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The Relationship and Impact of the External Auditor's Fees on Audit Quality of Financial Statements: A Case Study on Audit Companies and Offices Operating in Iraq

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| Article Info. | Abstract |
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| <p><i>Article history:</i></p> <p>Received 08 July 2024</p> <p>Accepted 03 November 2024</p> <p>Publishing 30 January 2025</p> | <p>The aim of this study is to indicate the impact of the auditor's fees (audit tenure, size of the audited company, complexity level of the company, risk faced by the company) on audit quality. According to the Auditors' Bulletin published by the Iraqi Board of Controlling and Account auditing, the study population include 316 working audit offices in Iraq. The questionnaires were distributed to the study sample (N= 225) of the workers in the research organization using the method of random samples. Then, the (225) questionnaires were analyzed by the statistical program (SPSS). International Standards on Auditing for the significance level ($\alpha \leq 0.05$) in the Iraqi business environment. The study concluded that the auditor's fees related to companies or auditing institutions have a statistically significant effect ($\alpha 0.05$) on the quality of the company auditing statements and accounting information in the Iraqi business environment, based on the International Standards on Auditing.</p> |

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1. Introduction

The profession of external audit is a systematic process that aims to enable the auditor, at the time of auditing, to give a neutral technical opinion about the reliability and fairness of financial statements and its representation of the real case. Research and company's interests, audit quality problems, factors affecting audit quality [1], and audit fees are the main source of the income of audit institutions and the basis of the existence of audit institutions. So, maximizing audit fees has become the goal of audit institutions, on one hand to get the maximum possible fees, and on the other hand, the audit fees are regarded as financial expenses of the company subject to control. In terms of cost and responsibility, they bear to perform the work, or to what extent does the audited company believe it reaps the benefits that justify these expenses, it is all about the quality of the services it provides. This is necessary for audit offices because they seek to jobs advancements and retaining customers who expect high quality of service for the incurred costs [2].

The external audit profession is subject to the commitment to apply generally accepted and internationally recognized standards at the local and international level. Internationally famous and competent organizations and bodies take the responsibility of publishing these standards.

2. Research Problem

The audit profession derives its importance from the role it plays in providing information to users of financial statements that enable them to make rational and informed financial and economic decisions. As a result of increased pressure, at the present time, on the audit profession to optimize professional performance of auditing in order to improve audit quality process in general, there is an increased and urgent need to rationalize the professional judgement of the auditor and improve the quality of professional judgements, especially with regard to the risks of the audit process, and to reach a professional viewpoint on the financial statements through the audit report which the auditor submits at the end of his work [3]. Also, the failure of many companies in developed countries is related to accounting corruption, which in one of its aspects is due to the role of auditors and their emphasis on the credibility of the financial statements, although the accounting information they include does not represent the actual situation of the company. Therefore, the credibility of audit profession is questioned, and the blame is put on the auditor for failin

to properly perform his duties, as he is responsible for his services quality, so the need to improve audit profession quality has increased [1]. Determining auditing fees is a controversial issue in the field of accounting, especially in the field of law. With the progress of economic life, the growth and development of companies, the resulting complexity of the audit process and increasing legal and professional responsibilities.

for auditors, people's interest also increased in them [2]. The audit might be one of the main reasons behind the failure of the process of auditing and the opinion of the auditor. Thus, it is necessary to pay attention to and take care of the auditor's fees, i.e., to pay attention to the factors that affect him, including the size, reputation, and age of the audit institution, as well as the risks involved in the audit process. Based on the above, the following main research question can be asked:

- Will the audit fees affect the quality of accounting data and information audited by companies according to International standards on Auditing?
- Accordingly, the following sub -questions are asked:
- Does audit quality of accounting data and information of the company in line with International standards on Auditing depend on audit fees and auditing workplaces associated with the company?

Do the auditor's or company's fees affect the audit quality To provide results and recommendations that will help senior management in Iraqi companies regarding the importance of the external auditor's fees and the need to provide the due fees. After auditors' interest in completing their work in exchange for fees they receive, the auditors' interest in raising stakeholders' credibility in the published financial statements of those companies has also highlighted the importance of the auditor's work to senior management.

- of accounting data and information of the company depending on International standards on Auditing?

3. Importance of the Study

3.1. Scientific importance

To help researchers and academics in the domain of auditing and accounting, as well as the departments of companies operating in Iraq and the beneficiaries of their financial statements, by explaining the importance of the studied variables (auditor's fees, audit quality), linking these dimensions and studying the relationship between them due to their importance and appropriateness in the business environment.

3.2. Practical importance

3.3. Study objectives

The study aimed to accomplish these goals :

- To provide the theoretical background of audit fees and audit quality, and to indicate the factors affecting audit quality, including (academic and professional qualifications of the auditor, independence and objectivity of the auditor, credibility and impartiality of audit report, adherence to standards of professional conduct, and adherence to International Standards on Auditing).
- To examine the impact of the fees of audit on the audit quality of data and accounting information of companies according to international standards on Auditing.
- To identify the impact of the fees of audit related to auditors and clients (companies being audited) on audit quality.
- To conduct an in-depth analysis of the results of statistical analysis and direct interviews with stakeholders.
- To provide some recommendations according to the study results.

