

EVALUATING THE ROLE OF THE REGULATORS OF THE EXTERNAL AUDIT PROFESSION IN ACHIEVING THE AUDIT QUALITY IN IRAQ

Fedaa Abd Almajid Sabbar Alaraji Ph.D Student
University of Craiova
Faculty of Economics and Administration
Craiova, Romania
Lect. Ph.D Andrea Gabriela Ponorică
University of Bucharest
Faculty of Accounting and Management Information
Systems
Bucharest, Romania
Ahmed Hamid Juhi Al Saedi Ph.D Student
University of Bucharest
Faculty of Accounting and Management Information
Systems
Bucharest, Romania
Elena Iuliana Ion Ph.D Student,
University of Craiova
Faculty of Economics and Administration
Craiova, Romania

Abstract: The profession of quality auditing can have direct or indirect effects on the performance of accountants and auditors. Both particular research and professional recommendations provided evidence on measuring and evaluating service performance of audit profession by taking into account the relationship between quality and accountant performance. Applied research was developed in Republic of Iraq to reveal the function of bodies that regulate external audit for achieving the required level of audit quality and for identifying the obstacles that prevent the compliance with International Auditing Standards. Research focuses on the role of these bodies in order to achieve the quality of audit by implementing a quality control system. Its benefits reduce chances of criticisms and weaknesses, improving the auditing environment in Iraq.

JEL classification: M42, M49

Key words: audit quality, external audit profession, Iraq's audit environment

1. INTRODUCTION

The profession of quality auditing is one of the main concerns of international business community since major companies suffered several failures and financial hardships. Because of the increased interest in auditing profession, serious and important attempts on auditor procedures and standards were done. The problem is related to certify fraudulent financial statements. The quality of an auditors' professional performance must be in line with the requirements, principles and specifics of the companies. If not this will ultimately affect auditors' credibility and increases the probability of bankruptcy because of fraudulent reporting when the problem is detected.

The criticisms have increased in the recent financial crisis as result of financial hardship and bankruptcy of financial institutions for real states. These led to the development of audit standards and professional rules that ensure and improve the quality of auditing professional standards. The concept of audit quality was redefined and the methods on which the improvement was made were developed to be in line with the requirements. These provided evidence on the continuous activity of auditing firms and on increasing their credibility. As a consequence, the International Federation of Accountants issued two important standards to control the quality of auditing services.

Standard 1 (the quality control for the companies that certify financial statements and other related services) and standard 2 (quality control for audit related with audit committee activity in the international context), in accordance to standard 1. Iraq is one of the states in which regulatory bodies of the external audit profession have been established. Therefore, the aim of the paper is to provide evidence on auditing profession in Iraq, considering financial control both for national and foreign investments and to reveal the improvement made in audit quality.

2. OBJECTIVES

The research has the following objectives: (1) to determine the role of regulators on the auditing process and their impact on audit quality in Iraq; (2) to provide a quality control model that could be adopted by auditors offices (3) to show the BSA experience in Iraq regarding quality supervision, that should be in line with INTOSAI standard.

3. METHODOLOGY

The aim of the paper is to reveal the challenges that auditing firms from Iraq encounter in order to enter international auditing market. The quality of audit is one criterion that international competition requires. To achieve the quality of audit several standards of quality control are required. These standards ensure that audit activity is periodically controlled and effectively done. Consequently there is lack of quality control guide in Iraq that could supervise the accountant's activity. Also, in Iraq, there is limited supervision and monitoring provided by the council on the work done by external auditors. Thus, the research tries to reorganize the role of the regulator for the auditing process by achieving a higher quality.

Presently, there is a lack of evidence on the controlling process of auditing quality. The control should be applied to auditors and the regulators should verify the compliance with auditing standards in order to improve the low level of audit quality.

Several problems were encountered in conducting the analysis due to the supervising body: (1) in monitoring and controlling the audit activity that is implemented by the council; (2) the similarity between Iraqis accountants and auditors practices; (3) indirect problems that look at the way the council establish accounting and auditing standards in Iraq; (4) BSA'S experience on ensuring quality according to the INTOSAI statement.

