	1.9	0	0			
The auditor's responsibility for the audit should comply with the prevailing laws and regulations.	50	49	3	-	-	4.460	0.557	Strong Agreement
	49	48	2.9	0	0			
In order to strengthen the role of external auditing, mechanisms, including organizational and professional mechanisms,	50	48	4	-	-	4.450	0.573	Strong Agreement
	49	47	3.9	0	0			

must be provided through issuing instructions, guidelines and controls to improve the performance of the professional auditor, which will positively affect the quality of the audit process.								
The length of practice of the audit firm for the audit profession and the increase in the number of auditors with scientific and practical qualifications is a positive element of the quality of the audit.	51	47	4	-	-	4.460	0.574	Strong Agreement
	50	46	3.9	0	0			
Does the external auditor have to assess the relative importance of the items of the financial statements and the risks of the audit when performing the audit function?	48	46	6	2	-	4.372	0.688	Strong Agreement
	47	45	5.9	1.9	0			
Do you think that the complexity of economic life and accounting systems in companies require the availability of technical competence or specialized knowledge in the person who performs the audit?	47	45	7	3	-	4.352	0.698	Strong Agreement
	46	44	6.8	2.9	0			
Do you think that the external auditor's audit of operations where he does not have sufficient scientific qualification or training affects his professional performance and the quality of the audit?	50	48	4	-	-	4.450	0.573	Strong Agreement
	49	47	3.9	0	0			
Specialization in accounting, auditing, and the scientific and the professional experience of the external auditor						4.432	.060	Strong Agreement

Table 5 indicates that the study sample strongly agree that the availability of scientific and professional qualifications of the external auditor increases the quality of the audit process. The population of the study also stress that the auditor's continuous participation in seminars and specialized professional lectures is reflected the quality of the audit. Moreover, the sample of the study stresses the need for the auditor in charge of the audit process to comply with the prevailing laws and regulations. The total arithmetic mean of the second axis of the study is (4.432) and standard deviation (0.060), which indicates the credibility and objectivity of the respondents of the study sample on the study second axis items. Hence, the second hypothesis of the study has been validated and approved.

Testing the third hypothesis

H₃: There is a statistically significant relationship between the length of time held by the external auditor of the client (the company) with a strong competition to win customers and the positive effect on the auditor's quality of audit performance.

Table 6 illustrates the arithmetical means and standard deviations of the study sample members of the third axis of the study (The length of the customer retention period by the auditor).

Item	Agreement Degree					Mean	SD	Agreement Level
	Strongly Agree	Agree	Moderate	Disagree	Strongly Disagree			
Do you think that the length of the external auditor's period of checking the accounts of a particular company affects his independence, neutrality and professional performance, which negatively affects the quality of his performance of the audit?	46	48	6	2	-	4.352	0.684	Strong Agreement
	45	47	5.9	1.9	0			
Do you think the auditor's acceptance of any gifts presented to him by the auditing company affects his independence and the quality of his performance of the audit?	50	46	4	2	-	4.411	0.665	Strong Agreement
	49	45	3.9	1.9	0			
The existence of a personal relationship between the auditor and the management of the audit company adversely affects the independence and impartiality of the auditor and the quality of the audit.	50	46	6	-	-	4.431	0.605	Strong Agreement
	59	45	5.9	0	0			
The intense competition between audit firms and the lenient behavior of audit clients are reasons for the low level of audit quality.	48	46	6	2	-	4.372	0.688	Strong Agreement
	47	45	5.9	1.9	00			
Do you think that the relationship between the auditor's audit fee ratio and audit quality is a positive one?	50	46	4	2	-	4.411	0.665	Strong Agreement
	49	45	3.9	1.9	00			
Reducing the auditor's fees	49	48	5	-	-	4.431	0.588	Strong

for obtaining the largest number of customers negatively affects "impartiality and the quality of audit work."	48	47	4.9	0	0			Agreement
The audit team examines and thoroughly evaluates the robustness of the internal control system of the audited firm, which affects the procedures and performance of the audit.	48	48	4	2	-	4.392	0.662	Strong Agreement
	47	47	3.9	1.9	0			
The data operating system of the audited entity has an impact on the determination of the audit fee.	50	47	5	-	-	4.441	0.589	Strong Agreement
	49	46	4.9	0	0			
Audit staffs are required to periodically fill in certain forms in which they acknowledge the functions of the firm's policies and procedures relating to independence and to refrain from any commercial or other relationships or transactions that are prohibited under the firm's independence policies.	50	50	2	-	-	4.470	0.539	Strong Agreement
	59	49	1.9	0	0			
Do you think that unfair competition to attract audit customers affects the professional performance and quality of the audit?	50	47	5	-	-	4.441	0.589	Strong Agreement
	49	46	4.9	0	0			
The length of the customer retention period by the auditor						4.410	0.051	Strong Agreement

