

The Extent of Quality Control Implementation in Audit Firms

Najat Jaber Twair

University of Kufa, Faculty of Management and Economics, Najaf, Iraq

Maryam Qais Ali

Presidency of the University of Kufa / Iraq / Najaf

Abstract: Purpose — This study seeks to determine the extent to which audit firms are implementing quality control in the professional environment and examine the effect quality control has on audit firms' performance level. This research is motivated by the increasing role of audit service quality in improving trustworthiness of financial information and increasing user confidence of financial statements. A general model was utilized, examining the theoretical aspects of quality control, its purpose, and its components as stated in international standards (ISQC 1, ISQM 1), and checking the tasks performed by audit firms and indicators used to measure their effectiveness. Despite being built on the foundation of renown theoretical models such as the Audit Quality Model, the Agency Model and the Professional Trust Model, the role of the independent variable (quality control) and the dependent variable (audit firm performance) was only established through the lens of relationships .

In order to enhance the practical aspect, this study used descriptive and analytical methods in which a questionnaire, built according to standard dimensions, was used to probe the extent to which initiatives and traditional control are practiced in audit firms and their impact on performance. A purposive sampling of employees of audit firms which have received its operating permits was secured. A number of statistical methods implemented through SPSS program were performed to analyze the data (i.e., reliability test (Cronbach's Alpha), Descriptive statistics, multiple linear regression, Pearson correlation and variance analysis) in order to test the research hypotheses and to measure the strength and direction of relationship between the two variables.

The results showed that quality control is even at medium to high level in most of the audit firms; but, compliance level was fluctuated according the size of the firm and quantity of human and organizational resources. Regarding the overall score of the control factors, the results also showed that there is a statistical significant positive relationship between the extent of implementation of quality control and enhancement of audit firm performance, especially with regard to the quality of report, compliance

with standards, and speed and decrease of professional errors. The analysis established that quality control factors regarding independence of the firm, competence of personnel, and internal review are the most important for performance.

In conclusion, the study found several important insights, but most importantly that no room for quality control is an option for any given professional firm, it is a form of necessity that is a prerequisite for sustainability as well as trust enhancement. The principal challenges obstructing functional quality control, include weak training, ineffective tracking and lack of resources. It had also made practical suggestions, such as the need for professional trainings, to implement periodic monitoring procedures and to modernize the legal framework of audit firms to meet the newest global standards.

This study adds to the knowledge by linking the theoretical lens and actual statistical evidence, it helps to clarify the way quality control systems affect the performance of audit firms and provide a sound scientific base for future research.

Key words: Implementation of Quality Control, ISQM 1, Quality Control in Audit Firms, Audit Firms, Audit Quality.



This is an open-access article under the [CC-BY 4.0](https://creativecommons.org/licenses/by/4.0/) license

Introduction:

The auditing profession is a foundation of financial transparency and an essential pillar for stimulating confidence between economic agents and consumers of accounting information. This is because of it being a neutral oversight practitioner, ensuring that it is the transparency of the financial statements and the integrity of the transactions and disclosures associated with them; The fast growing business circumstances together with the diversified transactions and complex accounting system had made it a necessity to improve audit quality. This is attained through increased use of integrated quality control systems which enhance the effectiveness of audit procedures and ensure that audit firms both respect international professional standards and respect the ethical principles of the profession.

Quality control systems that provide the context for the operation of auditors in delivering professional services that are with the highest level of reliability have received significant attention by international professional organizations, particularly the International Federation of Accountants (IFAC). Notably, standards (ISQC 1 and ISQM 1) that provide clear foundations for the leadership of a profession with respect to the management of risk and the adequacy of competencies to perform their quality tasks. In this regard; the quality of audit has become a very important parameter for obtaining the sound evaluation of audit firms- an important issue- especially in the terms of the economy seeking reforming the investment climate and developing a solid financial environment such as Iraq.

The study feasibility of realizing extent of quality control application among audit firms have never been researched at locally level and locally level face specific professional and organizational challenges related to weak organizational structures, limited human resources and varying degrees of mucation to international standards this makes the audit firms at local level in a weak position to realize these issues; which makes it a luxury notion as its goal is not to only preserve substantial level of lifelong but is also a core of competitiveness of high-quality audit product between these firms. Which is the basis for the need for this research to present an

empirical study of the level of implementing quality control procedures in audit firms and their relation to the quality of professional performance and the gap of improvement to be considered to contribute to the reliability of audit service.

Based on the above, this research will provide an appropriate theoretical framework as well a field study that utilizes appropriate statistical tools to derive results that serve to develop the performance of audit firms and strengthen the principles of professional quality that are consistent with modern global trends.

The structure of the research was divided into three sections where the first section shows the scientific methodology, the second section deals with the theory of the research variable, and the third section deals with the practical side.

1- The Scientific Methodology of the Research

This part will explain the main ideas that help us reach our research goals. These are:

1-1- The Research Problem

Demand for change — Professional standards, especially those related to quality control, at either the firm or auditor level are evolving rapidly in the auditing profession. In the presence of an internationally applicable framework like the Standards of Quality Management (ISQM) (and prior to that, the Standard of Quality Control [ISQC1]), firms exhibit differing levels of compliance with those requirements. A number of firms who apply quality control appear in some respects to be formal only, while more traditional methods are largely out of step with continuing professional development. Seems like there is a need to explore whether this control is really applied and whether auditor or firm environment also influences the level of compliance. Based on that assumption, the overall research problem can be phrased as follows: How does the level of quality control applied in audit firm and what factors that affect the level of quality control? It gives way to a number of sub-questions — such as:

- A. How compliant the audit firms are to the components of the quality control system?
- B. Does the level of experience owned by the auditors affect the quality of implementation?
- C. Is firm size or resources have any relationship with the extent of compliance to quality standards?
- D. What the largest barriers are to implementing quality control?

1-2- The Importance of the Research

The significance of this research is shown in the examined variables and in two dimensions:

A. Theoretical Importance

- It improves the scientific literature on quality control in the auditing field by doing a thorough study of how it works in practice.
- It gives researchers and scholars a scientific framework that helps them understand how audit quality is affected by professional factors.

