

# Proposed Framework for the Governance of the Auditing Profession in Iraq<sup>1</sup>

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## ABSTRACT

The research dealt with the subject of the governance of the auditing profession in Iraq for the purpose of improving the professional performance of the auditor. The problem of the research was to know the impact of the proposed framework for the governance of the auditing profession in Iraq, and the concept of governance of the auditing profession received the attention of many researchers. However, a clear and specific concept of it did not crystallize either in the standards issued by international organizations or in the studies conducted by the research. The reason is that the services provided by the auditing profession cannot be tested in advance and there is difficulty in measuring the quality of performance after completing the audit process in addition to the lack of expertise for the beneficiaries of this service, and the objectives of the research were focused on presenting and discussing the concept of governance of the auditing profession as contemporary concepts. And the statement of the impact of using it as a means to improve the quality of the professional performance of auditors and their role in reducing the expectations gap in the auditing profession, as well as trying to design a proposed framework to represent the relationship between the governance of the auditing profession and improving the quality of professional performance and its contribution to the discovery and reduction of the expectations gap in the auditing profession. And the study found the need for the regulators of the auditing profession in Iraq to apply a framework for the governance of the auditing profession in Iraq and adopt a policy of educating stakeholders and increasing their awareness of the responsibility of auditors.

**Keywords:** *Governance of the auditing profession; Internal audit; Auditor.*

## INTRODUCTION

The auditing profession has been subjected to many criticisms in financial terms and the lack of services it provides to the community, which led to a gap between the expectations of the financial community and the auditing profession, it has become an imperative for the profession to take into account the requirements of the financial community to reduce the expectations gap in order to avoid criticism about the quality and credibility of the professional performance of the auditor, cooperation and coordination between the regulators of the auditing profession in Iraq is still limited by many determinants that regulate the work of the internal auditor and external audit that seek to improve them during the issuance of laws and instructions that will improve the quality of auditors' performance and enhance their efficiency in issuing an impartial opinion on the validity and fairness of the financial statements in economic units to help users make their decisions and formulate their policies, and the problem of the study was the extent to which the application of the governance of the auditing profession can contribute to narrowing the expectations gap and reducing it through its impact on improving the quality of auditors' performance. This study aims to formulate a proposed framework for the governance of the auditing profession as well as clarify the laws that work regulators of the audit profession in Iraq. In order to achieve the objectives of the above research, it was divided into four sections. The first section deals with the research methodology, some previous studies, and the contribution made by the current research.

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The second topic deals with the theoretical framework for the governance of the auditing profession. The third topic deals with the proposed framework for the governance of the auditing profession in Iraq. Finally, the fourth topic deals with conclusions and recommendations. In two sections, the first section deals with the most important conclusions reached by the research in the light of what was presented and discussed and from a conceptual perspective, while the second section deals with the recommendations that the researcher decided to present.

## **THE FIRST TOPIC: FIRST: RESEARCH METHODOLOGY**

### **1- The Research Problem**

The problem of the research is the extent to which the regulators of the auditing profession in Iraq are concerned with the governance of the auditing profession in the practical reality of the practices of the auditor profession, and therefore the presence of governance for the auditing profession in Iraq helps in controlling the professional performance of the auditing offices and ensuring that they fulfill their responsibilities well, which guarantees the rights and users of financial reports. In addition to narrowing the performance expectation gap between users of financial reports and the profession of auditors, so the application of audit governance can contribute to controlling the professional performance of auditors.

### **2- The Importance of Research**

The importance of the research is that it discusses issues related to the continuity of the auditing profession, especially the auditing profession in Iraq, and the ability of the auditor to perform his duties and responsibilities towards stakeholders, as well as the clear implications of applying auditing governance in improving the quality of the auditors' professional performance, as the auditing profession's governance It has received wide attention from researchers and professional organizations to strengthen their professional ability to detect fraud, which enhances audit quality and narrows the performance expectation gap.

### **3- Research Objectives**

The research aims to achieve the following:

- Recognizing the concept, importance and objectives of the governance of the auditing profession in Iraq and the theoretical foundations on which the auditing profession is based.
- Presenting and clarifying the most important auditing practices, and then discussing the most important dimensions of the governance of the auditing profession.
- Formulating the proposed framework for the governance of the auditing profession in the Iraqi environment.
- Submit proposals that may contribute to improving the services of the auditing profession in the light of the conclusions reached.

### **Second: Previous Studies**

Ahmed, 2017, a master's thesis entitled "The Role of Audit Governance in Reducing the Expectations Gap in Audit".

The study aimed to identify the concept of governance of the auditing profession and to know the role of governance of the auditing profession in reducing the responsibility gap and to study the relationship between governance and the performance gap and to indicate the impact of the governance of the profession on the reporting gap. For this purpose and distributed to the study population, the study reached a set of results, including, that the auditors' commitment to the principles of governance of the auditing profession when they review the financial statements contributes and affects positively in reducing the expectations gap, when applying international accounting standards for auditing when conducting audits of the financial statements contributes In narrowing the expectations gap in the auditing profession and leading to the disclosure of all errors in the financial statements issued by the economic units, which narrows the expectations gap in the auditing profession. And provide all the capabilities that help in the work of auditing, studies the expectations of the community and try to meet their needs by identifying the beneficiary of the financial statements.

Study, Ali, 2017 (assessment of the interest of external audit institutions in Sudan in the dimensions of governance of the auditing profession).