The study sample agreed strongly on the importance and the necessity of maintaining the auditor's impartiality and professional independence the auditor's avoidance of maintaining any personal relations with the clients that might affect his independence over the time. Moreover, the population of the study confirms that the existence of personal relationship between the auditor and the management of the company audited negatively affects the independence and the impartiality of the auditor and the audit quality as well. This is statistically confirmed by the total arithmetic mean (4.410) and standard deviation (0.051) that both indicate the credibility and objectivity of the responses of the study sample on the study third axis items. Hence, the third hypothesis of the study has been validated and approved.

Testing the fourth hypothesis

H₄: There is a statistically significant relationship between professional associations in Iraq applying the quality control system to the work of certified accountants, and improving the quality of the services that professional associations provide to all beneficiaries of the published financial statements.

Table 7 illustrates the arithmetical means and standard deviations of the study sample members of the fourth axis of the study (The application of quality control system to audit firms by Iraqi professional associations).

Table 7								
FOURTH AXIS OF THE STUDY								
Item	Agreement Degree					Mean	SD	Agreement Level
	Strongly Agree	Agree	Moderate	Disagree	Strongly Disagree			
Do you think that each Iraqi audit firm should be subject to quality control in order to determine whether the firm maintains appropriate quality control systems or not?	55	47	-	-	-	4.539	0.540	Strong Agreement
	53.9	44	0	0	0			
Does the audit firm need to adopt appropriate policies and procedures for the size and nature of its activity to ensure compliance with recognized auditing standards?	53	47	2	-	-	4.5	0.540	Strong Agreement
	51.9	46	1.9	0	0			
When designing a quality control system, should the firm take into consideration, independence, supervision, professional development, promotions, and customer acceptance?	55	47	2	-	-	4.519	0.500	Strong Agreement
	53.9	46	1.9	0	0			
Are all the regulations and legislations of the auditing profession available to the employees of the auditors' firms, such as in the form of a paper or electronic file?	50	43	3	2	-	4.421	0.651	Strong Agreement
	49	42	2.9	1.9	0			
Do you think it is necessary for audit firms to comply with quality control on their work or lose their membership in professional associations?	52	50	-	-	-	4.509	0.502	Strong Agreement
	50.9	49	0	0	0			
Should the audit firm develop policies and procedures when evaluating current and prospective customers such as: reputation of client managers, customer financial strength, customer internal control system, audit objective, ability to serve the client, and provide the necessary expertise and more?	50	46	4	2	-	4.411	0.665	Strong Agreement
	49	45	3.9	1.9	0			
Is the performance of the	50	47	5	-	-	4.441	0.589	Strong

auditors for their work in charge of auditing in accordance with international and local standards helps to rationalize the administrative decisions of the institutions subject to audit?	49	46	4.9	0	0			Agreement
Does the audit firm provide local and international books and publications related to accounting, auditing, legal, and legislative and other requirements and according to the regulations of the National Association of Iraqi Certified Public Accountants?	50	44	6	2	-	4.352	0.684	Strong Agreement
	49	43	4.9	1.9	0			
Does the audit firm have one or more persons responsible for developing professional development programs for staff in the audit firm?	46	48	6	2	-	4.245	0.883	Strong Agreement
	45	47	5.9	1.9	0			
There are no differences in the quality of the audit process between the Iraqi Audit Firms and the continuous follow-up by the responsible bodies of the profession (Association of Iraqi Certified Accountants, the Association of Accountants and Auditors)	44	45	6	4	3	4.225	0.910	Strong Agreement
	43	44	5.9	3.9	2.9			
Requiring staff of the firm to document the application of the regulations and legislations governing the profession and to entrust one of its members to document and follow up the continued implementation of the firm of such laws and legislation (such as the audit evidence and the accounting rules issued by the Iraqi Accounting and Auditing Standards Board, Code of Professional Conduct).	45	44	6	5	2	4.196	0.965	Strong Agreement
	44	43	5.9	4.9	1.9			
The application of quality control system to audit firms by Iraqi professional associations						4.396	0.169	Strong Agreement

Table 7 shows that the populations of the study stressed the importance and the necessity to subject the Iraqi audit firms to the quality control systems by the accounting and bodies such as the such as the Association of Chartered Accountants and the Iraqi Accountants Association, to determine whether the firm maintains appropriate systems for quality control or not. The

responses of the study sample were all with strong agreement. This is statistically confirmed by the total arithmetic mean (4.539) and standard deviation (0.540). In addition, the sample of the study confirmed that the audit firms in Iraq should follow the quality control system to maintain the quality of the audit process. The total arithmetic mean reaches is (4.396), which reflects the populations' responses with strong agreement to the fourth axis of the study according to the Likert scale, and the standard deviation is (0.169). Hence, the third hypothesis of the study has been validated and approved.