B. Practical Importance

- It serves as a self-assessment guideline that enables audit firms to be proactive in recognizing the good and bad features of their control system.
- It offers professional and regulatory bodies results that could be employed in the arrangement and evolution of governing procedures.

- It assists auditors in their career development, which is evident in the delivery of substantial quality of financial reports.

1-3- Third: Research Objectives

The objective of this research is to develop a detailed framework to measure the extent of quality control practice and the factors impacting those. Next, based on the problem and its questions, the research objectives are specified here:

- 1- To assess the extent to which audit firms are committed to dealing with the requirements of quality control according to the international professional standards dealing with these requirements, specifically the professional performance quality and quality management standards in auditing.
- 2- To study the adequacy of quality control systems established by audit firms for policies, procedures, people, and internal monitoring and review processes.
- 3- To assess the influence of quality control application on the quality of the audit services rendered especially in terms of the reliability of financial reports, compliance with professional standards, and the incidence of professional mistakes.
- 4- To determine the most significant challenges audit firms face in establishing quality control, either at the organizational or professional level or at the level of the institutional framework of audit firms.
- 5- To prove how the proportion of quality control practices implemented translates into audit performance by establishing a link between the performance of audit firms and the quality of professional procedures and audit outcomes.
- 6- To determine the impact of implementing quality control systems on the confidence of financial statement users, particularly investors, regulatory bodies, and beneficiaries of audit services.
- 7- To propose a set of practical policies and recommendations that would enhance the implementation of quality control and raise the performance level of audit firms in line with international best practices.

1-4- Research Hypotheses

Based on the theoretical framework and the research problem, and with the aim of verifying the impact of implementing quality control on enhancing the efficiency and effectiveness of audit firms, this research relies on a set of hypotheses that represent the expected relationships between the independent and dependent variables, as follows: Main Hypothesis:

- A. There is no statistically significant relationship between the implementation of quality control in audit firms and the performance level of these firms.
- B. There is a statistically significant relationship between the implementation of quality control in audit firms and the performance level of these firms.

The following sub-hypotheses stem from these two main hypotheses:

- Adherence to professional and ethical standards does not affect the efficiency of audit firms.
- Adherence to professional and ethical standards significantly impacts the performance efficiency of audit firms.
- There is no relationship between client acceptance and retention procedures and the quality of reports issued by audit firms.

- There is a significant relationship between client acceptance and retention procedures and the quality of reports issued by audit firms.
- Staff professionalism of audit firms is not indicative of audit quality.
- Audit staff of audit firm possessing professional qualifications can lead to quality audit performance.
- According to internal guidance and control mechanisms, it does not improve audit outcomes.factor
- Reduced incidence of internal monitoring and control mechanisms can increase the reliability of the audit outcomes.
- Quality control systems (ISQC 1 — ISQM 1) the requirements do not enhance the collective performance of audit firms.
- There is a link between the implementation of the requirements of quality control systems (ISQC 1 / ISQM 1) and better performance of audit offices.

1-5- Research Variables and Hypothetical Research Plan.

The research hypothetical plan is indicative of the explanatory relationship between the independent variable, quality control in audit firms and the dependent variable, the performance of audit firms. This model posits the idea that adherence to quality control requirements, as defined, within international professional standards and regulations directly affects professional performance efficiency and effectiveness in audit firms. Such indicators reflect the quality control change effectiveness and the resultant impact on the reliability and efficiency of audit outputs. The following formulation is the academic structure that can be adopted: This research postulates regarding the Quality control through the performance level of audit firms including dimensions of Dress-pand and how it impacts on the quality of reports, client satisfaction, quality of external audit findings, deadlines reflection and level of professional development of human recourses model and (0) hypothesis as the dependent variable are affected directly positive by other 6 dimensions represented by independent variables of human resource development, audit execution, and internal control and more as quantitatively analysed through inferential statics such as PLS-SEM model emphasising output quality, client satisfaction, results of external audit, compliance reporting deadlines, and human resources professional development as performance level of an audit firms .