Based on these, the research adopted an inductive approach on theoretical features by specifying the role of the regulators of audit in Iraq to achieve the audit quality according to professional organization. Also the researcher looked at practical features to determine the objective of the organization (auditing council) and its implications in improving the auditing quality.

4. ANALYSES

4.1 THEORETICAL BACKGROUND AND ETYMOLOGY APPROACH

In order to define audit quality we have to define the concept of quality both in Arabic but also Quran. The origin of the word “quality” indicates tolerance while in Arabic lexicon it refers to that “one has good things to say”. Thus, we see the linguistic meaning emphasize high tolerance and performance which in the end, its meaning is superior to other words such as “workmanship” and “efficiency”. In regard to industry, the concept was set by the Japanese economy after the World War. The standards of quality provide evidence on various characteristics of products activity, processes, and person’s ability to comply with the requirements. Quality includes anticipated needs or meets them, for example a product expresses several needs that could be mentioned in a purchasing contract. A similar situation is defined for a buying activity as quality would search to achieve customer’s satisfaction. The quality should be achieved by complying with the requirements and client’s expectation considering the lowest possible costs and the use of optimal resources. Based on the above, the quality concept is not related with the best product or service at a high cost but rather to a low price product that also fulfills the customer’s needs and expectation and that could be continuously improved.

In the field of auditing the concept of quality is related with audit quality, quality control and quality assurance. The association of Accountants from Hong Kong concluded the quality assurance is an internal examination and supervision procedure of the quality of audit that is established by the office itself. The quality control is established by a neutral third party through external evaluation (Hasaneen and Quto, 2002, p. 262). The difficulty in establishing a reliable concept for the audit quality is due to several features such as services based on material goods that cannot be tested in advance. Consequently the quality of audit is rather difficult to be measured after the completion of the audit process for it lacks specific measures but also experience of the persons who benefit the audit process (AL Hameed, 1991, p. 24).

The literature reveals all parties involved in the auditing process have different perspective of what a quality of an audit means. However, all of them desire to obtain high quality audit processes (Sutton and Lampe 1991, p. 276). The quality audit concept is defined in accordance with the International Standard No. 222 (these are the policies and procedures applied in the audit firm to verify that the auditing process has been performed according to generally accepted auditing standards) and uses the international auditing standard number 1 of quality control.

4.1.1 THE IMPORTANCE OF QUALITY AUDIT

The audit profession faced continuous pressure and criticism in the latest years because of fraud in the financial statements that was undetected and the increasing lawsuits against auditors (example: Enron corporation). The importance of audit quality occurs through: (1) The compliance to professional standards. These standards contain (in specially the audit quality standards) policies and procedures for improving the performance of the auditors and auditing offices. (2) Contribution to narrowing the gap in expectations audit. The expectation gap in auditing looks at the meanings of quality audit services for users and auditors but also at the factors that impact this quality. This expectation gap exists because of lowest auditor performance (Mahdi Salehi, 2009). (3) To enhance the ability to detect errors and misreported information in the financial statements. This goal was establish especially after the failure of many large companies (80’s and 90’s). Auditors that discover frauds and errors in the financial statements are considered to provide high quality audit services. The improvement of the

quality audit services is due to discovering errors and reducing distortion in the financial statements (AICPA, 1987, p. 70). (4) Reduction of the agency conflicts: the greater the conflict of interest is the higher the agency cost and the need for audit firms to provide a high quality service becomes. Similarly companies with low conflict decrease the agent costs (Ole-Kristian, 2012). The existence of this conflict is correlated with a high quality audit (Salem, 1994, p. 2). (5) Contribution to supporting the concept of corporate governance: the corporate governance includes a set of principles that desire an effective internal censorship and tuning tools, and strict external legislation. The aim is to verify the implementation of the requirements such as legislative, legal and administrative obligations as well as to meet the shareholders and stakeholders disclosure. (6) Performance: to use all the available information to increase overall the level performance of the organization and to explore the positive opportunities for the expected risks while minimizing the negative impact on them. (7) Good competition tool: the competitive on the fees regarded as a risk that threatens the auditing profession namely a quality strategic tool to achieve a competitive advantage in the service market and a way to increase the market share and improve profitability rates and to get the customers satisfaction (Abdul-Aleem, 2000, p. 222). In the audit service market, the quality audit is to make a difference between auditing offices (Carcello et al., 1992, p. 2). (8) The increased confidence in the audit report and the financial statements credibility: The interest in the quality audit is important to strengthen confidence in audit reports (Geiger, M.A., 2006, p. 20). Because of financial reports that certify credibility to financial statements many parties are interested in the audit process (AL Wakeel, 2000, p. 10).