The aim of the study was to demonstrate the level of interest of auditors in the dimensions of governance of the auditing profession and to demonstrate the role of dimensions in the reliability of accounting information provided to users of financial statements. They occur with the possibility of the auditor adhering to the ethical dimension when carrying out audits and showing referrals of fraud and misrepresentation in the financial statements. The study followed a questionnaire in collecting information after distributing 31 questionnaires to audit offices in Sudan. Confirmation of the data contained in the financial reports and thus increases the reliability of accounting information and enables the performance evaluation in a timely manner, and the dimensions of audit governance contribute to improving the efficiency and effectiveness of auditing and thus improving the quality of professional performance.

Hussein's study, 2018, (Continuing professional education and its role in improving the governance of the external audit profession).

The study aimed to identify the concept, importance and areas of continuing professional education for the performance of the auditor and its role in improving the quality of professional performance. By expressing a neutral technical opinion that contributes to the preparation of a sound report and the preparation of financial statements that can be relied upon by the stakeholders, the importance of the study was represented in the extent of the auditors' response to continuing education courses during the work period, which reflects positively on the auditors' skills and their competence in detecting manipulation and cases of fraud in the financial statements. The study relied on the descriptive approach to study and analyze the impact of continuing professional education on improving the governance of the auditing profession and improving the reputation of auditors' offices. The need to encourage auditors to enroll in continuing education courses and follow up on the application of standards of professional conduct To produce high quality, reliable reports to improve the governance of the auditing profession.

The auditing profession, the necessity of activating the work of monitoring the quality of the performance of audit offices by professional organizations.

Study Abdel Aziz, 2019 PhD thesis entitled (Audit Governance and its Role in Reducing Audit Risks and Improving the Quality of Financial Reports).

The study aimed to explain the role of the audit profession's governance and its merits in reducing audit risks, confirming the auditor's role in reducing audit risks, and clarifying the role of professional performance control in improving the quality of financial reports in order to reach the desired results. Offices of auditors and the National Auditor's Office. To achieve the purposes of the study, the hypotheses were tested and proven. The study concluded that the auditor contributes to reducing the risk of information, which leads to the quality of financial reports used by decision makers from errors, and that the governance of the audit profession leads to reducing the risks of the audit profession to the extent possible. This It helps to gain the confidence of stakeholders and directs investors to invest. The study recommends that auditors must adhere to professional ethics and generally accepted auditing standards to reduce the potential for manipulation by auditors to avoid accountability and legal penalties that pose a threat to the auditing profession.

## **THE SECOND TOPIC: THE THEORETICAL SIDE**

### **Governance of the Audit Profession**

The auditing profession has been subjected to many criticisms as a result of the failure of major auditing companies and the financial crises that business has been exposed to and had a significant impact on the activities of the agencies and bodies regulating the auditing profession all over the world. The failures of the auditing profession in facing risks and the bankruptcy of many companies have led to major changes. In the direction of enhancing the quality of the auditing profession and searching for new procedures and controls to gain the confidence of the beneficiaries of the auditing service in terms of the role of the auditing profession, responsibility and rules governing the work of the profession, some countries, especially members of the European Union, have begun to call for the coordination of auditing regulations that are subject to different rules that have caused bottlenecks and dispersion for decision makers. Therefore improving the quality of auditors' reports is crucial, the auditor's independence, pressures and other factors that display the auditor's ability to face audit risks, judgments are unbiased, and modern methods are followed to control the profession (Baldauf and Steckel, 2012: 7-8). And in the United States in 2002, the auditing profession was subject to public oversight and regulation by the Oversight Board for Corporate Accountability (PCAOB), the Securities Commission, and the ICA. Investment in Australian (ASIC) Sub-regulatory bodies have been established concerned with oversight and governance over the profession, reactions and resistance to new conditions that endanger the profession, and these bodies are mandated to supervise the implementation of audits and reporting of non-compliance with professional standards that aim to improve the quality of the profession (Dowling & Others, 2018

:2). The period 1997-2002 witnessed weak control systems and resulted in opportunities for fraud growth in the financial statements subject to audit by 145%, and the percentage reached 170%. After this period, the authorities concerned with the auditing profession, the American Institute of Certified Public Accountants and the issuing authorities of financial reporting standards, began looking for an explanation. And solutions and justification for the occurrence of fraud in the financial statements subject to prior audit, and it turns out that there are accumulated interactive factors, including: weakness in the audit profession and factors specific to economic units, (Rezaee, 2005:280). It obtains the satisfaction of the stakeholders, which found a gap in the expectations of the profession, especially the performance of the auditors, as they are the last link that is linked to the beneficiaries of the audit services, represented by issuing clean reports, while the financial reports contain distortions that were later revealed, and the essential facts were hidden and it is considered unethical behavior and agreements with Management is inappropriate for the profession.