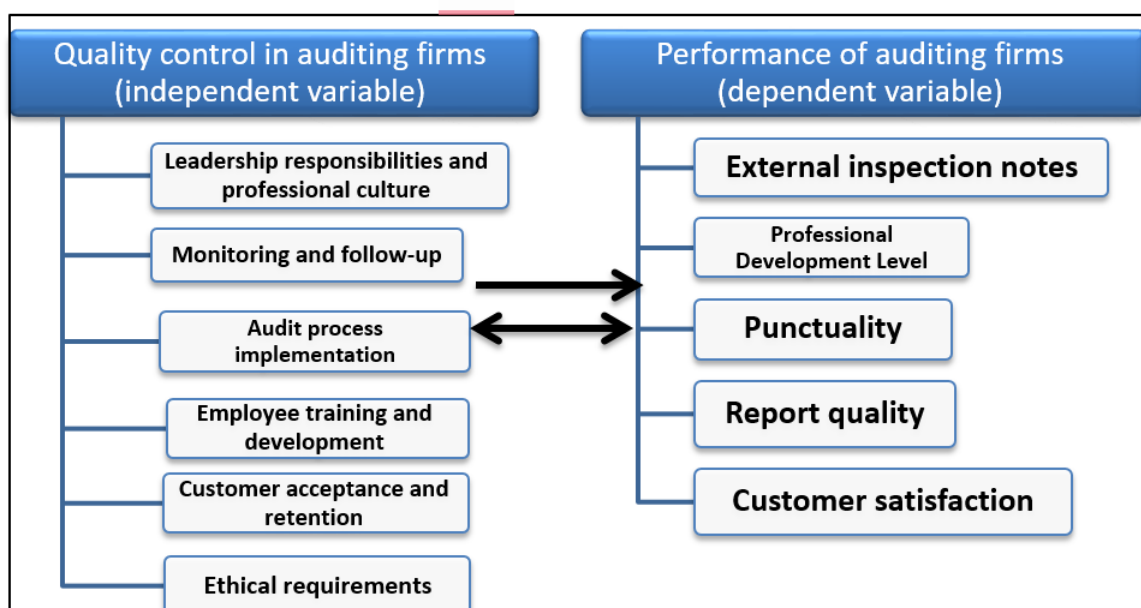


Figure (1) Hypothetical research plan

1-6- Research Population and Sample

This study will take place in all accredited and legally licensed audit firms in the Republic of Iraq, whether they are sole proprietorships, local audit companies or affiliated to international networks of audit firms. Professional practitioners such as external auditors, senior auditors, audit partners, audit team managers, and professional quality staff of firms employing a formal quality control system comprise this population. Here, the researcher selected this population because it is the most important population who is concerned with them and the responsible party executing the procedure of output quality control requirements as per the international professional standards, such as FASB, SFAS, etc., to be capable of measuring the real degree of implementation of them in the concerned of the country such as Iraq. In order to represent the different categories found in the research population (firm size, that is large, medium and small) the research sample has been chosen using stratified random sampling. The sample size to be used (which will be determined post-hoc by how many questionnaires we reach) was selected to be sufficiently representative to give resulting analyses sufficient statistical power. The sample included major governorates with high number of audit offices such as Baghdad, Najaf, Basra, Karbala and the Kurdistan Region, which will strengthen the generalizability of the results to the Iraqi context. The questionnaire was a validated scientific questionnaire that was considered suitable for measuring the variables of quality control implementation seminars and their effect on the performance of audit offices. Therefore, it was used as the main tool for data collection. For this reason, the questionnaire was promoted in paper and electronic formats, making it easier for the largest number of auditors possible to access to it, thus obtaining a realistic and balanced portion of the research population.

1-7- Research Methodology and Statistical Methods

The study follows a descriptive-analytical methodology with regards to its two parts: the theoretical part (analysis of quality control concepts & professional auditing standards and previous studies related to the subject) and applied part (using statistical methods to analyse the data collected from the study sample using the questionnaire, utilising analytical tools such as means, deviations, correlation coefficients, regression and significance tests). Statistical Methods: After entering the questionnaire data into the Statistical Package for the Social Sciences (SPSS), we relied on a set of statistical tools according to the research requirements to address the problem at hand and test the hypotheses in order to obtain the best possible results. These tools include:

1-7-1- Descriptive Statistical Methods

- A. Using arithmetic means: as they are the most commonly used measure to determine the value of each item in the study by answering each item in the questionnaire. Ranking the items according to the highest arithmetic mean is useful.
- B. Using frequency distributions and percentages to describe the characteristics of the study sample; Standard deviations: To determine the degree of statistical dispersion and scatter in the responses of the study sample.
- C. Using Cronbach's alpha coefficient to measure the validity and reliability of the study instrument (questionnaire).
- D. Using Pearson's correlation coefficient: To measure the magnitude of the linear relationship between two variables and to estimate the internal consistency of statements, indicating the presence or absence of a relationship.
- E. Using Statistical Analysis Software for the Social Sciences (SASS) to analyze the study data and describe the variables to arrive at the results and generalize them to the research population.

1-7-2- Inferential Statistical Methods

- A. Simple Linear Regression: This is one of the simplest methods used in statistical analysis to determine the functional relationship between the dependent and independent variables; B- Two-way ANOVA: This is a practical test used to calculate the differences between the means of two independent variables. One-way ANOVA: This is a practical test used to compare the means of two variables to determine whether there is a difference or no difference.
- B. Correlation Coefficient: This is a numerical measure that measures the strength of the correlation between two variables.
- C. Coefficient of Determination: This is the square of the correlation coefficient and is used to determine the extent to which the dependent variable influences the independent variable.

1-8- Research Scale

This research relied on the five-point Likert scale to reveal the relationship between the two variables (independent and dependent) and to answer the questionnaire items to determine the degree to which the variables reinforce the application of quality control in the auditing firms of the research sample and the impact of adopting a strategic approach on them. This scale consists of 5 points ranging from 1 to 5, i.e., strongly agree, agree, neutral, disagree, and strongly disagree. The Likert scale is considered one of the best methods for measuring attitudes, and to determine the direction of the sample members' responses, we relied on calculating the weighted mean of the five-point Likert scale. First: Calculate the range, which is the largest number on a five-point Likert scale minus the smallest number. The result is: $5 - 1 = 4$. Second: Calculate the class or cell length by dividing the range by the number of classes, i.e., $4/5 = 0.8$. Therefore, the first class for the arithmetic mean values is: 1 to $1 + 0.8$, and so on for the remaining means, as shown in the following table:

Weighted Average	Answer	Level
1.80 - 1	Strongly Disagree	Very Low
2.62 - 1.81	Disagree	Low
3.40 - 2.61	Neutral	Medium
4.20 - 3.41	Agree	High
5 - 4.21	Strongly Agree	Very High

Table (1), the level of response according to the five-point Likert scale and its calculation method, prepared by the researchers

2- Theoretical Aspect

2-1- Quality Control:

This section will address a number of points related to quality control, namely:

2-1-1- The Concept of Quality Control:

For example, between the collapse of Enron and other global financial crises, the whole concept of quality control changed. This resulted in stringent models of professional control, most notably the International Standard on Quality Control (ISQC) 1 (2009) subsequently revised by ISQM 1 to be risk-based rather than rule-compliance based. From that point on, quality became an organizational element led by senior management in the firm, not just the audit teams, making it one of the firm-wide functions that was stronger than the culture, thus making quality a sustainable entity within the firm. Therefore, quality control in any field of work including auditing profession is considered as one of the basic pillars that ensures the professionals perform based on sound professional standards (Al-Shammari, 2019. p.112) It is perceived as a set of policies and procedures implemented within audit firms to make certain that audit processes are