4. Literature Review

Previous literature has been reviewed in search of the studied variables so that the researchers learn about all dimensions that serve the current study, and in the following section we present Arabic and foreign studies from most recent to oldest as follows:

4.1. Arabic studies

A study by [4] entitled: "Determinants of Audit Quality and its Impact on the Performance of the External Auditor" This study intends to identify the effect of the factors of audit quality on the performance of the external auditor, as well as to lay down the degree to which external audit agency comprehend the standard of audit quality, including scientific qualifications, professional experience, sectoral specialization, consulting services, reputation and size of the audit agency, audit fees, and independence of the auditor. The study used the descriptive analysis method with a total of 33 external auditors. The results showed that the most effective audit quality determinants are academic qualifications, practical experience and independence, whereas the least influential are fees for auditing and consulting services. A study by [5] entitled: "The Effect of the Auditor's Fees on Audit Quality Process: A Field Study in the Audit Offices Operating in Damascus"

This research aims to determine the impact of the auditor's fees and the audit office on audit quality process provided to the audit clients, where the responsibility of external auditors focuses on ensuring the quality of the financial statements, its accuracy, impartiality, and relevance for the final users. The financial reports users considered the auditor as an independent, neutral and objective person during the preparation of his reports. The study used the descriptive analytical approach, as it was conducted on 10 audit offices in Damascus. The results showed that the auditor's fees influence the audit quality process, as the relationship between the two variables was average and invers. The researcher provides some recommendations such as the necessity to identify the audit fees objectively, based on the auditor's effort and the time spent during audit process. A study by [6] entitled: "Factors affecting the audit quality from the perspective of external auditors"

This research attempts to identify the elements which influence audit quality from the perspective of the auditors. By using the descriptive analysis method with a sample of 52 auditors, the results of the study showed that there are several elements of a significant positive effect on the quality of audit process, including factors related to the audit office, teamwork, professional competence, and auditor's scientific qualifications, objectivity and independence, as well as factors related to audit fees. The study indicated that auditors need to remain productive through the continuous application of professional knowledge and skills and improving it through courses and development programs to ensure

that clients receive high quality professional services. A study by [2] entitled: "Factors affecting audit fees of the external auditor and how to determine them: a field study in the Syrian environment" This study tries to identify the elements which impact the fees of the auditors, analyze and measure its importance from the perspective of customers and auditors in order to understand how to determine the fees in the Syrian context. The study utilized the descriptive analysis method. The size of the study sample includes 25 audit companies and 27 auditors. The study showed that the most important factors which influence identifying fees are the size of the audit company, the time required to auditing, the internal audit efficiency and the accuracy of the internal control system used by audit offices. The research indicated the need to increase clients' awareness about the importance of the audit profession, its role and function in society, by coping with issues of efficiency, quality and low cost factor. A study by [7] entitled: "The effect of Auditors' Fees on Audit Quality Process in Syria" The objective of this research was to determine the effect of the auditors' fees on the process of audit quality in Syria, by studying the relationship between the fees related to the factors associated with the company being audited, audit company and audit quality process. The descriptive analytical approach was used. The final study sample consisted of 152 auditors. The study showed a statically significant correlation between the company's audit fees, location of audit, audit quality, company size, industry type, directional risks, and profitability. In addition, the study revealed a strong correlation between fees charged by audit companies and the level of audit quality represented in size and reputation of the company, its ability to provide services, and competing with other companies.

4.2. Foreign studies

A study by [8] entitled "The Effect of Audit Ethics, UDIT, Audit Fees, Auditor Experience and Competence on Audit Quality in The Public Accounting Firm (KAP) Padang City". This research pursues to identify the impact of auditor's experience and efficiency, audit fees and audit ethics on the quality of audit in the public accounting company in Padang, using the questionnaire method for collecting data. The research used the descriptive analysis approach. The study sample consisted of 66 auditors. The study found that the ethics of audit have an effect on the quality of audit factor, as the fees of audit in this research impacted the quality of audit factor, and that the experience and competence of the auditor influence the quality of audit factor. A study by [9] entitled "Determinants of Audit Fees and the Role of the Board of Directors and Ownership Structure: Evidence from Jordan"

The aim of this study was to indicate the impact of ownership structure and board characteristics on the fees of audit. The descriptive analytical approach was used. The study sample consisted of 109 service and manufacturing companies enrolled on the Amman Stock Exchange over the years from 2012 to 2019. Data was collected from the Amman Stock Exchange and the annual reports of the company. Characteristics of the board were assessed by audit committee, political connections, meetings frequency, leadership duality, independence and board size. Ownership structure was assessed by institutional ownership, foreign ownership and concentration. The study showed that firms with leadership duality, politically connected firms and the large boards are more potentially to allocate higher fees. Also, firms which have greater foreign ownership give fewer fees, while other factors are not important. The study indicated that political relations have a significant role in identifying the fees of audit.

A study by [10] entitled "The Extent to which Auditors Apperception their Responsibilities in the Importance of Implementing the Economic Units of Transparency Indicators and their Reflection on the Quality of the Audit Process". This research aims to identify the extent of auditors' commitment to the duties and responsibilities assigned to them and its reflection on audit quality. The study adopted the descriptive analytical method. The sample included 100 external auditors in the Iraqi business environment. The study results revealed that the auditors' high level of awareness of their commitments during auditing the company's financial statements and the audit location contribute to improving audit quality, and that the auditors' compliance with auditing instructions and regulations significantly improves the quality of audit.