4.1.2 THE ROLE OF AUDIT QUALITY IN PREVENTING FINANCIAL CRISES

The collapse of Enron and the sub-sequent collapse of one of the five largest auditing firms Arthur Anderson is the result of failure in the quality control audit. Several changes were made to overcome financial crisis such as: (1) The Sarbanes-Oxley law: As a result of corporate scandals, like Enron and Arthur Anderson in 2002, and the impact on the accounting and auditing profession, the investors' confidence decreased in US financial markets. The scandal induced reforms related to Sarbanes-Oxley law. It required that each company has to improve its independence as the chief executive approved the financial statements and provided information about the inside systems. Moreover, the internal audit was checked by external auditor. (2) The Decision of the board of director of New York stock exchange: the board for securities management from New York stock exchange approved in 2002 the proposed amendments for the standards applied to listed companies and issued SAS No. 99 standard. It had two main goals. First, the authority of audit committed was established in relation with the integrity of the consolidating financial statements. Second, it focused on the independence of external auditor, while keeping the audit committee, not responsible. These proposed amendments aimed to restore the confidence of investors by encouraging corporate accountability and by strengthening the companies' corporate governance. (3) The council perspective on American financial Accounting Standards: After the collapse of Enron- which ensured a risk management based on energy trading, instead of having large fixed assets the Five major audit offices in America issued recommendations about re-considering the American accounting standards with regard to the treatment and the disclosure for related parties and units with special aims. The market supported the risk of financial derivatives, especially the one related with energy. It also straightened the audit effectiveness in terms of evaluating its main risks (Jornal & Jan, 2002). The council improved some standards related with the audit processes. The accounting standards were developed in line with the International accounting standard as the project No.22 was integrated. It mentioned that

intangible assets such as goodwill, would not be kept into financial statements for several years, rather their cost is incorporated in profit and loss account, making any improvement in the disclosed income. (4) Version of British Standard SSAP₂: This standard was introduced for users of the financial statements in order to understand and explain these statements by improving the quality and the information they presented. It deals with identifying disclose financial information and with using significant accounting policies, which are compulsory for providing a reliable and fair perspective (Mahzan, 2015, p. 42).

4.1.3 AUDITING STANDARDS AND QUALITY CONTROL

Auditing standards are established for auditors in conducting several procedures and in achieving several goals. They are required when the audit procedure is implemented. Several organizations such as the American Institute of Certified Public Accounting AICPA are interested in applying these standards into audit profession. There are two types of generally accepted standards. The first one are divided into three sections: the general standards (personal), field work standards, the report standard. Regarding the report standards, the auditor provides his opinion about the financial statements in accordance with the audit regulation they are: unqualified opinion, qualified opinion, adverse opinion, disclaimer opinion.

The second type of standards is International Standards of quality control. They include three categories: The international standards (the quality control standards regarding companies), The International Audit Standard 331 (audit control for auditing the financial statements), the International Standard of Supreme Audit Institution 01 (quality control of the supreme audit and accosting). The International standards (the quality control of companies) are related with the audit processes, with rectifying the financial statements, other assurance operations and related services. They relay with the corporate responsibilities for the system of quality control. They look at monitoring the financial statements and other assurance work and related services. These standards require that the goal of the company is to create a system of quality control (responsibility of the quality control, ethical behavior, and continuous relationship with customers, human resources management and monitoring activity) and to comply with the requirements imposed by International Federation of Accountants (2009). In addition, the company should provide the guideline of their audit control procedure and other polities to its employees. Many organizations interested in the quality audit make unremitting efforts to improve the performance by issuance of asset of professional standards for the control of quality performance. Numerous publications and instructions have been on this subject. The followings will clarify the role of each professional organization when monitoring the quality audit processes:

(1) The American Institute of certified public Accountants (AICPA) is represented by a committee of the American institute of certified public accountants. This committee has issued a statement of principles audit in 1940 entitled “the privileges that must be considered in relation to the control of quality in offices that specializes in monitoring the accounts” (Ahmed, 1999, p. 112). The institute also set up in 1949 a special department for the audit firms that include two sections: the prochoice section of the securities council, and the practice section of the private companies. The committee issued the audit standard no. 1 about quality control audit that included nine implications to be taken into account by all audit firms. In the same year a standard no. 21 issued, which replaced the standard no. 0. This standard demands from the audit firms to adopt controls to ensure reasonably that the auditors follow accepted audit standards. In 1922 AICPA founded the executive committee to oversee the quality of audits (Kell, 1988, p. 19) 21, aiming to set up a program of quality audit and oversee the implementation of this program. In 1991 a new standard issued for the report on the audit

experience program, and amendments have made on these standards to improve the quality of financial reports and to protect the public from those who rely on these reports to take the decisions. In 2002, the executive director of the American Institute of certified public Accountants (Grummet) clarified that new quality control standards must be applied in 21 states. The commitment by the audit firms or auditors is on essential demand for license or permit to practice the profession.

(2) The International Federation of Accounts (IFAC) issued the international guide in September 1921, no. 4 to control the audit. This guide identified six standards to control the audit such as: character traits, skills and efficiency, distribution of tasks, guidance and supervision, acceptance, continuation of work and inspection (Maree, 1999, p. 112-41). In June 1990, it reclassified and renamed some quality controls audit without changing the concept or content of procedures. This guide provides standards on quality audit in the following structure: policies and procedures of audit office relating to the business of general audit and procedures relating to the work entrusted to assistants in certain audit. The standard No. 222 is considered as the main guide in the field of the audit quality offices and companies.

(3) Compound of certified accountants in England and wales (ICAEW) established in 1922, is interested in organizing the profession. The compound issued in 1941 rules that relate to the professional manner, moral and obligatory for members. In 1946 a committee related to the compound was created to draft the professional performance. This committee issued the performance standards consisting of 3 main standards such as: operations performance standard, the auditor report standard and the reservation standard in audit reports (Lotfi, 1996, p. 122-99). This quality control program aims to protect the reputation of certified accountants in such manner that takes into consideration the sensitivity of the provided professional services.

(4) Saudi organization for certified public Accountants (SOCPA) is a technical committee emanating from the Board of Directors who prepared a program to monitor the quality of performance of certified Accountants. This program issued in 19/1/1991 and desired to ensure the commitment about the certified accountants by the law of the certified accountants. The program clarified that there are two types of screening undergo auditing firms. The first type is an annual regulatory audit that requires the audit firms to provide the commission with periodic information about the office (Hassaneen and Quteb, 2002, p. 266). This information enables the officials responsible to perform the program, to follow the type of the professional practice of the audit office, and to identifying at first the extent of commitment of these offices by the laws and accounting standards (AI: 3112). The second type of examination included by quality control program on audit processes was to check and evaluate the internal quality control system applied by the audit firms. It includes the scope of quality control of the professional services audit presented by the audit office. It also applied the quality control standards on all the audit firms regardless of the legal form or number of their tasks or the size.

(5) Egyptian Institute of Accountants and Auditors, created by the law No. 290 in 1911, named the "Association of Accountants and Auditors". In 1912 the constitution of auditing and accounting professions that represents the charter of conduct and ethics is issued. 1992, the institute issued the audit and accounting standards. The audit and accounting standards in Egypt are the translation of the international standards issued from the International Federation of Accountants (AI: 3112). The Egyptian Institute of certified accountants issued the standard No.4 (1996) which specializes in control of quality audit. Presently, this standard aims to present instructions regard to control the quality. These instructions are non-binding for the auditors.

(6) Accounting and Auditing Commission of the Gulf cooperation council for the Arab states of the Gulf. (GCCAA) was established in 4/12/1992 aiming to organize and improve the accounting and audit profession in the Gulf cooperative countries (GCC) and achieve coordination and integration. The system of quality control performance aims to provide a conviction for the commission to achieve its objectives mentioned in its main system. In a review meeting (1-4 Oct.) they decided to: ensure commitment of the certified accountants to the rules, the auditing and accounting standards, the approved professional standards and other instructions issued from the competent authorities which elevate the professional performance level to the extent that keep pace with the following data end developments: (Accounting and Revision commission in the GCC, 2002).