### **First: The concept and importance of the governance of the auditing profession:**

It was defined as “controlling and monitoring the performance of auditors’ offices and ensuring that they fulfill their responsibilities well, which guarantees the rights and interests of users of audited financial reports through the use of a set of mechanisms, tools, principles and methods” (Abdul-Aziz, 60: 2018). It was also defined as “a set of mechanisms and tools and the principles and methods that help those in charge of the profession to monitor its performance of its role and its fulfillment of its responsibilities with an appropriate quality, which contributes positively to the profession’s achievement of its goals, and this in turn helps the welfare of society’s achievement” (Hussein, 2018: 59). From the above, the governance of the auditing profession can be defined as (formal procedures and controls and semi-official to apply control provisions on the performance of auditors aimed at improving the level of quality of professional performance to achieve the interests of the parties dealing with the economic unit and take into account the interest of the unit and achieve social welfare). Interest in the governance of the auditing profession has increased through its role in social justice and economic development, activating oversight and improving the level of quality of the professional performance of audit offices to provide reliable information in order to guarantee the rights of stakeholders, which leads to raising the level of reassurance among decision makers, especially investors in the stock market, and narrowing expectation gaps in the auditor’s report on the extent to which the financial statements are free from errors and material misrepresentations through adherence to the rules and ethics of professional conduct and professional standards, and the importance of governance of the auditing profession can be determined as follows: (Hamid, 63-64: 2018)

1- Economic importance: The importance of the governance of the economic auditing profession is represented by the auditor’s role in detecting fraud and submitting a report that reflects fairness and credibility in the financial statements upon which investors rely in making decisions and gaining their trust in order to achieve sustainable economic development (Fadilah & Fitriany, 2021:1).

2- Ethical importance: The governance of the auditing profession helps to impose control over the behavior of auditing firms, to meet certain levels of quality specified when implementing regulated procedures, and to make the auditor bear responsibility for risks that were not mentioned or warned of their existence, by detecting manipulation with a moral motive and ensuring Compliance with continuous accounting, to encourage the development of credible audit services that meet the needs of users of financial statements and make rational decisions, and to make the audit profession compatible with economic development. (ALangari, 2021:38).

3- Legal importance: The legal significance of the governance of the auditing profession is represented in regulating the relationship between the economic unit and other parties when applying laws, standards and regulations, and influencing the different dimensions of the auditing profession and the relationship between the various variables within it, producing an audit report of importance and quality, the timing of its issuance is a determining factor for good The timing of appropriate financial information, delaying the auditor's report is a critical and important factor affecting the usefulness of information available to external users, (ALdoseri & Othors, 2021:167).

4- Social importance: The social significance of the governance of the auditing profession stems from the extent to which the profession is able to meet the expectations of investors with continuous management accountability and the credibility of the auditor’s report because investment decisions need high-quality financial information to predict investment and achieve the highest return with a level of risk that can be controlled, which makes investments communities increase and develop, which reduces poverty, creates job opportunities for society, and reflects positively on the individual’s life and well-being, in other words, the extent to which companies follow effective control systems through which they preserve resources from manipulation and embezzlement, whether organized internal control or tight external control that activates local and national investment, (Madugba & Others, 2021:107-108).

**Second: Reasons for the need for internal audit governance:**

Similar to the auditor profession, the internal auditor must be independent in carrying out his duties, which has an important role in detecting data manipulation and evaluating all activities, and prompted the need to organize this internal audit profession because it is very important to provide and support all administrative information for decision-making (Suyono & Hariyanto, 2009:1238), and one of the factors that led to the need to pay attention to the governance of the internal audit profession is its active role in corporate governance, as its traditional role was limited to evaluating activities in most economic units and was not concerned with the modern characteristics of the internal audit profession and the advisory role regarding risks and the added value of economic units according to the organizational structure and the ability of auditors to determine the extent to which economic units can continue and interact with events in a way that does not confuse stakeholder decisions, (Tusek & Ivana, 2016: 153).

In addition to other reasons represented by the professional suspicion of the existence of the risks of internal audits, which confirms the realization of warning signs of the possibility of fraud, meaning that there is no tangible fraud, but there is a decline in its financial position and a gap in shareholders' expectations towards the control systems in the economic units and weakness in the loyalty of investors to the units. An efficient and effective means and an organizational structure designed and implemented by the administration in which powers and delegations are determined according to administrative levels in order to reduce internal control risks, impose new practices and methods such as professional suspicion and its characteristics in all stages of auditing, use technologically advanced methods in internal control systems, support audit independence and exclude any personal interests. Managers affect the performance of the internal auditor, (Hamshari, 2021: 106).

**Third: Auditing Profession Governance Objectives:**

The governance of the auditing profession seeks to achieve goals that provide effective oversight over the auditing profession, which is part of the mechanisms of corporate governance. Governance generally aims to achieve transparency, justice, and granting the right to hold the owners accountable to management, which limits the abuse of power in other than the public interest, providing effective oversight over the auditing profession and work. To evaluate performance and establish organized administrative structures that have many specializations and powers to achieve effective and independent oversight and among these goals.

(Hamid, 32: 2018):

1- Providing an official reference for supervising and judging the performance of audit offices: The main objective of the governance of the audit profession is to have a reference for setting policies and procedures that regulate the audit process to avoid professional penalties for audit offices and to provide evidence that can be relied upon to judge and monitor the performance of auditors and the followed control system leads to a reasonable level of the quality of professional performance and to increase the assurance that the services provided were carried out effectively, and that the supervision was objectively appropriate and confirms the extent to which audit offices adhere to professional standards, which enhances the possibility of discovering irregularities and errors in the financial statements, and thus increases the confidence of stakeholders in the auditor's report and its credibility and enhances the confidence of the financial public in the auditing profession (Adam, 31: 2018).

2- Confirming adherence to the standards, guidelines, and laws regulating the profession: The standards are considered a guide for the auditor. Auditing standards define how auditing firms should structure their practices, how to appoint, train, and reward professional auditors, and what services must be provided to stakeholders, and specify the procedures for accepting the auditing and planning process. Many professional and regulatory bodies have established ethical standards, independence standards, quality control standards, audit performance and reporting standards. Whether issued by the American Institute of Certified Public Accountants (AICPA), the Public Company Accounting Oversight Board (PCAOB), the International Auditing and Insurance Standards Board (IAASB), or various national bodies, all standards have the effect of coordinating and constraining the activities and behavior of auditors. In general, all of these criteria work to improve the quality of professional performance of audit offices and the quality of financial statements, (Knechel, 2013: 2).