A study by [11] entitled "Audit Fees and Audit Quality: A Study of Listed Companies in the Downstream Sector of Nigerian Petroleum Industry". The objective of this study was to identify the correlation between audit quality and audit fees of enrolled companies in the downstream sector of the Nigerian petroleum industry. The study utilized the analytical approach. The sample consisted of 9 companies. The annual reports of the selected companies for a period of 8 years were relied upon over the period (2007- 2014). The results of the study indicated that audit fees is negatively correlated with audit quality, that the age of the company is positively correlated with audit quality, and that high fees of audit is likely to compromise auditors' independence, and as a result the quality of audit decreased.

A study by [12] entitled "Determinants of Audit Fees Pricing: Evidence from Nairobi Securities Exchange NSE". This study aims to pinpoint determinants of the fees of audit in Kenya, providing that most researches that examined this subject were performed in developed countries, in opposite to developing countries where little attention has been paid. The study used the analytical method. The study population consisted of 63 companies. The sample included 41 companies for the period over (2008-2014). The results revealed a significant correlation between size of audited company and its complicated processes, auditor's experience and reputation, and pricing fees policy. The auditor's fees are also negatively correlated with the auditing company size. The study results showed that there is a correlation between audit fees, company's profitability, audit location, and the dangers associated with audit procedures.

5. Research Terminology

Auditor An auditor is a person who practice auditing, i.e., a person who reviews and examines the accounts of organizations, and meets the general recognized conditions for the auditing profession, including those related to the characteristics of the auditor, such as scientific qualification, competence, independence and impartiality, as well as exerting the necessary professional care, as his job is based on recognized International Standards on Auditing [13]. Another definition is that an auditor is an independent and impartial person who has accounting and audit knowledge and conducts an audit to ensure the accuracy of the financial data and statements of a company to give an impartial opinion on the accuracy of the financial statements [14]. Audit fees Aronmwan and Okafor (2015) defined auditing fees as the amounts of money paid to the external auditor for conducting audit tasks, as he ends his work with giving his opinion on the validity and accuracy of the financial statements of the audited company [15]. Another definition is that auditing fees are the wages received by the external auditor for reviewing and verifying financial statements of the audited company. Identifying these fees relies on the nature of the service, the size of the process, and the time taken for accomplishing this process [16].

Audit quality the ability to evaluate that enable the auditor to detect and give an account of gaps, and false statements in the client's accounting system, and to collect appropriate and sufficient audit evidence to convey his opinion about whether the financial statements are issued in all material aspects [5]. Audit quality means conducting of the audit process effectively and efficiently according to International Standards on Auditing in addition to detecting misstatements, irregularities and errors, and working to meet the needs and desires of users of financial statements [17]. It is also defined as a term that provides an accepted and satisfactory conviction that the auditors of the audit office are committed to quality standards by carrying out procedures that confirm that conviction [18].

Audit fees associated with the audited company fees related to the factors of affiliation to the company, and the audit location itself, which may affect the auditor's assessment of his fees during the audit process, and these procedures are (size of the company, audit location, complexity of the business, type of industry, surrounding risks) [7]. Auditing fees related to the audited company are the amounts of money received by the external auditor for carrying out the audit process in the audited company. There are factors that affect the audit fees, such as the size of the processes, the type of required services, and the time taken in the audit process [19].

Aida believes that the audit fees represent the payment obtained by the auditor based on the contractual relationship between him and the client. There are factors that affect the audit fees, such as the size of the customer's audited organization and litigation risks [20].

6.The Study Sample and Population

The population of the study consists of audit companies and offices operating in Iraq (n= 316). According to the auditors' bulletin issued by the Council of Audit and Control Profession in Iraq, the auditors will be as indicated in Table 1.

Table 1. Study population

| Population | Number | Notes |
|------------------------|--------------|------------------------|
| Auditing Companies | 27 companies | Containing 64 auditors |
| Auditors (first type) | 107 auditors | - |
| Auditors (second type) | 142 auditors | - |
| Certified accountants | 3 certified | - |
| Total | | 316 auditors |

The sample of the study was randomly selected in order to statistically represent the population. A questionnaire was distributed to the studied sample to get the necessary information need for analysis. Stephen Thompson's equation was used as noted below:

$$n = \frac{N * (1 - P)}{[N - 1 * (\frac{d^2}{z^2})] + (1 - p)} \tag{1}$$

As:

N: population size

Z: The standard score matching the level of significance (0.95) and equals (1.96). d: error margin and equals (0.05).

p: probability ratio of property and neutrality and equals (0.50). By applying to the studied population (n= 316), we find:

$$n = 316 * 0.50 (1 - 0.50) / [316 - 1 * \{(0.05)^2 / (1.96)^2\} + 0.50 (1 - 0.50)]$$

$$n = 316 * 0.50 * 0.50 / [315 * (0.0025 / 3.841)] + 0.50 * 0.50]$$

$$n = 316 * 0.25 / [315 * 0.00065] + 0.25]$$

$$n = 79 / 0.20475 + 0.25$$

$$n = 79 / 0.45475 = 173$$

Hence, the sample size should not be less than (173) auditors in order to represent the studied community. So, the researchers distributed the questionnaires randomly to a sample of workers in company under study, where 225 questionnaires were distributed so that the number of answers is not less than the number representing research population. The Table 2 below displays distribution of the study subjects.