The second stage followed the first, from 1968 to 1980, where after the revolution in 1963, Iraq pushed the development of the audit institution by expanding its specializations and authorities in order to fit the country's development laws and regulations. Thus, the Board of Supreme Audit was established as an authority of financial audit and organizes the actions and affairs according to the law no. (42)/1986 that restricted the preparation and execution of the budget to the audit control but also the appointment of employees as they had to organize their affairs according to the audit council.

The third stage was recorded as the one between 1980 and 1990 as the period that followed the economic development from stage two and identified some difficulties that demanded the application of act. (42)/1986 stating the Board was given jurisdiction powers that were not practiced while the act was valid, that its deficiency in organizational structure was incompatible with the state's, their inaccuracy to determine their objectives, their lack of flexibility to secure the variables in their work. Thereby, act no. 149 was enforced to apply features such as: clarity of the goals and responsibilities, financial independence of the Board, allow financial privilege to the Board employees and focusing on the importance of increasing knowledge and developing the staff through various courses.

The last phase continued from 1990 up to this moment, 2016, where the Article (6)/1990 is enacted in order to establish the role and duties of the Board but also to enhance its participation in order to improve the performance of state institutions, such as: enable the Board to secure the requirements, resources and information in order to perform the audit and say the truth about the situation of the financial statements and the institute's activity performed under the review period, to look for good administrative and organizational structures that fits the development of the national economy and to secure supervision to direct control task and methods to implement and assess the results. The purpose is to allow the Board to supervise and audit at the highest possible level, all services and institutions of the state governorates.

4.1.4 EVALUATING THE ROLE OF THE REGULATORS IN THE PROFESSION OF EXTERNAL AUDIT IN IRAQ

This process included three stages. (1) The first one is related with evaluating the role of the control and auditing bodies in Iraq which was founded in 1999. Its objectives are related with improving the profession characteristics, providing equal employment opportunities and improving the perception of the society regarding this profession.

(2) The second one is based on evaluating the standards of the Accounting and Auditing Board in the Republic of Iraq. These have been developed and improved since their foundation in 1922 with 15 accounting rules and 6 control evidences. Since 2000 till 2012, the work of the Board was suspended. Since October 2012, the board was restructured by adding other members such as the manager director of Iraq's market, rather than general director of Baghdad Stock Exchange, Member of the securities commission and Member of Integrity commission. The board has made some amendments during this period on some accounting

rules that have been released previously to suit the development of accounting profession and audit in the Iraqi environment, including the rule no. 1 (accounting for storage and construction contracts), rule no. 6 (issued for identifying the disclosure information from financial and accounting statements) and rule no. 4 (which requires the computation of cash flows). In the Republic of Iraq, there is no rule or standard that stipulates either explicitly or implicitly the quality of audit process. It is based on the requirements of international auditing standards, regarding the quality of the audit process, that have to be in line with the environment in Iraq. In order to increase the role of the Board in issuing accounting and auditing standards and to improve the quality of the audit process in Iraq a guide of quality control for auditors and officers should be available, similar with the one proposed in this research.

(3) The third one is related with the experience of the Supreme Board of Auditing in audit activities according to INTOSAI standards. It includes BSA'S (Board Supreme of Auditing) quality control standards and is related with employment, promotion and development procedures, planning of control procedures, supervising the audit procedures and improving the quality of audit in financial reports.

In employment, promotion and development procedures, the board relies in employment issues to estimate the actual need of career titles (supervisory, managerial or specialist positions with a direct correlation with the board). It is determined according to the actual need of the degree of work in charge of the performance and it is based on the employment guide job description. The guide describes each control and administrative jobs, the one specialized in the law, accounting and pharmacy affairs, as well as service jobs. It includes all job titles and is constructed considering basic information such as: job title, educations attainment, required qualifications, skills, years of experience and specific duties.

In planning of control procedures, the board operates its business according to the plan prepared in advance before the start of the new financial year. Among included stages, we have the foundations of the planning audit activity, the planning stages for audit activity in accordance with SAI level, the discussion stage and the approving and implementation one.