3- Confirming the ethical commitment of the auditor: Professional governance aims at the need for audit offices to adhere to the ethics of the profession that gives them credibility and confidence in their reports. The role of the auditor and his legitimacy in the market is to protect a wide range of stakeholders without caring about his own interests and the interest that may affect the impartial professional judgment (Ardelean, 2013:56).

4- Increasing the level of disclosure and transparency: The mechanisms of governance of the auditing profession confirm, and according to the standards of the auditing profession issued by the authorities concerned with monitoring

the professional performance of the auditors, in the event that the auditor refrains from expressing an opinion in certain cases in the financial statements, he must disclose the reasons that led to his failure to express opinion in his report (Asmaa, 28: 2016).

5- Improving the quality of audits: The governance of the auditing profession aims to improve the quality of auditing processes. The quality of performance of auditing processes can be determined in general through the auditor’s independence, his scientific and practical competence, his characteristics, the importance of the customer, the size of the audit office, the duration of the audit, the fees of the auditing process, and the compulsory rotation of the auditor, to reach outputs that increase data confidence in the financial statements, which enhances the role of the audit profession in serving stakeholders (Xiao & Others, 2020:112).

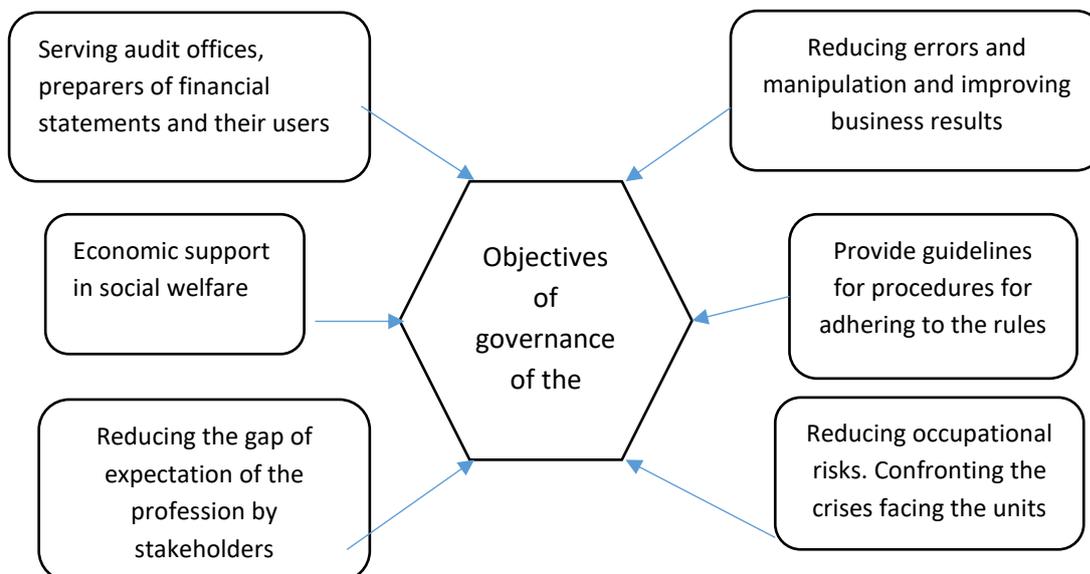
6- Supporting the credibility of audit reports: The auditor’s report is considered one of the objectives of the governance of the audit profession, and it can be described as the final product of audit operations, the mediator that regulates the relationship of external parties with companies, and a tool for stakeholders who rely on the auditor’s report to detect manipulation and fraud in the financial statements (Skaerbaek, 2009: 974)

7- Improving the reputation of audit offices: the reputation of many audit offices deteriorated after successive financial crises, especially after the complicity of many auditors with the companies’ management when auditing their financial statements, and the auditors’ responsibility when preparing their reports was legally proven by not indicating misleading in the financial statements of some companies lawsuits filed by stakeholders against auditing offices increased after the collapse and bankruptcy of many companies, which necessitated improving the reputation of auditing offices through the governance of the auditing profession. (Moizer, 2003:65)

The governance of the auditing profession aims to provide appropriate, credible and high-quality information that supports users’ investment and financing decisions, to confront and reduce the crises facing economic units, and to reduce the risks of the auditing profession, especially the risks of discovery (Abdulaziz (2019: 47).

The researchers see that the objectives of the governance of the auditing profession are the basis for setting up mechanisms for the governance of the auditing profession. The objectives are to impose control on the profession in general and auditing companies in particular, stressing the need to adhere to the rules of professional conduct and auditing standards, working with the provisions of laws and rules, ensuring monitoring, evaluating and improving professional performance, and gaining confidence. Professional stakeholders

**Figure (1): The objectives of the governance of the auditing profession.**



*Format: prepared by the researchers*

**THE THIRD TOPIC: THE PROPOSED FRAMEWORK FOR THE GOVERNANCE OF THE AUDITING PROFESSION IN IRAQ:**

This topic deals with the most important concepts covered by this proposed framework for the governance of the auditing profession in Iraq in terms of the basic concepts on which the framework is based, objectives, importance, dimensions, principles and relevant accounting standards that define the characteristics and behavior of the auditor and contribute to improving the quality of professional performance.