6.1. Study tools

The two researchers collected secondary information related to the study variables through the theoretical framework of the study and literature. They used books, studies, published research, scientific journals, periodicals and websites. In order to collect pilot data of the study, a tool was developed to accomplish the goals of the study through reviewing the theoretical literature regarding the study variables.

6.2 Validity of the study tool

The validity of the tool refers to the process of ensuring that the items included in the study tool can lead to accurate collection of data. The study tool was presented to a group of specialists in the field of accounting in Iraqi universities, to find out the appropriateness of the items of the questionnaire linguistically, and the extent to which they belong to the dimension within which they were designed. Assessors' observations and opinions were taken into account, and some items were reformulated in the light of these observations.

6.3. Reliability of the study tool

Reliability of the study tool means the possibility of obtaining the same data when re -testing by using the same study tool on the same individuals, and under the same circumstances. For this scale, the value 60 % is considered to be statistically significant. The coefficient of internal consistency of the study tool was calculated. The respondents' consistency degree on the items of the tool of the study by utilizing

Cronbach's alpha, with each of the variables of learning. The reliability coefficients were high, which are good and acceptable reliability rates in research and human studies. The Table 3 below displays coefficients of reliability.

Table 2. Distribution of the study subjects

| Gender | Frequency | Percent |
|-----------------------------|-----------|---------|
| Male | 136 | 60.4 |
| Female | 89 | 39.6 |
| Total | 225 | 100.0 |
| Age | Frequency | Percent |
| Less than 30 years | 22 | 9.8 |
| From (30 - 40) years | 66 | 29.3 |
| From (41 - 50) years | 88 | 39.1 |
| More than 51 years | 49 | 21.8 |
| Total | 225 | 100.0 |
| Job Level | Frequency | Percent |
| Employee | 72 | 32.0 |
| Head of department | 64 | 28.4 |
| Chief of service | 64 | 28.4 |
| Assistant manager | 16 | 7.1 |
| Manager | 9 | 4.0 |
| Total | 225 | 100.0 |
| Years of experience | Frequency | Percent |
| Less than 5 years | 21 | 9.3 |
| (6-10) years | 107 | 47.6 |
| (11-15) years | 65 | 28.9 |
| More than 16 years | 32 | 14.2 |
| Total | 225 | 100.0 |
| Qualification | Frequency | Percent |
| Less than university degree | 50 | 22.2 |
| University degree | 94 | 41.8 |
| Master | 64 | 28.4 |
| Doctorate | 17 | 7.6 |
| Total | 225 | 100.0 |

Table 3. Validity of reliability (Cronbach's Alpha coefficient)

| Dimension | Cronbach's Alpha | Number of items |
|---|------------------|-----------------|
| Fees related to the company Audit place | | |
| Contract ownership | 0.903 | 5 |
| Size of Audited company | 0.849 | 5 |
| Level of complexity of the company | 0.858 | 5 |
| Risk faced by the company | 0.837 | 5 |
| Second dimension: Audit quality | | |
| Scientific and practical qualification | 0.825 | 6 |
| Objectivity and independence | 0.832 | 5 |

7. Discussion of the Study Results

This chapter discusses the statistical analysis of the study data. It presents a description of the study variables, a test to ensure that data fits into the study model, and hypothesis testing in Table 4. First Variable: Audit fees: Fees related to the audited company: Audit tenure.

Item (1) "The company adheres with the audit office to a long-term contract for more than three years" was ranked first, with arithmetic mean of (3.87) and standard deviation of (1.04), and with agreement of (71.1%) of the sample. Item (2) "Audit tenure varies according to the nature of the services required from the office" was ranked second, with arithmetic mean of (3.82) and standard deviation of (1.1), and with agreement of (74.2%). Item (4) "Audit tenure includes all the audit processes required to be carried out" was ranked third, with arithmetic mean of (3.77) and standard deviation of (1.1), and with agreement of (69.4%) of the sample. Items (3) and (5) "The company depends on fixed standards concerning audit tenure", and "Audit tenure shall identify the authorities given to the auditors by the company" were ranked fourth, with arithmetic mean of (3.59) and standard deviation of (1.2), and with impartiality of 39.1% and 37.3%, respectively. Fees related to the audited company: Size of the audited company.

Table 5 provides a descriptive analysis of the auditor's fee variable, with a focus on the fees related to the audited company and size. The main results were as follows: Item (8) "The audited company relies on a large capital compared to other companies in the sector" was ranked first, with arithmetic mean of (3.86) and standard deviation of (1), and with agreement of 75.5% of the sample. Item (7) "The audited company achieves a huge revenue compared to other companies in the sector" was ranked second, with arithmetic mean of (3.81) and standard deviation (1), and with agreement of 68.5% of the sample. Item (10) "The company offers a wide range of products in the market including a large number of processes" was ranked third, with arithmetic mean of (3.76) and standard deviation of (1.08), and with agreement of 68%. Item (6) "The audited company has assets with large financial value" was ranked fourth, with arithmetic mean of (3.72) and standard deviation (1.1), and with agreement of 70.2%. Item (9) "The audited company is classified as one of the large-sized companies" was ranked fifth, with arithmetic mean of (3.47) and standard deviation (1.3), and with impartiality of 19.6%. Fees related to the audited company: Complexity level of the company.