performed in a consistent manner and in accordance with the requirements of international standards. Quality control is a wide-ranging process that has long since progressed beyond simply tasking auditors with ensuring that quality control is built-in to all the components of the audit process (professional competence, supervision, periodic follow-up, and ethical compliance assessment). Quality control, too, has become strategic owing to the growing professional risks and wider accountability of the auditor over parties outside the business. As a result, the role of international professional bodies requiring relatively stringent regulatory mechanisms on large and small firms has probably been more compensated. Quality control in audit firms, which means the system of policies and procedures designed to provide reasonable assurance that the audit services are performed in compliance with applicable professional standards and requirements of professional conduct and the reports are issued which have the significant degree of accuracy and reliability (Al-Saadi, 2020, p. 44) Quality control strives to increase confidence in the financial statements through competence of the audit team, independence, compliance with planning and execution standards, and the quality of the documentation and evidence supporting the generated professional opinion. The International Financial Audit Council defines quality control as a professional system which guidances the work of a audit firm so that it can comply with International Standard on Auditing (ISAs) (IFAC, 2020, n.p.). This is done by way of mechanisms of internal verification, constant supervision, and performance evaluation. It encompasses an evaluation of work quality (both before and after its release) as well as internal evaluation programs carried out on the firm level (Arens et al., 2017, p. 120). Q KATALIS: Quality control is a basic effort to improve user confidence in the reports issued by the accountant to be free from inaccuracies and misleading information. Most of the literature suggests that audit quality is directly related to the degree that audit firms comply with internal and external quality control standards (Messier et al., 2017, p. 75). A system of internal quality control is defined as the entirety of policies and procedures adopted by a member firm to ensure that its auditors conform with professional standards in its work. It includes policies procedures on client acceptance, overseeing, documentation, internal review and training. The International Standards for Quality Management (IAASB, 2021, n.p.) outlines that this system must be in place.

2-1-2- Quality Control Measures

They relate to quality standards or information that audit firms use to evaluate the quality of professional processes to meet the requirements of the International Standards on Auditing. These measures allow for assessment of quality of performance, validation of staff competence, evidence of validity, and planning/execution effectiveness, along with adherence to professional conduct and independence. These factors serve as a feature of audit service quality (Arens, Elder & Beasley, 2017, p. 140).

2-1-3- Dimensions of Quality Control

AbstractQuality of control in audit firms embraces specific dimensions of organizational, professional, and technical nature including the internal quality system in line with ISQM standards. Those dimensions of these that stand out most can be summarized thusly:

- A.** The proficiency of personnel: It appraises audit staff's competence, interpretation of professional standards and the judgment and training to make professional conclusions. These are continuous education, adherence to career development plans, and assessment. According to the literature, professional competence is an essential factor that has the greatest impact on the enhancement of audit quality and the reduction of auditor errors (Messier, Glover & Prawitt, 2017: 215).
- B.** Dimension of commitment to professional conduct and independence: This is an essential element of audit quality because its impact relies on auditors' self-control regarding compliance with professional conduct rules and avoidance of any potential threats of self-

interest or self-review. The International Standards and Ethics (IESBA) (2018, n. p) emphasise that independence, both intellectual and apparent, is the very foundation of the confidence that users of financial statements place in audit outcomes.

- C. The dimension of quality of audit planning and procedures – It is related to the requirements for planning an audit in an effective manner, assessing the risk of material misstatement, and designing appropriate audit procedures for obtaining evidence. These standards indicate that the manner in which planning and execution are carried contributes towards an effective audit, and therefore the risk associated with the audit can be reduced (IAASB, 2021, n.p.).
- D. The compliance quality dimension: This dimension assesses the thoroughness with which the auditor obtains the necessary evidence and the effectiveness of the documentation of audit procedures and findings. According to International Standards the documentation has significance in supporting the registered professional opinion whilst also protecting the firm against post-audit risk (IFAC, 2018, n.p.).
- E. The dimension of internal policies and procedures: this dimension is about the existence of written policies in the audit firm that outline how audit work is performed and detail the process of oversight, internal review, and professional communication. Policies are the bedrock of a system for. Strong Quality in Audit Firms — IFAC (2020, n.p.)
- F. The Technology Dimension of Auditing: This dimension concerns the use of technical tools and software for evidence gathering, data analysis, and audit file management. Many studies argue that the ability to use technology helps make auditors work more efficiently and provides a better QLT of outputs with less human error (Warren et al., 2018, p. 301)
- G. Quality Review Dimension: This dimension has to do with the processes of reviewing audit files as part of an evaluation after the audit has taken place via an internal or external quality review. It intends to determine how well professional performance is actually achieved, and how well auditors are meeting standards and policy. According to the literature, it is indeed one of the most effective methods for increasing the quality of outputs (Boynton & Johnson, 2006, p. 102). Second: Audit Firms. Several points related to the audit firms will be discussed here, including:

2-2- Audit Firms:

2-2-1- The Concept of Audit Firms

Audit firms are specialized professional firms that provide auditing and other assurance services on financial statements and other assurance services, written in accordance with generally accepted professional standards, and generally to express an independent conclusion on the truthfulness and fairness of financial information. Such firms review the records and books of an entity, contemplate the suitability of the accounting policies and their conformity with financial standards, and obtain reasonable assurance that financial statements are prepared without material misstatements that are likely being accessed by their end users (Arens, Elder & Beasley, 2017, p.35) This notion means that an auditing company possesses a separate structure consisting of its own organization and, without being a separate legal entity (but having legal status), is the conductor of auditing under professional international standards and as required by law. However, the firm depends on competent auditors, who have the technical competency enough to apply professional judgment. This idea reinforces the need to keep the firm separate from the client in order to avoid any conflicts of interest. (Boynton & Johnson, 2006, p.22) It also highlights the wider provision of assurance-related services by audit firms in respect of financial and other information. This includes external audit and review as well as regulatory compliance and risk management services. Assurance services are discussed as assisting decision-makers by giving them credible information (Messier, Glover & Prawitt, 2017, p. 48). In the context of the

economic area, the audit firm preserves the reliability of financial information submitted to investors and regulatory bodies. This function serves as a regulator that can control the possible malpractice or fraud performed by organizations and increase trust in the financial system. This highlights the role of the audit firm as the guardian of the shareholders (Warren, Reeve & Duchac, 2018, p. 280). It deals with the audit firm commitment to the application of International Standards on Auditing (ISA) and International Standards on Quality Management (ISQM) as well as compliance with the International Institute of Auditors Code of Ethics (IESBA) This dedication ensures quality of services being provided, protection of the professional and minimizes the risk of delivery of erroneous reports (IFAC, 2020, n.p.).