4.2 SUGGESTED MODELS TO IMPROVE THE AUDITING PROFESSION IN IRAQ

4.2.1 SUGGESTED MODEL GUIDE TO ORGANIZE THE AUDITOR WORK IN THE REPUBLIC OF IRAQ

In accordance with foreign experience in achieving audit quality and with International Audit Standards no 1 and 2, the researcher proposed a model guide to improve the quality of the auditor's activity that matches the quality control guide. Moreover, it emphasizes the role of Accounting and Regulatory Board from the Republic of Iraq. It also includes the accountings' monitor duties including periodic information to identify the first commitment to implement the appropriate quality control, to comply with the accounting and audit rules and professional information that were issued and to enable the implementation of quality control program. In order to achieve these, the accounting monitor should contain two stages, the third one being related with testing and accepting the test.

The first one provides the supervising authority with periodic statements and the second one reveals an appropriate quality control application. The first stage includes the following specifications:

- A commitment letter of the accounting control that presents periodic information on the quality control program performance of the auditing profession that is required.
- General information. Businesses that have certified accounting practices according to the profession practicing guide.
- A list with the names of the clients that the company is committed to conduct audit services done by certified accounting, according to the type of services (audit, tax, audit for

special purpose, etc.). As for the other clients that the company is not committed to audit their accounts, similar information found above is going to be provided, without disclosing their names and their specialized authority that checks their financial information during field visits.

- Training courses. Professional issues that are revealed or not into the accounts monitor. General information about the authorities that the accounts monitor deals.

- An adoption of the monitor's commitment to the professional and regulation requirements. The organizational structure that covers at least the followings: the committee members, president of the chamber , the owner , the manager partner, the managements and sections, names and functions of those responsible for them, an explanatory memorandum about the operational procedures conducted by the account monitor and his commitment to the quality control standards that fits the following subjects: the professional ethics regarding their independence and commitment, allocation of the assisted operations, advice, supervision, employment, improving and training the employees, evaluating performance and promoting the employees, acceptance of new clients and relationship continuity and the commitment to the professional systems.

The second stage is related with the fact that the accounts monitor has to commit to the application of an appropriate quality control, consistent with the quality control standards which were adopted by the council of control and audit profession.

The third stage deals with accepting the test: after informing the accounts monitor about the date of checking, it is needed to accept the pointed inspection team from the professional committee to control and to audit the accounts, to implement the mandated tasks such as: to check the annual and periodic statements that accounts monitor presents (annual examination) and to conduct the quality control test of the accountants' monitor (periodic test) at least once every 3 years for the accounts monitor who audit the cooperative firms, banks and the general institutions and once every 5 years for the accounts monitor who audit other companies and institutions. These periodic tests are implemented only after the compulsory adoption of quality standards of the accounts monitor. The model ends with the adoption of the instructions of the quality control of the account monitor.

4.2.2 SUGGESTED PROGRAM MODEL OF THE QUALITY CONTROL PERFORMANCE PROFESSION IN THE REPUBLIC OF IRAQ

The responsibility of quality control in the accounts monitor's offices is assigned to the committee of the control and audit of the accounting profession. Thus, the researcher suggests a quality control program model and tested it, which includes the investigation of the commitment of the accounts monitors.

The program aims to ensure the commitment of the certified accountants in the professional rules and organized systems of the audit profession in the Republic of Iraq. The accounts monitor has to provide the committee of control and audit accounts in not more than 3 months from the date when financial year ends the information and the financial statements. It is provided information about who is responsible for the commitment of the program to follow the type of professional practices and its nature. It is tried to identify the first commitment of the accounts monitor by the system laws and by accounting rules, by local and international audit standards and by professional rules that were issued from the professional committee and others, during the financial year.

We hope that this program will help to increase the professional performance level of the professional authorities and to improve the audit profession in the Republic of Iraq.

In the following paragraphs, we are going to present a model of suggested program to control the quality audit performance profession in the republic of Iraq. Four important issues

have to be mentioned: entrance, program contents, requirements of the program's application, aims of the program.