Table 4. Descriptive statistics of audit fees in terms of audit tenure

| S | Item Assessment | Strongly disagree | Disagree | Impartial | Agree | Strongly agree | Item result | Arithmetic mean | Standard deviation | Rank |
|---|-----------------------|-------------------|-------------|-------------|--------------|----------------|-------------|-----------------|--------------------|--------|
| The company adheres with the audit office to a long-term contract for more than three years | | | | | | | | | | |
| 1 | repetition percentage | 4 1.8% | 27 12.0% | 34 15.1% | 90 40.0% | 70 31.1% | Agreement | 3.87 | 1.04 | First |
| Audit tenure varies according to the nature of the services required from the office | | | | | | | | | | |
| 2 | repetition percentage | 13 5.8% | 22 9.8% | 23 10.2% | 101 44.9% | 66 29.3% | Agreement | 3.82 | 1.1 | second |
| The company depends on fixed standards concerning audit tenure | | | | | | | | | | |
| 3 | repetition percentage | 14 6.2% | 40 17.8% | 43 19.1% | 56 24.9% | 72 32.0% | Neutral | 3.59 | 1.2 | Forth |
| Audit tenure includes all the audit processes required to be carried out | | | | | | | | | | |
| 4 | repetition percentage | 11 4.9% | 32 14.2% | 26 11.6% | 85 37.8% | 71 31.6% | Agreement | 3.77 | 1.1 | Third |
| Audit tenure shall identify the authorities given to the auditors by the company. | | | | | | | | | | |
| 5 | repetition percentage | 13 5.8% | 39 17.3% | 45 20.0% | 58 25.8% | 70 31.1% | Neutral | 3.59 | 1.2 | Forth |

The above Table 4 shows the descriptive analysis of the auditor's fees and audit tenure based on the opinions of the study sample. The most prominent results were as follows:

Table 5. Descriptive statistics of audit fees in terms of size t of the audited company

| S | Item Assessment | Strongly disagree | Disagree | Impartial | Agree | Strongly agree | Item result | Arithmetic mean | Standard deviation | Rank |
|---|-----------------------|-------------------|-------------|-------------|--------------|----------------|-------------|-----------------|--------------------|--------|
| The audited company has assets with large financial value | | | | | | | | | | |
| 6 | repetition percentage | 12 5.3% | 26 11.6% | 29 12.9% | 103 45.8% | 55 24.4% | Agreement | 3.72 | 1.1 | Fourth |
| The audited company achieves a huge revenue compared to other companies in the sector | | | | | | | | | | |
| 7 | repetition percentage | 6 2.7% | 19 8.4% | 46 20.4% | 94 41.8% | 60 26.7% | Agreement | 3.81 | 1 | Second |
| The audited company relies on a large capital compared to other companies in the sector | | | | | | | | | | |
| 8 | repetition percentage | 9 4.0% | 22 9.8% | 24 10.7% | 106 47.1% | 64 28.4% | Agreement | 3.86 | 1 | First |
| The audited company is classified as one of the large-sized companies | | | | | | | | | | |
| 9 | repetition percentage | 23 10.2% | 37 16.4% | 44 19.6% | 54 24.0% | 67 29.8% | Neutral | 3.47 | 1.3 | Fifth |
| The company offers a wide range of products in the market including a large number of processes | | | | | | | | | | |

Table 6. Descriptive statistics of audit fees in terms of complexity level of the company

| S | Item Assessment | Strongly disagree | Disagree | impartial | Agree | Strongly agree | Item result | Arithmetic mean | Standard deviation | Rank |
|---|-----------------------|-------------------|-------------|-------------|--------------|----------------|-------------|-----------------|--------------------|--------|
| The audited company is considered a parent company with some affiliate branches | | | | | | | | | | |
| 11 | repetition percentage | 9 4.0% | 36 16.0% | 31 13.8% | 87 38.7% | 62 27.6% | Agreement | 3.70 | 1.1 | Fifth |
| Audit procedures are time-consuming and require great effort of the auditors | | | | | | | | | | |
| 12 | repetition percentage | 9 4.0% | 19 8.4% | 27 12.0% | 96 42.7% | 74 32.9% | Agreement | 3.92 | 1.07 | Fourth |
| The company conducts its business through complex administrative processes | | | | | | | | | | |
| 13 | repetition percentage | 7 3.1% | 17 7.6% | 19 8.4% | 114 50.7% | 68 30.2% | Agreement | 3.97 | 0.9 | Third |
| The company's production processes are characterized by a high degree of complexity | | | | | | | | | | |
| 14 | repetition percentage | 6 2.7% | 13 5.8% | 24 10.7% | 97 43.1% | 85 37.8% | Agreement | 4.08 | 0.9 | Second |
| The company issues multiple and complex periodic reports | | | | | | | | | | |
| 15 | repetition percentage | 3 1.3% | 9 4.0% | 13 5.8% | 113 50.2% | 87 38.7% | Agreement | 4.21 | 0.8 | First |

Table 6 shows the descriptive analysis of the auditor's fee variable according to complexity level of the company. The most prominent results were as follows: Item (15) "The company issues multiple and complex periodic reports" was ranked first with arithmetic mean of (4.21) and standard deviation of (0.8), and with agreement of 88.9% of the sample. Item (14) "The company's production processes are characterized by a high degree of complexity" was ranked second, with arithmetic mean of (4.08) and standard deviation of (0.9), and with agreement of 80.9% of the sample. Item (13) "The company conducts its business through complex administrative processes" was ranked third, with arithmetic mean of (3.97) and standard deviation of (0.9), and with agreement of 80.9%. Item (12) "Audit procedures are time-consuming and require great effort of the auditors" was ranked fourth with arithmetic mean of (3.92) and standard deviation of (1.07), and with agreement of 75.6%. Item (11) "The company being audited is considered a parent company with some affiliate branches" was ranked fifth, with arithmetic mean of (3.70) and standard deviation of (1.1), and with agreement of 65.6%. Fees related to the company being audited: Risk faced by the company.