2-2-2- Audit Firm Measurement and Dimensions:

Audit firm measurement is an aspect that contains indicators in standards for what is used to assess the performance of the firm and quality of the services These indicators are meant to evaluate the firm's efficiency, process quality, compliance with professional standards and independence, and audit output quality. These measurements include among other things:

A. Audit Firm Size and Number of Clients: The size of the audit firm and the number of clients served is one of the most widely used indicators of professional and consulting ability. Mostly, big companies have a strong organizational structure and sizable human and technology resources; this improves their performance quality. Some studies have also shown that the level of audit quality tends to be positively associated with firm size (Arens, Elder & Beasley, 2017, p.158).

B. Technical skills of the personnel: This indicator covers qualification, professional experience and continuous professional education of the auditors. One principal characteristic influencing the quality of audit services is professional competence since it is directly related to the auditor's ability to identify material misstatements (Messier, Glover & Prawitt, 2017, p. 215).

C. Firm Independence: This metric evaluates the firm agency from clients, which aids in preventing any possible conflict of interest. As highlighted by IFAC (2018, n.p.), "an auditor is unable to issue an objective opinion about the result of the audit, and the results of the audit will be less credible, if the auditor is not independent". b) Quality measure of planning and execution: This measure of the quality of planning relates to the extent to which the firm complies with audit planning standards, risk assessment, and appropriate evidence collection procedures. The more planning and analysis that occurs, the better the output (IAASB 2021 n. p.).

D. Quality of Evidence and Documentation Measure: This measure relates to the sufficiency and appropriateness of audit evidence obtained by the auditor and quality of documentation in the audit files. Professional Competence (IFAC, 2018, n.p.) — If work is not documented, it did not take place, and good documentation is a sign of professional competence quality.

E. Measure of the Technology Use: This measure examines the level of modern technologies and data analysis tool the firm use in relation to its audit work. Using technology make the process of working more accurate, involve less time, and at the same time there will be fewer chances of mistakes (Warren, Reeve & Duchac, 2018, p. 310). c) Compliance to Professional Standards: Firm's compliance to ISA, ISQM and Code of Ethics is essential measure of the quality of services of the firm (IFAC, 2020, n.p.)

2-2-3- Audit Firm Dimensions

Dimensions of audit firms represent the concepts which help in defining the nature of the work done by the audit firm, its overall structure, and its professional abilities. Some of the salient of these dimensions are:

a) **Organizational Dimension:** This is characterized by the company's org structure, division of work, system of authority, and employee size. That would depend on the structure and levels

of internal oversight. Such a structure can allow audit processes to run smoothly (Boynton & Johnson, 2006, p. 45).

- b) **The human factor:** This could involve auditor qualification, training, practical experience, team constitution, and job security. This dimension is the principal of the quality of the firm's performance (Arens et al., 2017, p. 112).
- c) **The technical dimension:** This includes the accounting systems, the audit software tools, the data analysis approaches and the methods of collecting evidence. One of the most important elements in modernizing audit practices is the development of this technical dimension (IAASB, 2021, n.p.).
- d) **Professional and ethical dimension:** This dimension emphasizes if the firm is working under the code of professional ethics like independence, objectivity, confidentiality and professional conduct. Trust in the firm is built on an ethical commitment (IFAC, 2018, n.p.) c) **Service Dimension:** This has to do with the quality of services provided by the firm which can be an external audit, assurance, financial consulting, or a risk management services. The variety of services indicates the power and position of the firm. (Moeller, 2014, p. 62)
- e) **Economic & Financial Area** — The financial state of the organization, its profitability, pricing, clientele, and market competitiveness. Having a strong financial position allows the firm to invest in training and technology (Warren et al., 2018, p. 312).

3- Practical Application

This chapter aims to present the statistical results obtained through the analysis of field data collected from a questionnaire distributed to a research sample of (150) individuals. This chapter includes a set of essential statistical tables, such as descriptive statistics, reliability coefficients, correlation, one-way and multiple regression analysis, and analysis of variance (ANOVA), in order to test the main and sub-hypotheses. This section also includes a discussion of the results and their connection to previous studies, leading to important conclusions and recommendations that benefit auditing firms in Iraq. This section comprises several relevant practical points:

3-1- Coding:

Table (2): Cronbach's alpha results for the scale, for each variable and each dimension. The behavioral and psychological sciences accept all values as statistically acceptable, which corresponds to a very high level of internal reliability. All values were higher than the limit value of 0.70 [43], the highest reliability recorded for the customer satisfaction dimension, showing high homogeneity between the items of this dimension (0.93). The lowest score for reliability was in the punctuality dimension (0.84), still presented within the range of very good. Results demonstrate the reliability of the questionnaire as a measure for reproducible and assessable results.

Table (2): Coding and Cronbach's alpha coefficient for the research variables

The variable	Dimensions	Cronbach's alpha coefficient
Quality control in audit firms (independent variable)	Leadership responsibilities and professional culture	0.87
	Ethical requirements	0.90
	Customer acceptance and retention	0.85
	Employee training and development	0.92
	Monitoring and follow-up	0.88
	Audit process execution	0.91
Performance of audit firms	Report quality	0.89

(dependent variable)	Customer satisfaction	0.93
	External audit observations	0.86
	Timeliness	0.84
	Professional development level	0.90

Source: Calculator results and researcher data

3-2- Descriptive Analysis: We will now examine the sample's response to the research variables. The results are as follows:

3-2-1- Descriptive Analysis of the Quality Control Variable in Auditing Offices (Independent Variable): Table (3) presents the opinions of the surveyed sample regarding the quality control variable, according to the results of the analysis using accounting software. The results show the arithmetic mean and standard deviation of the sample's responses, which are presented in Table (3).