**1- The objectives of the proposed framework for the governance of the auditing profession:**

The aim of developing a proposed framework for the governance of the auditing profession in Iraq is to improve the quality of the professional performance of the auditor and gain the confidence of stakeholders in the auditing profession by imposing and providing effective oversight on the auditing profession and monitoring the extent of compliance with the rules of professional conduct, professional ethics and international standards of auditing. Among the most important basic objectives of the framework are:

- A- Supporting the oversight role of the accounting profession.
- B- Improving and evaluating the auditor's professional performance.
- C- Organizing the auditor's work procedures and imposing continuous control over the professional performance.
- D - Enhancing the economic role of the profession and focusing on clients of audit offices, especially economic units, to contribute to social welfare.
- E- Confirming the ethical commitment and independence of the auditor.
- F- Determine the auditor's responsibilities and open the door for dialogue between audit offices and stakeholders.
- G- Confirm and guarantee the quality of the information included in the financial statements.

**2- The basic concepts on which the proposed framework for the governance of the auditing profession is based:**

Definition of terms used within the proposed framework for the governance of the auditing profession:

A- Governance of the auditing profession: The governance of the auditing profession according to the proposed framework is based on a set of official and semi-official methods, rules, principles and controls that govern the auditing profession, aiming to ensure the soundness of financial and non-financial performance to achieve the interests of the parties dealing with the economic unit, enhance their confidence in the profession, take into account the interest of the unit and achieve welfare.

B- The quality of the professional performance of the auditor: It means the auditor's ability to detect misrepresentations and errors in the financial statements, apply policies and procedures based on international auditing standards, and issue a neutral report that can be relied upon by the beneficiaries of the audit service to make sound decisions.

C- Independence of the auditor: The framework is based on the auditor's ability to exercise judgment in concealing any information affecting stakeholders and expressing a neutral technical opinion independently without the presence of internal or external interference or pressures that affect the integrity of his decisions and the validity and integrity of his report.

D- International Auditing Standards: Auditing standards as a set of rules and principles that guide the work of the auditing profession systematically, to judge the extent to which the auditor adheres to these rules, whether it is related to professional behavior and ethics of the profession, or to emphasize the quality and measurement of accounting procedures and practices. And specialized associations after studying and thinking to logical conclusion from a set of concepts and hypotheses, and determine the responsibilities of the auditor and the direction of the tasks assigned to him.

E- Professional specialization: The professional specialization can be defined as the experience and knowledge acquired by the auditor through training and practice of the nature and characteristics of a specific activity and

customer, which enables him to perform a distinct audit service and meet the requirements of stakeholders in light of the changes in the business environment, which makes him superior and distinguished from non-specialized auditors.

H- Peer review: It can be defined as a qualified audit program established by a specialized body to review and evaluate the results of the work of other auditing firms, and that the auditor or the evaluating company have the necessary competence to confront professional behavior that causes harm to stakeholders according to performance quality standards.

I- Joint review: It is an audit process in which more than one auditor participates, and they often agree to coordinate their efforts and plan for all steps of the process. They exchange experience and advice, in order to issue a final report that is signed by both of them. They bear joint responsibility before the stakeholders.

### 3- Principles of the proposed framework for the governance of the auditing profession:

- A- Existence of contemporary professional legislation and rules that keep pace with emergency economic changes and events.
- B- Existence of effective systems for continuing education to develop and improve the efficiency of the professional performance of the auditor.
- C- Availability of a developed guide that is updated from time to time and is bound by the rules and ethics of the auditing profession.
- D- Adopting professional, academic, research mechanisms concerned with the problems of auditing practices, ways to address them, and facing challenges in a practical manner.
- E- Developing auditing awareness among leaders, other stakeholders and the general community regarding the importance of the role of the auditing profession in development and well-being in society.
- F- Existence of procedures that organize the training process and develop the efficiency of the professional performance of the auditor, and that they are flexible and decentralized.

### 4- The international auditing standards followed in the proposed framework:

The scope of application of standards for the governance of the auditing profession:

#### A- General external auditing standards:

The general standards of the auditor are related to everything related to his personality, his academic qualifications, his independence and impartiality, the exercise of adequate professional care, which guarantees the professional competence of the auditor, and the general standards include the following:

#### 1- Personal criteria:

A- The first criterion: The performance of the auditor must be performed on a person who has obtained an appropriate level of training and technical skill that qualifies him to work as an auditor.

Academic Qualification: The auditor must have a university degree in financial and commercial sciences and specialize in accounting, in addition to a professional certificate in accounting. Scientific qualification and professional competence: the auditor must have trained or practiced work under the supervision of experts or have 10 years of actual experience in the field of specialization. And these conditions may not be sufficient to judge the auditor's competence with the required professionalism. Therefore, periodicals, seminars and field training should be organized. Through it, the auditor can develop his practical, intellectual and field capabilities alike, and enables him to understand his duties and work with the requirements of academic qualification standards and professional competence.

B- For the second criterion: auditor independence, the user of the financial statements seeks to obtain credible information to rely on in making future decisions. Determining the extent to which accounting information can be relied upon is dependent on the independence of the auditor, so two conditions must be met. The auditor does not have material interests. The auditor should not have material interests and kinship with the economic unit subject to audit, because the existence of this affects his independence when expressing his neutral technical opinion on the financial

statements. The second condition is the existence of autonomy: customers or higher managements must not interfere in the auditor's tasks by examining the data and records.