The first issue that has to be discussed is the entrance. As the profession council for controlling and auditing the accounts aims to improve the quality performance of the audit profession in the Republic of Iraq and tries to comply with the international audit standards, this program was issued to be as a guide for the quality performance profession monitors. The guide analyzes the performance of the quality control tasks by including the tests program and the test report structure and aims to unify the field test procedures.

The second issue is related with the program contents. The program of professional performance of the quality control consists of 3 sections. The first section includes the clarification of the program application requirements and its aims; the second section; includes a detailed explanation of the periodic test guide of the quality control of the accounts monitor; the third section provides detailed explanation about the aims, types and test instructions.

The third issue looks at the requirements of the program's application. In order to apply the program of quality control performance of audit profession, many decisions based on them have to be taken, the request information has to be provided by the program and the instructions of the test have to be implemented. As a consequence, the quality control performance of the audit profession must be committed by the decisions and by the systems and instructions issued or that have to be issued and has to achieve the followings points: to provide the council of control and audit the accounts profession with periodic information; to issue quality control instructions and standards; to apply the appropriate quality control; to accept the accounts monitor to implement the test;

The fourth issue looks at program aims. The program of quality control performance of the audit profession aims to ensure the commitment of the certified accountants with the rules of the system and with accounting standards, audits requirement and instructions, with the legal (compulsory) and professional legislation issued from the professional organizations. This regulation was issued in order to improve the professional performance level of the certified accountant, to ensure continuity of the good professional performance and to increase the confidence in the professional services.

The second section emphasizes the test of quality control performance of the audit profession. It contains several elements such as: (1) test objectives that try to analyze the information that was presented by the certified accountants, and evaluates the quality control design of the accounts monitor for achieving the quality control evaluation, for pointing out the degree of commitment and for assessing the errors; (2) Test report that takes correct procedures. There are different types of tests: they examine the periodic statements that are presented to council authority (annual test). This analysis looks at the periodic statements that are presented by certified accountants and presents a report which summarizes the deficiencies in the quality control and the suggested improvement features.

The third section is represented by a periodic quality control model guide of the accountant monitor. The second section of quality control performance program of audit profession, the one related with appropriate quality control application, requires on the committee of the quality control performance audit profession to prepare instructions to test the quality control account. These instructions include explanation for the procedures of the test which was requested by the test team, the accounts monitor and the other authorities. The test team, the accounts monitor and the other authorities are responsible to implement the quality control performance of audit profession and to commit to them, when organizing and performing the referred periodic test in the second section of the program. The periodic quality control model guide of the accounts monitor or the executive procedures of the test is based on

the commitment of the tester, on confidentiality, on receiving reliable information, on avoiding conflicts of interests and on conducting appropriate professional care. The conditions that must be found in the tester are: test planning, test examinations, size of the sample and test reports

5. CONCLUSIONS

The research paper looks at the role of audit, its implication on the quality information of financial statements and the relationship between audit quality and accountants' performance. The paper is focusing both on international context and on the local context of the Republic of Iraq, emphasizing the role and the importance of the audit activity in avoiding financial failures and financial information that is misreported. While the first part of the paper reveals the international context, the decisions that were taken after Enron and Arthur Anderson Failure regarding the audit activity and its quality, the second part of the paper emphasizes the changes that occurred in the Republic of Iraq. Moreover, on this section, a model regarding the quality control performance audit profession in the Republic of Iraq was presented.

Consequently, the research focuses on the role of the audit bodies in order to achieve the quality of audit by implementing a quality control system consisting of a program model of the quality control performance for audit profession in the Republic of Iraq.

The model is represented by a program that aims to ensure the commitment of the certified accountants in the professional rules and organized systems of the audit profession in the Republic of Iraq. The program is structured in four stages Entrance, Program contents, Requirements of the program's application and the Aims of the program. The first one is related with complying with international regulation, the second one looks at the way the program is implemented and presents detailed explanation about the aims, types and test instructions. The Requirements of the program's application deal with achieving a minimum standard of audit quality. As a consequence, it is needed to provide the council of control and audit the accounts profession with periodic information; to issue quality control instructions and standards; to apply the appropriate quality control and to accept the accounts monitor to implement the test. The last section tries to ensure the commitment of the certified accountants with the rules of the system and with accounting standards, audits requirement and instructions, with the legal (compulsory) and professional legislation issued from the professional organizations. Its main purpose is to increase the professional performance level of the certified accountant, to ensure continuity of the good professional conduct and to increase the confidence in the professional audit services.