Table (3): Arithmetic Mean and Standard Deviation of the Sample's Responses to the Quality Control Variable (Independent Variable)

Dimensions	Question	arithmetic mean	standard deviation
	Quality control in audit firms (independent variable)		
Leadership Responsibilities and Professional Culture	The firm's partner/management has a clear commitment to a leadership tone that supports quality work.	4.23	0.61
	The firm's management encourages reporting of quality-related issues without fear of reprisal.	4.10	0.67
	Policies are in place to foster a professional culture and adherence to standards.	4.18	0.59
	Quality is integrated into the performance objectives of managers and partners.	4.07	0.71
	Internal offices are activated to monitor the quality of work and report their findings to senior management.	4.15	0.65
Ethical Requirements and Professional Culture	Auditors are prohibited from accepting contracts that compromise their professional independence.	4.32	0.58
	Clear policies are in place for managing conflicts of interest.	4.20	0.63
	Independence checks are conducted prior to client acceptance.	4.25	0.60
	Internal sanctions are applied for violations of ethics requirements.	4.11	0.69
Customer Acquisition and Retention	Clear criteria are in place for client acceptance (financial solvency, reputation, fraud risk).	4.14	0.66
	Periodic assessments are conducted to ensure the continuation of the audit relationship with clients.	4.09	0.70
	Clients who pose a high risk to the firm's image are rejected.	4.03	0.74
	Acceptance/continuation decisions are documented.	4.17	0.64
Employee Training and Development	Specific qualifications are required for hiring auditors.	4.30	0.55
	There is an ongoing training program for auditors on standards and auditing techniques.	4.22	0.61
	Auditor performance is evaluated annually with quality incentives. Mechanisms are in place to monitor the practical application of training during audits.	4.05	0.72

	The office maintains comprehensive employee qualification records.	4.08	0.69
	Auditor performance is evaluated annually with quality incentives. Mechanisms are in place to monitor the practical application of training during audits.	4.19	0.62
	Clear pathways for advancement and professional development exist.	4.15	0.66
Monitoring and Follow-up	Process quality reviews are conducted.	4.12	0.68
	Standardized documentation software and tools are used across the office.	4.20	0.63
	Standards of professional skepticism and adequate documentation of evidence are applied.	4.18	0.65
	Work is reviewed by experienced professionals before reporting.	4.27	0.57
	Major professional decisions are recorded and shared within the team.	4.11	0.70
Auditing Process Implementation	Regular internal audits of the quality control system are conducted.	4.16	0.62
	Immediate corrective action is taken when quality deficiencies are identified.	4.13	0.67
	Annual reports are submitted to the Board of Directors/Partner responsible for quality.	4.07	0.73
	The office's quality policies are updated based on audit findings.	4.10	0.69

First: Analysis of Quality Control Items in Audit Firms (Independent Variable)

A. Leadership responsibilities and professional culture [all mean scores were high (greater than 4) indicating the sample was cognizant of the role of leadership in promoting audit quality.] Standard deviations were also low (0.59–0.71), reflecting general consensus among the sample. With an average value of 4.23, the item "Partner / Office Management's Commitment to a Tone at the Top" was rated the highest, suggesting a general consensus among auditors that the leadership is integral to driving an improvement in audit quality. The item associated with "Encouragement of Quality Problems Reporting" obtained a score of 4.10, which suggests an open professional patrimony, albeit to a lesser extent relative to the other items. Within the dimension of Professional Objectives, the integration of quality into the professional objectives of managers received a mean of 4.07—the lowest value for any item across all dimensions—indicating there may be opportunity for progress in this area. There is strong evidence that audit firm leadership has a positive impact in improving quality and that a professional culture exists, but that quality can be more effectively incorporated in the performance evaluation process.

B. Ethical Obligations: In this aspect, results ranged high, especially in the domain of prohibiting acceptance of contracts impeding independence (mean 4.32 lowest) the highest in this dimension. In terms of independence checks and ethical policies, the items analysed had means of 4.20–4.25, suggesting that their commitment to ethical standards is substantial. The element "Apply penalties" for acts involving ethical violations, scored 4.11, the lowest value, which suggests that policies can be in place, although they may not be applied vigorously enough. Audit firms are guided by a stringent ethics framework and have an extensive understanding of the danger of conflicts of interest, however enforcement of penalties might require piloting.

C. Client Acceptance and Retention: They had values between 4.03 and 4.17, showing good commitment to client acceptance procedures. The factor "Documenting decisions to Accept and Retain" has a mean value of 4.17, representing the best documentation process in this dimension. The Rejection of High-Risk Clients with a 4.03 mean, which is the lowest of the categories,

suggests flexibility in this area or inconsistent application of this area. Client assessment processes used by audit firms are applied effectively. But the rejection of high-risk clients is not that strong as it needs to be.

D. Employee Training and Development: (the coefficient nature of this dimension is one of the higher areas of the independent variable with averages ranging between 4.05 and 4.30.) From the item analysis, the item with the highest mean was "Requiring Specific Qualifications for Employing Auditors" (4.30), suggesting rigorous standards for hiring. The minimum average was for "Annual Performance Evaluation with Incentives" (4.05), which potentially reflects a relative weakness in tying incentives to performance. Evidence suggests that auditor training and development is the strongest element followed by incentives and motivational aspects that can be improved.

E. Monitoring and Follow-up: The results were not very different among groups, with values from 4.11 to 4.27. A final item analysis (Table 4) demonstrated strong internal controls in that the highest mean (4.27 points) was earned by the item concerning work review by experienced professionals. Recording of Material Professional Decisions — 4.11 This indicates that participation on decision making may be less than would be hoped. Conclusion: High commitment to monitoring and review, significant potential to be documented and share professional decisions.

F. Implementation of Audit: The means ranged from 4.07 to 4.16, all on a high level Of all items in the section the item "Periodic Internal Review of the Quality System" had the highest mean 4.16 which is a good indication of how strong internal control is. Recognition of the role in "Submitting Annual Reports to Management" is the lowest mean (4.07) and points to reporting as a function which may be circumstantial and/or not consistent. Conclusion: Overall, the audit is undertaken to a high standard using a fit-for-purpose audit framework though systematic improvements might be required for periodic reports.