Table 7. Descriptive statistics of audit fees in terms of risk faced by the company

| S | Item | Strongly disagree | Disagree | impartial | Agree | Strongly agree | Item result | Arithmetic mean | Standard deviation | Rank |
|----|---|-------------------|----------|-----------|-------|----------------|-------------|-----------------|--------------------|--------|
| | Assessment | | | | | | | | | |
| | The company suffers from risks of manipulation and falsification of financial statements | | | | | | | | | |
| 16 | repetition | 8 | 17 | 31 | 99 | 70 | Agreement | 3.70 | 1.1 | Fifth |
| | percentage | 3.6% | 7.6% | 13.8% | 44.0% | 31.1% | | | | |
| | The company faces the risk of irregularities in some items and activities | | | | | | | | | |
| 17 | repetition | 10 | 11 | 19 | 104 | 81 | Agreement | 3.92 | 1.07 | Fourth |
| | percentage | 4.4% | 4.9% | 8.4% | 46.2% | 36.0% | | | | |
| | The company suffers from a low level of effectiveness of the applied control systems | | | | | | | | | |
| 18 | repetition | 3 | 5 | 10 | 111 | 96 | Agreement | 3.97 | 0.9 | Third |
| | percentage | 1.3% | 2.2% | 4.4% | 49.3% | 42.7% | | | | |
| | The company suffers from risks related to leadership and the degree of transparency and integrity | | | | | | | | | |
| 19 | repetition | 2 | 12 | 4 | 106 | 101 | Agreement | 4.08 | 0.9 | Second |
| | percentage | 0.9% | 5.3% | 1.8% | 47.1% | 44.9% | | | | |
| | The audit process faces some risks of non-disclosure during reviewing and auditing processes | | | | | | | | | |
| 20 | repetition | 2 | 7 | 19 | 109 | 88 | Agreement | 4.21 | 0.8 | First |
| | percentage | 0.9% | 3.1% | 8.4% | 48.4% | 39.1% | | | | |

Table 7 the descriptive analysis of the auditor's fees variable in terms of risk faced by the company. The most prominent results were as follows: Item (20) “risks of non-disclosure during reviewing and auditing processes” was ranked first with arithmetic mean of (4.21) and standard deviation of (0.8), and with agreement of 87.5% of the sample. Item (19) “risks related to leadership and the degree of transparency and integrity” was ranked second with arithmetic mean of (4.08) and standard deviation of (0.9), and with agreement of 92%. Item (18) “low level of effectiveness of the applied control systems” was ranked third, with arithmetic mean of (3.97) and standard deviation of (0.9), and with agreement of 92%. Item (17) “the risk of irregularities in some items and activities” was ranked fourth, with arithmetic mean of (3.92) and standard deviation of (1.07), and with agreement of 82.2%. Item (16) “Risks of manipulation and falsification of financial statements” was ranked fifth, with arithmetic mean of (3.70) and standard deviation of (1.1), with agreement of 75.1%.

- Second variable: Audit quality
- Scientific and practical qualification

Table 8 descriptive analysis of the audit quality variable according to scientific and practical qualification Item (5) “When it comes to accounting integrity, disclosure and transparency, the task of the external auditor is to ensure that all conditions are achieved” was ranked first, with arithmetic mean of (4.12) and standard deviation of (0.9), and with agreement of 79.6% of the sample subjects. Item (1) “The external auditor has the practical certificates required to practice of audit” was ranked second, with arithmetic mean of (4.09) and standard deviation of (0.9), and with agreement of 81.8%. Item (4) “The external auditor verifies all documents and invoices of sale and purchase” was ranked third, with arithmetic mean of (4.05) and standard deviation of (0.9), and with agreement of 83.1%. Item (3) “The external auditor takes training courses which contribute to improving his competencies and skills” was ranked fourth arithmetic mean of (4.04) and standard deviation of (1.02), and with agreement of 79.1%. Item (6) “All high-risk accounts are subject to a thorough audit by the external auditor” was ranked fifth with arithmetic mean of (4.03) and standard deviation of (1), and with agreement of 85.3% of the sample. Item (2) “The External Auditor follows up all developments regarding knowledge and information related to external audit” was ranked sixth with arithmetic mean of (4) and standard deviation of (1.03), and with agreement of 76.5%