Testing fifth hypothesis

H₅: There is a statistically significant relationship between the factors affecting the quality of the audit (the audit team, the reputation of the audit firm, the independence of the audit team members and the audit company) and the auditor's quality of audit performance.

Table 8 illustrates the arithmetical means and standard deviations of the study sample members of the fifth axis of the study (the audit team, the reputation of the audit firm, the independence of the audit team members and the audit company).

Table 8 FIFTH AXIS OF THE STUDY								
Item	Agreement Degree					Mean	SD	Agreement Level
	Strongly Agree	Agree	Moderate	Disagree	Strongly Disagree			
The scientific and professional qualifications of all members of the audit team, and following the correct steps to perform the audit procedures improve the quality of the audit process.	50	48	4	-	-	4.450	0.573	Strong Agreement
	49	47	3.9	0	0			
The need to provide procedures to resolve differences in professional judgment among members of the audit team and to consider flexibility in modifying programs and plans for implementation.	48	46	4	4	-	4.352	0.739	Strong Agreement
	47	45	3.9	3.9	0			
The audit firm is responsible for developing planning, implementation and supervision procedures in accordance with the required quality standards.	50	45	5	-	-	4.401	0.678	Strong Agreement
	49	44	4.9	1.9	0			
The time required is	48	46	5	3	-	4.362	0.714	Strong

determined by the appropriate capacity and competencies to be taken into consideration when assigning the task force as well as their knowledge of the activities undertaken by the client.	47	45	4.9	2.9	0			Agreement
The absence of legal or judicial issues or claims against the audit firm or the auditor improves the quality of the audit.	50	48	4	-	-	4.450	0.573	Strong Agreement
	49	47	3.9	0	0			
The size and reputation of the audit firm make it more careful to appoint a highly qualified auditor, which enhances the quality of audit work.	52	50	-	-	-	4.509	0.502	Strong Agreement
	50.9	49	0	0	0			
The increase in the number of auditors with academic and practical qualifications and the length of time for the audit firm are positive elements for the reputation of the firm of accounts.	48	46	6	2	-	4.372	0.688	Strong Agreement
	47	45	5.9	1.9	0			
The large size of the audit firm through its multiple branches and its dependence on a well-known international audit firm and increasing the number of its customers are positive elements that enhance the quality of auditing.	49	46	5	2	-	4.392	0.677	Strong Agreement
	48	45	4.9	1.9	0			
The high degree of competition between the audit firms, especially in estimating the fees of the transaction, and leaving that to compromise between them negatively affects the quality of the audit.	46	46	7	3	-	4.323	0.733	Strong Agreement
	45	45	6.8	2.9	0			
The firm maintains an updated list of its customers, associates and customers, which are reviewed by the staff of the firm for	46	44	8	4	0	4.294	0.778	Strong Agreement
	45	43	7.8	3.9	0			

purposes of assessing and determining their independence.								
Does the firm review the existing customer evaluation to determine the continuity of the relationship with them if the specified periods are over and circumstances arise that require client rejection?	50	47	3	2	-	4.421	0.651	Strong Agreement
	49	46	2.9	1.9	0			
Does the Firm review the existing customer evaluation to determine the continuity of the relationship with them when a major change occurs in the customer in the management and a major change in the client's financial position?	48	46	6	2	-	4.372	0.688	
	47	45	5.9	1.9	0			
Does the audit firm review the evaluation of existing customers to determine continuity with them when a major change in the nature of the client's business and a major change in the status of client cases in the courts?	46	46	6	4	-	4.313	0.757	
	45	45	5.9	3.9	0			
The robustness of the internal control system of the company increases the quality of the auditor's performance, which is reflected in the quality of the financial statements.	50	47	5	-	-	4.441	0.589	Strong Agreement
	49	46	4.9	0	0			
The audit team, the reputation of the audit firm, the independence of the audit team members and the audit company						4.395	0.081	Strong Agreement

Table 8 shows that the population of the study strongly agreed on the importance and necessity that the audit firms in Iraq should undergo the scientific and customer rehabilitation of all members of the audit team and follow the correct steps to perform the audit procedures with an arithmetic mean (4.450). Moreover, the members of the research sample strongly agreed that the absence of legal or judicial cases or proceedings against the audit firm or the auditor improves the quality of the audit and the arithmetic mean (4.450) proves that. The total arithmetic mean is (4.395) and standard deviation is (0.081) that both indicate the credibility and objectivity of the responses of the study sample on the study fifth axis items. Hence, the fifth hypothesis of the study has been validated and approved.