Its benefits will reduce chances of criticisms and weaknesses, improving the auditing environment in Iraq. The model will improve the coordination between the Council of Audit Control Profession, and the Council of Audit and Control. All the recommendations provided can improve the quality of audit by fitting it with the requirements in order to restore the confidence of investors by encouraging corporate accountability and by strengthening the companies' corporate governance. This will open the gate to international acceptance, trust and improved exchanges with the foreign countries.

The problems of the research are related with the fact that only theoretical ideas are presented, rather than proving a practical example on how the model works. The research also deals with the lack of financial data that can be tested and to reveal how the local accounting regulation complies with the international one.

Future research will provide new data to shape a better model that may avoid unlawful economic activity, its covered development and distrust. Further research is going to be

conducted on practical approach due to the fact that this is the way improvement in audit quality can be achieved.

REFERENCES

1. Alwekel, Hasam, A Evaluation of Methods of Control on the Quality of the Review Process, Master thesis, Hlwan University, 2000
2. Ahmed, Alrhman, A.A. Analytical and Applied to the Control System on the Review Process Study, Ph.D. Thesis, Cairo University, 1999
3. Carcello, J.V., Hermanson, R.H., McGrath, N.T. Audit Quality Attributes: The Perceptions of Audit Partners, Preparers, and Financial Statement Users, *Auditing: A Journal of Practice and Theory*, 11(1), 1992
4. Dahmash, N. Quality in the External Audit, *Arabian Journal of Chartered Accountant Firms, Accounting, Organizations and Society*, 37(7), 1998
5. Geiger, M.A., Rama, D.V. Audit Firm Size and Going-concern Reporting Accuracy, *Accounting Horizons*, 20(1), 2006
6. Ghosh, A., Moon, D. Auditor Tenure and Perceptions of Audit Quality, *The Accounting Review*, 80(2), 2005
7. Hasaneen, Tark, M., Ahmad, S. Journal of the Accountant and Management, Cairo's University, 2000
8. Hope, O.K., Langli, J.C., Thomas, W.B. Agency Conflicts and Auditing in Private Firms, *Accounting, Organizations and Society*, 37(7), 2012
9. Kell, Jagan, Schauer, P. The Differentiation of Quality Among Auditors: Evidence from the Not for Profit Sector Auditing, *A Journal of Practice and Theory*, 19(2), 1998
- 10 Mahdi, S., Mansoury, A., Azary, Z. Audit Independence and Expectation Gap, *International Journal of Economics and Finance*, 1(1), 2009
- 11 Mahzan, N., Hassan, N.A.B. Internal Audit of Quality in 5s Environment: Perception on Critical Factors, Effectiveness and Impact on Organizational Performance, *International Journal of Academic Research in Accounting, Finance and Management Sciences*, 5(1), 2015
- 12 Rekenkamer, A. Peer Review of the Performance Audit Function of the Federal Board of Supreme Audit of Iraq (2009-2012), Final Report, The Netherlands Court of Audit, 2013
- 13 Sun, J., Liu, G. Client-specific Litigation Risk and Audit Quality Differentiation, *Managerial Auditing Journal*, 26 (4), 2011
- 14 Sutto, S., Lampa, J. A Framework for Evaluating Process Quality for Audit Engagements, *Accounting and Business Research*, 21(83), 1991
- 15 Wooten, C. Research about Audit Quality, *The CPA Journal*, January, 2003
- 16 AICPA Summary of the Conclusion and recommendations of the Commission of Auditors Responsibilities, *Journal of Accountancy*, April ,1987
- 17 * * * Audit of USAID / Iraq's Administrative Reform Project (2013). Audit Report No. 6-267-14-004-P. Cairo, Egypt
- 18 * * * CPA Journal (2002), found at: [www.cpajournal.org]
- 19 * * * International Federation of Accountants Guide, (2001). Arab Society of Chartered Accounts Auide, Arab Society of Chartered Accountants IFAC, Jordan
- 20 * * * International Standards on Auditing Assurance and the Rules and Ethics of the Profession, (2009)