C- The third criterion: This criterion is concerned with professional care and requires exerting the necessary professional care to complete the examinations and prepare the report, in the sense that the auditor must give sufficient attention to all stages of the audit process, and it is not sufficient to be a qualified or independent auditor in order to successfully complete the audit process. To be willing to achieve this success and keen to achieve it and to make all possible efforts for that, and this depends on his living conscience.

## 2- Field Standards:

It is concerned with field work related to the steps of implementing the audit process and technical procedures. These standards also highlight the importance of evaluating and studying the internal control system. This group includes three standards: (Ziyadi, 48-49: 2013)

A- The fourth criterion: the work should be planned, the tasks assigned to the assistants, and supervised appropriately.

B- The fifth criterion: A sufficient level of understanding should be reached to plan the audit process and determine the nature of the timing and the set of tests that must be carried out. After evaluating the internal control system, the auditor prepares a working paper that includes the following:

Weaknesses in internal control.

Strengths in the internal control system.

- Recommendations and proposals for the company subject to the audit process.

C- The sixth criterion: Sufficient evidence must be obtained through examination, observation, inquiry, and sending confirmations until appropriate evidence is available to reach an impartial opinion on the financial statements under audit.

## 3- Report criteria:

These standards are related to how the auditor's final report is prepared and include:

A- The seventh criterion: According to this criterion, the report must determine whether or not the financial statements comply with the agreed upon accounting principles.

B- The eighth criterion: The report must mention cases of instability in the application of generally accepted accounting principles between the current and future periods.

C- The ninth criterion: unless the contrary is mentioned in the audit report after the disclosure and transparency of the financial statements.

D- The tenth criterion: The audit report must contain the auditor's opinion on the financial statements as a whole or his opinion on some elements that have an impact on expressing the opinion, and when the opinion cannot be expressed in the financial statements attached to the report, and the nature of the auditor's duties should be clarified in the report. Accounts and responsibility.

## 5- Internal Audit Standards:

The standard is the standard for judging the efficiency of the level of professional performance. The general criteria relate to the personal composition of the internal auditor. Those who practice this profession must have the necessary scientific and practical qualifications and competence. The internal audit criteria are divided into:

A- Qualifications criteria: These are the characteristics and attributes of the persons and institutions that perform the internal audit activity, and they include the following:

1- Standard 1000 Responsibility, Authority and Purpose: The responsibility, authority and purpose of the internal audit activities must be defined in the audit document and approved by the Board in accordance with the standards.

2- Standard 1100 Independence and Objectivity: The internal auditor should be independent, and his work should be objective when performing his work, and this allows him to perform his work objectively without the interference of any party whatsoever.

3- Standard 1200 Professional Diligence and Efficiency: The standard emphasized the need for technical and scientific professional competence, and stipulated the need for a training system inside and outside the administration, supervising the work performed by the internal auditor, and having a plan for his work.

4- Standard 1300 Quality Assurance and Improvement Programs: The executive director of internal audit should be keen to develop and confirm quality programs for all audit activities and continuous monitoring of their effectiveness, and include programs for periodic evaluation and continuous internal examination of all audit activities, and quality assurance examination at least once every five years by an independent and qualified person.

**B- Performance Standards:** These standards describe the nature of the audit activities, and include the standards by which performance is measured as follows:

1- Standard 2000 Managing Internal Audit Activities: The executive director must manage the audit activities effectively in order to achieve high value for the organization, when developing internal audit plans that are based on risk management, which are prepared every year, and procedures and policies that direct and coordinate audit activities and communicate information to the parties are established. Internal and external, and preparing reports to senior management and the board of directors.

2- Standard 2100 Nature of Work: Audit work includes contributing to the organization's governance, evaluating, improving and managing risks, and verifying that the scope of operations and programs is consistent with the organization's objectives.

3- Standard 2200 Professional Planning: The auditor must prepare a plan for each task or work that includes objectives, scope, time and resource distribution through prior planning, and developing programs for each task to achieve the objectives.

4- Standard 2300 Mission Performance: Internal auditors must work to identify, evaluate, analyze and record information sufficient to achieve objectives.

5- Standard 2400 Communicating Results: Internal auditors must communicate the results of their engagement.

6- Standard 2500 Progress Monitoring: The chief audit executive must maintain a system for monitoring the progress of results that are presented to the board and senior management and that management has accepted the risk of not making management decisions.

7- Standard 2600 Management Decision Accepting Risks: In the event that management accepts risks, and no measures are taken, the CEO must submit a report to the Board of Directors to develop the necessary solutions.

6- The rights and duties of the auditor:

The auditor has rights that guarantee him independence and freedom that enable him to perform his duties with sufficient professional competence:

**A- The rights of the auditor:** The auditor has rights guaranteed in all laws and regulations regulating the business, giving him the right to dispose and complete freedom in a number of matters, including:

1- The right to obtain and view accounting documents, records and minutes of meetings for each of the general assembly of shareholders and the board of directors at any time deemed appropriate for the auditor and not inconsistent with the Companies Law in force in economic units.

2- The right to request clarifications and data that help in issuing a clear and quality report.

3- The right to send an invitation to a meeting of the audit committee and the board of directors in the event of urgent cases that impede his work and are of utmost necessity.

4- The right to hold the administration responsible for manipulation or errors with information that cause damage to stakeholders.

B- Duties of the auditor: The auditor has a number of duties that must be performed, the most important of which are:

1- Provide recommendations on the effectiveness and efficiency of the internal control system in economic units.

Checking the extent to which economic units adhere to the generally accepted rules and principles of accountant work.

2- Ensure the validity of the values recorded in the financial statements using various verification methods.