Testing sixth hypothesis

H_6 : *There is a statistically significant relationship between compliance with quality control guidelines in accordance with the requirements of ISA 220 and the auditor's quality of audit performance.*

The arithmetic means and the standard deviations of the sample of the study concerning the sixth axis of the study ,which is the axis (Compliance with quality control guidelines), are shown in Table 9 below.

Item	Agreement Degree					Mean	SD	Agreement Level
	Strongly Agree	Agree	Moderate	Disagree	Strongly Disagree			
Do you think that it is important for the audit firm to hire individuals with professional and academic qualifications save their details in a program designed for the audit firm future record?	50	48	4	-	-	4.450	0.573	Strong Agreement
	49	47	3.9	0	0			
Do you think that the audit firms are equipped with personnel who have maintained the technical professional standards required to carry out their tasks with the necessary care?	48	48	6	-	-	4.411	0.602	Strong Agreement
	47	47	5.9	0	0			
Are there programs and clear guidelines set by audit firms to ensure continuous professional improvement and assign professional development to a person or individuals with appropriate authority?	48	46	6	2	-	4.372	0.688	Strong Agreement
	47	45	5.9	1.9	0			
Do the audit firms need to follow the programs established related to the objectives and basic requirements of education or experience as well as a mentoring program for new individuals?	46	44	8	4	-	4.294	0.778	Strong Agreement
	45	43	7.8	3.9	0			
Are individuals encouraged to prepare articles, participate in other professional activities, and communicate information to employees about current developments in occupational and technical	48	44	6	4	-	4.333	0.762	Strong Agreement
	47	43	5.8	3.9	-			

standards governing the profession?								
Are training programs updated as needed and in light of new developments and changing circumstances while maintaining a portfolio of technical and professional matters?	48	46	6	2	-	4.372	0.688	Strong Agreement
	47	45	5.8	1.9	0			
Are the guidelines describing the responsibilities and performance to be performed for each functional level within the institution and the qualifications necessary for promotion?	46	45	7	4	-	4.303	0.768	Strong Agreement
	45	44	6.8	3.9	0			
Is the performance of individuals periodically assessed by collecting information about their performance and using specific models for this purpose and verifying the completion of the evaluation on time?	48	47	5	2	-	4.382	0.675	Strong Agreement
	47	46	4.9	1.9	0			
Are there guidance, supervision and follow-up on all levels of work to provide reasonable assurance that the work performed meets the appropriate quality standards?	50	46	4	2	-	4.323	0.733	Strong Agreement
	49	45	3.9	1.9	0			
Do you think that it is important for the audit firms to develop procedures for assessing potential clients for the purpose of approving them as agents of the audit firms throughout the client's financial statements and inquiring the parties dealing with the clients, such as the banks?	50	45	5	2	-	4.401	0.678	Strong Agreement
	49	44	4.9	1.9	0			
Are the independence of the Audit Firm and its suitability to serve the client properly as well as the trust of the client's management when making a decision to accept or continue with customers taken into a consideration?	46	46	8	2	-	4.313	0.744	Strong Agreement
	45	45	7.8	1.9	0			
Compliance with quality control guidelines						4.360	0.063	Strong Agreement

Table 9 shows that the population of the study strongly agreed on the importance for the audit firm to hire individuals with professional and academic qualifications and save their details in a program designed for the audit firm future record. This is clearly reflected by the highest arithmetic mean reached which are (4.450). Moreover, the study population stressed the need to develop the procedures for assessing potential customers for the purpose of approving them as agents of the audit firms throughout obtaining financial statements of the client and inquiring the parties dealing with the client such as banks. This stress has been supported by the arithmetic mean reached which is high (4.401). As for the whole axis of the study is concerned, the total arithmetic mean reached (4.360) with total deviation standard (0.063) that basically approves the strong agreement of the study sample to the questionnaire items and validate the sixth hypothesis of the study.