Table 8. Descriptive statistics of audit quality in terms of scientific and practical qualification

| S | Item Assessment | Strongly disagree | Disagree | Impartial | Agree | Strongly agree | Item result | Arithmetic mean | Standard deviation | Rank |
|---|---|-------------------|----------|-----------|-------|----------------|-------------|-----------------|--------------------|--------|
| | The external auditor has the practical certificates required to practice of audit | | | | | | | | | |
| 1 | repetition | 8 | 9 | 24 | 97 | 87 | Agreement | 4.09 | 0.9 | Second |
| | percentage | 3.6% | 4.0% | 10.7% | 43.1% | 38.7% | | | | |
| | The External Auditor follows up all developments regarding knowledge and information related to external audit | | | | | | | | | |
| 2 | repetition | 6 | 19 | 28 | 89 | 83 | Agreement | 4 | | Sixth |
| | percentage | 2.7% | 8.4% | 12.4% | 39.6% | 36.9% | | | | |
| | The external auditor takes training courses which contribute to improving his competencies and skills | | | | | | | | | |
| 3 | repetition | 3 | 14 | 30 | 99 | 79 | Agreement | 4.04 | | Forth |
| | percentage | 1.3% | 6.2% | 13.3% | 44.0% | 35.1% | | | | |
| | The external auditor verifies all documents and invoices of sale and purchase | | | | | | | | | |
| 4 | repetition | 6 | 8 | 24 | 102 | 85 | Agreement | 4.05 | | third |
| | percentage | 2.7% | 3.6% | 10.7% | 45.3% | 37.8% | | | | |
| | When it comes to accounting integrity, disclosure and transparency, the task of the external auditor is to ensure that all conditions are achieved. | | | | | | | | | |
| 5 | repetition | 7 | 15 | 24 | 98 | 81 | Agreement | 4.12 | | First |
| | percentage | 3.1% | 6.7% | 10.7% | 43.6% | 36.0% | | | | |
| | All high-risk accounts are subject to a thorough audit by the external auditor | | | | | | | | | |
| 6 | repetition | 5 | 11 | 17 | 106 | 86 | Agreement | 4.03 | 1 | Fifth |
| | percentage | 2.2% | 4.9% | 7.6% | 47.1% | 38.2% | | | | |

8. Objectivity and Independence

Table 9. Descriptive statistics of audit quality in terms of objectivity and independence

| S | Item Assessment | Strongly disagree | Disagree | Impartial | Agree | Strongly agree | Item result | Arithmetic mean | Standard deviation | Rank |
|----|--|-------------------|----------|-----------|-------|----------------|-------------|-----------------|--------------------|-------|
| 7 | There are no financial interests between the company's administration and the external auditor | 3 | 12 | 28 | 105 | 77 | Agreement | 4.14 | 0.9 | First |
| | repetition percentage | 1.3% | 5.3% | 12.4% | 46.7% | 34.2% | | | | |
| 8 | The administration does not impose any conditions or restrictions on the work of the external auditor. | 5 | 7 | 29 | 101 | 83 | Agreement | 4.07 | 0.8 | Forth |
| | repetition percentage | 2.2% | 3.1% | 12.9% | 44.9% | 36.9% | | | | |
| 9 | The external auditor adheres to the laws and regulations governing the work of the external auditors. | 7 | 16 | 23 | 99 | 80 | Agreement | 4.11 | 0.9 | Third |
| | repetition percentage | 3.1% | 7.1% | 10.2% | 44.0% | 35.6% | | | | |
| 10 | The external auditor feels job security and stability in the audit firm to which he is affiliated, increasing his independence | 5 | 13 | 15 | 105 | 87 | Agreement | 4.02 | 1.01 | Fifth |
| | repetition percentage | 2.2% | 5.8% | 6.7% | 46.7% | 38.7% | | | | |
| 11 | External auditor's fees are determined by the Shareholders' Association, not by the company's administration. | 4 | 13 | 28 | 104 | 76 | Agreement | 4.14 | 0.9 | First |
| | repetition percentage | 1.3% | 5.3% | 12.4% | 46.7% | 34.2% | | | | |

The Table 9 shows the descriptive analysis of the audit quality variable according to objectivity and independence. The most prominent results were as follows: Item (7) "There are no financial interests between the company's administration and the external auditor" and Item (11) "External auditor's fees are determined by the Shareholders' Association, not by the company's administration" were ranked first with arithmetic mean of (4.14) and standard deviation of (0.9), and with agreement of more than 80% of the sample. Item (9) "The external auditor adheres to the laws and regulations governing the work of the external auditors" was ranked third with arithmetic mean of (4.11) and standard deviation of (0.9), and with agreement of 79.6%. Item (8) "The administration does not impose any conditions or restrictions on the work of the external auditor" was fourth, with arithmetic mean of (4.07) and standard deviation of (0.8), and with agreement of 81.8%. Item (10) "The external auditor feels job security and stability in the audit firm to which he is affiliated, increasing his independence" was ranked fifth, with arithmetic mean of (4.02) and standard deviation of (1.01), and with agreement of 85.4%.

8.1. Testing of hypotheses

The first main hypothesis to examine is: when using international standards on Auditing, auditor's fees related to the company and audit locations have a statistically significant effect ($\alpha \leq 0.05$) on the accuracy of audit data and information in companies. The following sub-hypotheses are derived : There is a statistically significant effect of contract ownership on audit quality of accounting data and information in companies according to international standards on Auditing at the significance level ($\alpha \leq 0.05$) in Iraqi business environment.

Table 10. Testing the relationship between contract ownership and audit quality

| Variables | Correlation coefficient | Determination coefficient | (T) | Significance | Result |
|-------------------------------------|-------------------------|---------------------------|--------|--------------|--------------------------|
| Contract ownership Audit quality | 0.535 | 0.286 | 18.251 | 0.000 | Accepting the hypothesis |

The statistical results of the above Table 10. indicate that the correlation coefficient (R) = 0.535, which is a strong correlation coefficient, and that the ratio of the coefficient of determination among the study variables $R^2 = 0.286$. Also, the value of (T) is (18.251), which has an effect coefficient at the level of statistical significance 0.000, which is smaller than the level of significance $\alpha = 0.05$, which indicates that the first hypothesis is accepted, which says: there is a statistically significant impact of contract ownership on audit quality of accounting data and information of companies according to International Standards on Auditing at the level of significance ($\alpha \leq 0.05$) in Iraqi business environment. Using the significance level ($\alpha \leq 0.05$), we find that the size of the audited companies in the Iraqi business environment has a statistically significant effect on audit quality of accounting data and information of companies.