3- Carrying out actual audits of the economic unit's records and accounts for the purpose of ensuring their integrity and verifying that they are free from manipulation and errors.

4- Pillars of the Audit Profession Governance Framework:

The proposed framework is based on a number of pillars, whether they are pillars of professional behavior and ethics, or legislative pillars and rules that regulate the auditing profession, the most important of which are:

A- Compliance with the laws, rules, regulations and standards issued by governments and international bodies concerned with the profession:

B- Disclosure in a timely manner: The auditor should disclose in his report any manipulation in the data of the financial statements or any misleading figures related to previous or future periods.

C- Identifying and managing financial risks: The internal auditor and auditor should monitor all types of risks and review some risks in his report that may reflect negatively on the results of the audit work and affect the credibility of the information in the financial statements.

D- Taking into account the interests of stakeholders: The auditor must take into account the interests of all parties dealing with economic units as defined by the law and works to activate cooperation between stakeholders and economic units to achieve economic sustainability based on cooperation, raising the financial level and creating job opportunities.

C- An efficient information system: the existence of an information system that helps the auditor to communicate with all levels and compare the financial information for the current year with previous years in order to issue a transparent and honest report.

H- Determining the powers and responsibilities: The auditing profession's governance framework defines the powers and responsibilities of the auditor and the internal auditor, to limit interference and pressures that may lead to the transformation of public interests into personal interests.

G- Academic and practical qualifications: The auditing profession's governance framework is based on the means, methods, methods, duties and responsibilities of the auditor, and he is convinced that his role is linked to his ability to professional practices and his ability to prove the auditor's role in protecting stakeholders. This role is achieved through his keenness to raise his level Scientific and practical when performing his work.

5- Rules and ethics of professional conduct for the auditing profession's governance framework:

The auditing profession is a means of measuring and proving facts, distributing rights fairly, and adhering to honesty and transparency in presenting information. The rules and ethics express a set of ethical principles and values that govern the actions of auditors, encourage proper professional behavior, and maintain confidentiality in work. Among these ethical rules of the proposed framework are:

A- Rules of ethical conduct emanating from the trust: the auditor in the auditing office must be trustworthy with the data and information he sees in the financial statements of the economic units subject to auditing in order to avoid many of the problems that the profession faces.

B- Ethical rules of conduct emanating from honesty: Honesty is considered the most important characteristic that the auditor must possess, and no action based on lies and misleading, especially the certification of the financial statements and information contained in the auditor's report, will be successful or correct.

C- Ethical rules of conduct stemming from sincerity in work: the auditor must work with the intention of performing his duty sincerely towards all parties when issuing his report, and he does not link the size of his wages to the quality of his work, and he does not aim to improve the reputation of his office at the expense of negligence in work.

D - Ethical rules of conduct emanating from responsibility: the auditor should spare no effort in order to fulfill his duties and responsibilities towards his profession in detecting manipulation on the part of management, whether misappropriation of assets or falsification in the financial statements.

C- Ethical rules of conduct emanating from objectivity: the auditor must be objective when issuing his report and reveal illegal behaviors, i.e. impartial and fair, not biased towards a particular party and not subject to the influence of senior management of economic units when performing his professional duties.

h- Ethical rules of conduct emanating from confidentiality: the auditor should keep the secrets of the economic units and not leak them to others, and he should not disclose the information except with the approval of the economic units, and he should not use the information for personal benefit.

g- Ethical rules of conduct emanating from integrity: the auditor must be upright and impartial when providing his services so that he can gain the trust of stakeholders.

#### 6- Justifications for the existence of rules and ethics of professional behavior for the framework:

In order to avoid exploiting the information for personal interest or courtesy of a specific party, professional behavior when performing its duties, adequate professional care, and mastery in the fullest way when carrying out audits. The most important justifications are:

A- The auditing profession is a profession linked to society: knowledge is influenced by the values, customs and behaviors of society, and accordingly the auditor who works in Islamic countries must take into account the values and behavior based on Islamic Sharia such as honesty, conviction, truthfulness, accuracy in work, justice, loyalty and not concealing facts.

B - The spread of different cultures: the existence of cultures that include moral values that are not appropriate for the economic business environment, and this requires the existence of rules and ethics based on the local culture.

C- Auditor services: The auditor provides a service to parties other than the economic unit with which he contracted. There are internal and external parties that depend in their decisions on the financial statements that have been audited by the auditor and consider him as a witness or judge who determines the credibility of rights and obligations, which necessitates their excellence in their behavior. vocational.

D - Economic units depend on financial transactions, all parties deal with money and want to maximize the benefits returned, and the auditor wants to get a reward, with many options to achieve their benefits, a choice that is described as ethical behavior and another that is immoral, such as obtaining unworthy fees that are not commensurate with the efforts made And not to engage in behavior that harms parties at the expense of his personal interest.

C- The financial statements are the result of accounting operations: the financial statements are based on rules and principles, and in order for these statements to be useful, moral values, honesty, honesty, and justice must be available, which requires taking into account the development of behavioral values when setting standards that govern the audit work.

h- Reducing the interference of external parties in the audit work: It is possible to limit the interference of external parties in the event that there are rules of professional conduct that are binding on auditors in a way that serves their interests, such as the intervention of the management of economic units in proving operations bearing unreal numbers that maximize profit or financial position, or request concealing their distortions of the facts, and in the absence of rules and ethics of professional conduct, the auditor will respond to their requests, which will cause harm to other parties.