2-2-1- Dependent Variabel : Variable Performans Audit Firm (Y) Descriptive Analysis

Table (4) Performance of audit firms from sample views (analysis results based on accounting software) Table (4) illustrates the arithmetic averages and standard deviations of the sample answers.

Table (4): Arithmetic Mean and Standard Deviation of Sample Responses to the Audit Firm Performance Variable (Dependent Variable)

Dimensions	Question	arithmetic mean	standard deviation
Performance of audit firms (dependent variable)			
Report quality	The audited financial statements are virtually free of material misstatements.	4.24	0.61
	External regulatory body comments on the firm's reports are minimal.	4.18	0.64
	Users of the financial statements have a high level of confidence.	4.21	0.63
	The reports adhere to international standards in content and clarity.	4.26	0.58
Customer satisfaction	Clients are satisfied with the quality of services provided.	4.19	0.65
	The percentage of repeat clients is high.	4.12	0.70
	The firm receives positive client referrals.	4.14	0.66
Audit efficiency	Work is completed on schedule.	4.08	0.71

and timeliness	Resource utilization during the audit is efficient.	4.11	0.68
	Audit expenses are commensurate with the quality of performance.	4.05	0.73

Second: Analysis of Audit Firm Performance Items (Dependent Variable)

A. Report Quality: All mean scores are high (4.18 – 4.26), reflecting the quality of audit reports. The highest mean score for the item "Reports follow international standards" (4.26) indicates adherence to standards, while the mean score for "External Examination Observations are Few" (4.18) indicates good quality but not ideal. The conclusion is that report quality is high, and adherence to standards is clear, with a small area for improvement to reduce supervisory observations.

B. Customer Satisfaction: Averages between 4.12 and 4.19 are the highest. The item "Customer satisfaction with service quality" with a mean score of (4.19) Level of Very Good Satisfaction. Meaning that retained customers are still good but troubling — the repeat customer percentage is, at the lowest (4.12), reflecting retention but also because many other (from other merchants) are buying back as well (price, competition). In summary, the customer is a happy customer but retention may need some relationship strengthening.

C. Calculated Benchmark: Between 4.05 and 4.11(score) indicates good efficiency in this dimension. The item of Effectiveness of Resource Use: is 4.12 high efficiency, means efficiently (average score) Over the dimension 4.11 which indicates good internal efficiency. Audit fees : Directly proportional to quality of performance. (4.05), low also maybe due to problems in cost and quality) At the end, It is very positive that the audit process is less available and manageable but the cost estimate is more flexible. Summary of analysis findings: This analysis demonstrates that audit firms implement robust and effective quality control. Leadership, qualification, and internal control are among the strongest dimensions. The audit report is of high quality, adherence to standards, client satisfaction, and resource efficiency are good but require minor improvement. The high homogeneity in standard deviations indicates agreement among the sample.

3-3- Testing the Main and Sub-Hypotheses

We will test the main and sub-hypotheses for the research variables as follows:

3-3-1- Main Hypothesis:

A. There is no statistically significant relationship between the application of quality control in audit firms and the performance level of these firms.

B. There is a statistically significant relationship between the application of quality control in audit firms and the performance level of these firms.

The following sub-hypotheses stem from these two main hypotheses:

- Adherence to professional and ethical standards does not affect the performance efficiency of audit firms.
- Adherence to professional and ethical standards significantly affects the performance efficiency of audit firms.
- There is no relationship between client acceptance and retention procedures and the quality of reports issued by audit firms.
- There is a significant relationship between client acceptance and retention procedures and the quality of reports issued by audit firms.

- The level of professional qualification of employees in audit firms is not reflected in the quality of audit performance. h) The professional qualification level of employees in audit firms positively impacts the quality of audit performance.
- Internal monitoring and control mechanisms do not enhance the reliability of audit results.
- Internal monitoring and control mechanisms do enhance the reliability of audit results.
- Implementing the requirements of quality control systems (ISQC 1/ISQM 1) does not contribute to improving the overall performance of audit firms.
- Implementing the requirements of quality control systems (ISQC 1/ISQM 1) contributes to improving the overall performance of audit firms.

The following is a complete hypothesis test, including (Coefficient of Determination R^2 , Impact Factor (β), ANOVA, Correlation Analysis, and complete testing of the main and sub-hypotheses).

First: Results of the Regression Model for the Main Hypothesis

The Relationship between Quality Control (X) and the Performance of Audit Firms (Y)

Table (5) The Relationship between Quality Control and the Performance of Audit Firms

	Indicator	R	R ²	Adjusted R ²	Interpretation
1- R ²	Quality Control	0.812	0.659	0.654	The coefficient of determination (CID) value (0.659) indicates that quality control explains 65.9% of the variance in audit firm performance, a strong explanatory percentage compared to field studies.
2- (Beta)	Variable	β	value t	Sig	The application of quality control appears to have a strong positive impact on performance, and the significance of (0.000) confirms the statistical power of the result.
	Quality Control	0.812	18.337	0.000	
3- ANOVA	Source	df	F	Sig	The high F value (336.25) and significance (0.000) confirm that the regression model is significant and that the independent variable substantially explains the change in the dependent variable.
	Regression	1	336.25	0.000	
	Residual	198	—	—	
	Total	199	—	—	
4- Correlation	The Relationship	Pearson Correlation	Sig	The relationship direction is very strong and positive, indicating that the higher the level of quality control application, the better the performance.	
	Quality Control ↔ Audit Office Performance	0.812	0.000		

Second: Testing the sub-hypotheses (for each dimension of quality control)

Table (6) Testing the sub-hypotheses (for each dimension of quality control)