International auditing standards are the main pillars of the work of any auditor, whether external internal auditors. The research has shed the light on the factors affecting the quality of auditing in the audit environment of Iraq are represented by auditing firms and companies operating in Iraq. It is known that the auditing environment varies from one country to another and according to the organizing environment of the profession, which is influenced by several factors, including industrial and technological development, the size of the economy, local auditing standards, laws, legislation and other matters which characterize each country.

The study dealt with the factors affecting the quality of performance of the external auditor in Iraq. It was an analytical study of the opinions of auditors working in Iraqi audit offices. Several results have been reached based on the results of the analysis. It is difficult to compare this study with previous studies because most of the previous studies on this topic were in other countries that differ in terms of the regulatory environment in relation to the audit profession. (e.g. Arens et al., 2000; Alam et al., 2000; Dunn et al., 2000; Donnelly et al., 2003; Vanstraelen, 2000; Krishnan & Schauer, 2000; Jerboa, 2000; Dehash, 2009; Hameedat, 2004). In the local Iraqi environment, the quality of the audit was examined without the influencing factors (Abadi, 2008; Eddin, 2010; Al-Tamimi & Jabbar, 2009). In addition, the scope of application for previous studies was a certain economic institution to extent that the results cannot be generalized on the rest of the institutions. Table 4 shows the agreement of the study sample members strongly on all the questionnaire items which state that the quality of the audit is the auditor's ability to detect material misstatement of the financial statements, if any, and to report such misstatement when disclosed. Table 5 indicates that the study sample strongly agree that the availability of scientific and professional qualifications of the external auditor increases the quality of the audit process. The population of the study confirms that the existence of personal relationship between the auditor and the management of the company audited negatively affects the independence and the impartiality of the auditor and the audit quality as well. This is statistically confirmed by the total arithmetic mean (4.410) and standard deviation (0.051). Table 7 shows that the sample of the study stressed the importance and the necessity to subject the Iraqi audit firms to the quality control systems by the accounting and bodies such as the such as the Association of Chartered Accountants and the Iraqi Accountants Association, to determine whether the firm maintains appropriate systems for quality control or not. The responses of the study sample were all with strong agreement. Table 8 shows that the sample of the study strongly agreed on the importance and necessity that the audit firms in Iraq should undergo the scientific and customer rehabilitation of all members of the audit team and follow the correct steps to perform the audit procedures with an arithmetic mean (4.450). Moreover, the members of the research sample strongly agreed that the absence of legal or judicial cases or proceedings against

the audit firm or the auditor improves the quality of the audit and the arithmetic mean (4.450) proves that. Table 9 displays that the population of the study strongly agreed on the importance for the audit firm to hire individuals with professional and academic qualifications and save their details in a program designed for the audit firm future record. Moreover, the study population stressed on the need to develop the procedures for assessing potential customers for the purpose of approving them as agents of the audit firms throughout obtaining financial statements of the client and inquiring the parties dealing with the client such as banks.

CONCLUSION AND RECOMMENDATION

Conclusion

1. There is a significant correlation between the size and reputation of the audit firms from one hand and the quality of the audit from another hand. There is also a positive correlation between the percentage of fees charged by the auditors and the quality of the performance of the audit.
2. The independence of the auditor is a factor that positively affects the quality of the audit. The independence of the auditor is the backbone of the auditing profession. In addition, the internal control system of the customer is reflected positively on the integrity and credibility of the financial statements, which increases the quality of the auditor's performance.
3. Regular monitoring of audit firms and their commitment to the quality control department of the audit firms improve the quality of audit performance.
4. There is a commitment by the Iraq audit firms to quality control guidelines in accordance with the requirements of ISA 220, as well as compliance with local and international standards and labor laws, and the private sector companies with which audit firms operate are closely bound by the controls and instructions of state-owned public sector companies.

Recommendation

1. The need for audit offices to adhere to the quality control system (peer review) and complete independence from the client, which enhances confidence in the auditor's report by all parties dealing with the economic unit, including management.
2. Urging audit offices to use modern methods of performing audits that positively affect the procedures and implementation of the audit.
3. The need for the participation of auditors in seminars and academic lectures for their effective role in developing the profession of accounting and auditing through research and continuing education programs in this field.
4. The audit office operating in Iraq should be linked to one of the international audit offices, which will enhance the public interest in the audited financial statements of the company.
5. The need to strengthen the role of external auditing through the issuance of instructions, guidelines, and controls to develop the profession, in the field of accounting and auditing.
6. Strengthening the role of the audit committees in the client company for its effective role to reduce manipulation and embezzlement. The members of these committees should have appropriate capabilities that combine financial control and operational control, which helps the external auditor to carry out his task without complication.

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