#### 7- Dimensions of the Audit Profession Governance Framework:

In line with the concept of audit governance, the dimensions of the proposed framework for the governance of the audit profession are as follows:

A- The supervisory dimension: This dimension reinforces the auditor's commitment through the supervisory role on performance, based on procedures and rules that require employees in audit offices to sign the application of these procedures and rules.

B- The supervisory dimension: The supervisory dimension includes the performance and behavior of the auditor, whether inside the audit offices or at the external level.

C- The ethical dimension: The ethical dimension includes adopting a culture of commitment of auditors in auditing firms to the rules of ethical behavior at the level of the business environment represented by honesty, honesty and integrity.

D - After disclosure and transparency: This dimension focuses on effective methods to achieve the interests of all parties related to the economic units through issuing reports that reflect the fairness and clarity of information that can be trusted in making sound decisions.

C- After accountability: This dimension focuses on the need for employees of audit offices to disclose the performance of economic units and present them to stakeholders.

H- After contact: After contact, it is related to the need to regulate the relationship between the economic units and the relevant external parties, especially the control authorities.

#### 8- Factors affecting the governance of the auditing profession within the proposed framework:

The proposed framework for the governance of the auditing profession includes a number of factors that affect the control of the auditing profession and help measure auditing quality, including:

A- Professional specialization: The professional specialization of the auditor contributes to raising professional competence and the ability to detect violations and misleading in the financial statements and a specific field, whether industrial or commercial, in a more accurate and efficient manner than non-specialized auditors. Professional specialization is important in improving the quality of professional performance as work procedures It differs according to the type of work of the economic units subject to auditing (banking, government, companies) and according to the type of activity (service, industrial, commercial, agricultural), where the risks differ in different sectors. Business.

B- Peer review: Peer review helps to identify the weaknesses of the offices after reviewing many of the tasks that were accomplished by another group of auditing firms with experience in the professional field to improve the quality of auditors' performance. The peer has an important role in the governance of the auditing profession, as it is closely and positively linked to disclosure and transparency in the financial statements, in addition to implementing corrective plans and procedures in order to detect material errors and misrepresentations that affect the ability of economic units to achieve their objectives and to obtain reasonable guarantees that the financial statements are completely free of fraud. and ensuring that any errors identified are reported and addressed through the auditor's report. Peer review supports and enhances compliance with rules and regulations through frequent review.

C- Joint auditing: Joint auditing helps to enhance the auditor's report after the audit process is completed by more than one office and signed by more than one auditor. Joint auditing contributes to achieving the quality of the auditor's professional performance in general. An auditor may discover a breach in the financial reports and report it. It may not be referred to by another auditor. Defenders of the mandatory joint audit system point out that joint audits may be associated with more knowledge and competencies, for example, four eyes that see better than two in terms of the probability of detecting irregularities and errors, as well as greater independence because it is It is easier for two auditors to resist administrative pressure than for one auditor.

D- International Auditing Standards: Auditing standards are considered one of the most important factors influencing the governance of the auditing profession. Standards are issued by international professional bodies, and they are a set of rules followed by auditors in the form of procedures that regulate auditing processes, represented by responsibilities and rules of professional conduct for auditors, audit results and reports, and benefit from The experience and work of others, risk assessment and audit evidence, which includes: eligibility (which is determined by the level of education

and professional certificates), objectivity (which is measured in terms of the authority to which the report is submitted and the authority responsible for appointing the internal auditor), and the quality of professional performance (which is measured by the level of accuracy and adequacy of audit programs within the scope of the work).

## THE FOURTH TOPIC: CONCLUSIONS AND RECOMMENDATIONS

### First: Conclusions

- 1- The application of a proposed framework for the governance of the auditing profession contributes to improving the performance of auditors from the point of view of stakeholders.
- 2- The framework of the governance of the auditing profession helps to provide reliable accounting information for stakeholders in making rational investment decisions.
- 3- The auditors' commitment to the principles of the auditing governance framework contributes to the conviction among stakeholders that auditing offices bear the responsibility for discovering errors in the financial statements.
- 4- There is a deficiency in the performance of the auditors because they do not use analytical methods to evaluate the performance of the internal audit.
- 5- The authorities responsible for the auditing profession in Iraq do not exercise a tight oversight role on the performance of the auditors.
- 6- The inability of some international auditing standards to meet the stakeholders' conviction of the independence of the auditors' performance.

### Second: Recommendations:

- 1- The need for the regulators to contribute to the auditing profession in Iraq by applying a framework for the governance of the auditing profession in Iraq and adopting a policy of educating stakeholders and increasing their awareness of the responsibility of auditors.
- 2- The authorities regulating the auditing profession in Iraq should activate disclosure in the auditor's report as a principle capable of improving the performance of auditors from the point of view of stakeholders.
- 3- The need to follow control procedures on the performance of auditors in audit offices carried out by the governing bodies of the auditing profession, represented by the Council of the Profession, the Association of Auditors and the Bureau of Financial Supervision.
- 4- The authorities regulating the auditing profession in Iraq should develop continuous training programs that enhance the capabilities of auditors and make their performance keep pace with developments in the profession at the global level.
- 5- The necessity of developing local accounting standards that contribute to improving the performance of auditors in order to deal with cases of applying international standards that do not conform to the customs of society or do not meet the independence of auditors.
- 6- The authorities regulating the auditing profession must train audit offices and their participation in continuing education programs to raise the efficiency of their performance and activate their commitment to the rules and behavior of the profession's ethics.
- 7- The need to study the stakeholders' expectations of the auditors' performance and to meet the needs of all the beneficiaries of the auditing service.

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