	Dimension	Model results			Accept or Reject
		R ²	β	F	Result
1	Impact of leadership responsibilities and professional culture on performance	R ² = 0.521	β = 0.722	F = 215.4 (Sig = 0.000)	Accept the hypothesis of an effect and reject the hypothesis of no effect.
2	Impact of ethical requirements on performance efficiency	R ² = 0.476	β = 0.690	F = 180.7 (Sig = 0.000)	Accept the hypothesis of a significant effect.
3	Impact of client acceptance and retention procedures on report quality	R ² = 0.588	β = 0.767	F = 233.9 (Sig = 0.000)	The strongest effect among all dimensions, and accept the hypothesis of a statistically significant relationship.
4	Impact of staff professional qualifications on the quality of audit performance	A. R ² = 0.601	B. β = 0.775	C. F = 245.8 (Sig = 0.000)	One of the dimensions with the highest impact on performance
5	Impact of internal control and follow-up on the reliability of audit results	D. R ² = 0.544	E. β = 0.737	F. F = 221.0 (Sig = 0.000)	A strong and significant effect
6	Impact of standardized audit performance	G. R ² = 0.563	H. β = 0.750	I. F = 229.4 (Sig = 0.000)	Accurate audit procedures clearly contribute to improving overall performance.

Source: Prepared by the researchers based on the results.

Third: Multi-Regression Model Analysis

A. Tests the effect of all six dimensions of quality control on performance together.

Index	Value
R	0.874
R ²	0.764
Adjusted R ²	0.755

Interpretation: The dimensions combined explain 76.4% of the change in audit firm performance.

1- β coefficients

Dimension	β	Sig
Leadership and Culture	0.221	0.003
Ethics	0.186	0.009
Customer Acceptance	0.247	0.000

Professional Qualification	0.260	0.000
Monitoring and Control	0.233	0.002
Audit Implementation	0.241	0.001

The most influential factor is professional qualification, followed by admission procedures, and then audit implementation.

2- Multiple-choice ANOVA $F = 84.55$

Sig = 0.000

Fourth: The relationship between all variables (Correlation Matrix)

Dimension	Performance	Sig
Leadership and Culture	0.722	0.000
Ethics	0.690	0.000
Customer Acceptance	0.767	0.000
Professional Qualification	0.775	0.000
Monitoring and Control	0.737	0.000
Audit Implementation	0.750	0.000

Interpretation: All dimensions are strongly correlated with performance, with the highest correlation being for professional qualifications, followed by customer acceptance.

Fifth. Final Hypothesis Test Results (Final Summary)

Hypothesis	Result
Main Hypothesis: There is an impact between quality control and performance	✓ Acceptable
Leadership and Culture → Performance	✓ Acceptable
Ethics → Performance	✓ Acceptable
Customer Acceptance → Report Quality	✓ Acceptable
Professional Qualification → Task Execution Quality	✓ Acceptable
Follow-up and Control → Results Reliability	✓ Acceptable
Audit Implementation → Overall Performance	✓ Acceptable

4- Conclusions, Recommendations, and Future Proposals

4-1- Conclusions

1. Implementing quality control has a strong and direct impact on the performance of audit firms.
2. Professional qualification and development is the most influential factor.
3. Client acceptance procedures are the first line of defense against risks.
4. Accurate audit execution enhances the reliability of reports.
5. The organizational environment in audit firms is moving towards maturity and quality.

4-2- Recommendations

1. Full compliance with ISQM1 and ISQC1 standards is essential.
2. Professional training programs for auditors should be intensified.
3. Client acceptance policies should be developed in accordance with international risk standards.
4. Modern electronic internal audit systems should be adopted.
5. The level of professional culture and governance within firms should be raised.

6. Communication with users of financial statements should be strengthened to enhance trust.

4-3- Proposals for Future Research

1. A study of the impact of digital transformation on audit quality in Iraq.
2. A study of the relationship between artificial intelligence and the reliability of audit results.
3. The impact of the Iraqi regulatory environment after 2025 on the performance of auditing firms.

Sources And References

1. Al-Saadi, Ahmed Abdul Rahman. Quality Control in Auditing Firms. First Edition, Dar Wael Publishing, Amman, Jordan, 2020, p. 44.
2. Al-Shammari, Ali Hussein. "The Evolution of Quality Control Practices in Auditing Firms." Journal of Accounting and Financial Sciences, Volume 15, Issue 2, Baghdad, Iraq, 2019, p. 112.
3. Arens, Alvin A., Elder, Randal J., & Beasley, Mark S. *Auditing and Assurance Services: An Integrated Approach*, 16th Edition. Pearson Education, 2017, p.158.
4. Boynton, William C., & Johnson, Raymond N. *Modern Auditing: Assurance Services and the Integrity of Financial Reporting*, 8th Edition. Wiley, USA, 2006, p.102.
5. IAASB. *Quality Management for Firms*, IFAC, 2021.
6. IFAC. *International Code of Ethics for Professional Accountants*. IFAC, 2018.
7. International Auditing and Assurance Standards Board (IAASB). *Quality Management for Firms: Basis for Conclusions*. IFAC, New York, 2021.
8. International Federation of Accountants (IFAC). *International Code of Ethics for Professional Accountants*. IFAC, 2018.
9. International Federation of Accountants (IFAC). *ISA 230: Audit Documentation*. IFAC, 2018.
10. International Federation of Accountants (IFAC). *ISQM 1: Quality Management for Firms*. IFAC, 2020.
11. International Federation of Accountants (IFAC). *International Code of Ethics for Professional Accountants*. New York, USA, 2018.
12. International Federation of Accountants (IFAC). *International Standard on Auditing ISA 230: Audit Documentation*. New York, USA, 2018.
13. International Federation of Accountants (IFAC). *International Standard on Quality Management 1 (ISQM 1): Quality Management for Firms that Perform Audits*. New York, USA, 2020.
14. Messier, William F., Glover, Steven M., & Prawitt, Douglas F. *Auditing and Assurance Services: A Systematic Approach*, 10th Edition. McGraw-Hill Education, 2017, p.215.
15. Moeller, Robert R. *Executive's Guide to Internal Auditing*. Wiley, 2014, p.62.
16. Warren, Carl S., Reeve, James M., & Duchac, Jonathan E. *Accounting*, 27th Edition. Cengage Learning, 2018, p.310.