Table 11. Testing the relationship between the size of the audited firms and audit quality

| Variables | Correlation coefficient | Determination coefficient | (T) | Significance | Result |
|------------------------------------|-------------------------|---------------------------|--------|--------------|--------------------------|
| Size of companies Audit quality | 0.552 | 0.305 | 15.267 | 0.000 | Accepting the hypothesis |

The statistical results of the above Table 11. indicate that correlation coefficient (R) = 0.552, which is a strong correlation coefficient, and that the ratio of the coefficient of determination among the study variables $R^2 = 0.305$. Also, the value of (T) is (15.267), which has an effect coefficient at the level of statistical significance 0.000, which is smaller than the level of significance $\alpha = 0.05$, which indicates that the hypothesis is accepted, which says: there is a statistically significant effect of the size of the audited companies on audit quality of accounting data and information of companies according to International Standards on Auditing at the level of significance ($\alpha \leq 0.05$) in Iraqi business environment.

There is a statistically significant effect of the level of complexity of companies on audit quality of accounting data and information of companies according to International Standards on Auditing at the significance level ($\alpha \leq 0.05$) in the Iraqi business environment.

The statistical Table 12. indicate that the correlation coefficient (R) is 0.524, which is a strong correlation coefficient, and that the ratio of the coefficient of determination among the study variables $R^2 = 0.274$. Also, the value of (T) is (11.800), which has an effect coefficient at the level of statistical significance 0.000, which is smaller than the level of significance $\alpha = 0.05$, which indicates that hypothesis is accepted, which says: There is a statistically significant effect of the level of complexity of companies on audit quality of accounting data and information of companies according to International Standards on Auditing at the significance level ($\alpha \leq 0.05$) in the Iraqi business environment.

Table 12. Testing the relationship between the level of complexity of companies and audit quality

| Variables | Correlation coefficient | Determination coefficient | (T) | Significance | Result |
|-----------------------------------|-------------------------|---------------------------|--------|--------------|--------------------------|
| Complexity level Audit quality | 0.524 | 0.274 | 11.800 | 0.000 | Accepting the hypothesis |

According to International Standards on Auditing, the degree of risk has a statistically significant effect on audit quality of accounting data and information of institutions operating in Iraqi business environment at the significance level ($\alpha \leq 0.05$).

Table 13. Testing the relationship between the degree of risk and audit quality

| Variables | Correlation coefficient | Determination coefficient | (T) | Significance | Result |
|------------------------------|-------------------------|---------------------------|-------|--------------|--------------------------|
| Risk degree Audit quality | 0.652 | 0.425 | 7.007 | 0.000 | Accepting the hypothesis |

The statistical results of the above Table 13. indicate that the correlation coefficient (R) is 0.652, which is a strong correlation coefficient, and that the ratio of the coefficient of determination among the study variables R^2 is 0.425. Also, the value of (T) is (7.007), which has an effect coefficient at the level of statistical significance 0.000, which is smaller than the level of significance $\alpha = 0.05$, which indicates that the hypothesis is accepted, which says: there is a statistically significant effect of the degree of risk on audit quality of accounting data and information of companies according to International Standards on Auditing at the significance level ($\alpha \leq 0.05$) in Iraqi business environment

Conclusion

Based on the theoretical and practical research results, the two researchers concluded the following:

There is a statistically significant effect of the contract ownership on audit quality of accounting data and information of companies according to International Standards on Auditing at the level of significance ($\alpha \leq 0.05$) in the Iraqi business environment. At the level of significance ($\alpha \leq 0.05$) in the Iraqi business environment, the audited companies' size has a statistically significant impact on audit quality of accounting data and information of companies according to International Standards on Auditing. On the significance level ($\alpha \leq 0.05$) in the Iraqi business environment, the complexity of companies has a statistically significant impact on audit quality of accounting data and information of companies according to International Standards on Auditing. On the significance level ($\alpha \leq 0.05$), in the Iraqi business environment, the degree of risk has a statistically important effect on audit quality of accounting data and information of institutions according to International Standards on Auditing.

Recommendations

According to the results, the researchers recommend the following:

The need for the accountant to understand the internal control system because it helps the auditor to reduce the risk of auditing and reduce the time and effort exerted in the audit process to issue report of quality. Directing accountants to commitment to reporting standards, in order to deliver report of high quality. Encouraging research students to study other independent factors that have an effect in the quality of audit, such as laws, regulations, audit evidence on an optional basis, auditor's professional judgment, and providing other services other than the audit service, which the research student considers important through the literature which he reviewed in order to complete his studies. Developing a practical system to determine audit fees, so that the fees are suitable for the time and effort exerted by the auditor in the process of audit in addition to the difficulties and risks accompanying the process of audit, and the determination of audit fees should not be left to bargaining between the two parties, fearing the impact on audit quality. Legislation should set limits to the maximum and minimum of audit fees and impose sanctions on those who exceed these limits.

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