



**THE EFFECT OF APPLYING (ISQC 1) IN ENHANCING QUALITY
AND REDUCING INFORMATION ASYMMETRY / A COMPARATIVE
STUDY BETWEEN IRAQI FIRMS AND AUDIT OFFICES**

*Sohad Sabih Alsaffar, Middle Technical University, Technical College of
Management- Baghdad, Iraq
sohadalsaffar72@mtu.edu.iq*

Abstract

The research aims to present the procedures for auditing firms to enhance the quality of auditing, as well as to review the work of Iraqi auditing firms and offices in order to develop proposals to improve auditing performance and quality. Auditors have to ensure, to a reasonable degree, that their services provided comply with the standards of the profession, in order to reduce information asymmetry in financial reports. The research reached results, the most important of which are the adoption of (ISQC 1) improves the quality of audit services and thus improves profitability. There is a discrepancy and partial application of the standard (ISQC1).

Introduction

The importance of audit quality has increased, due to accounting and auditing violations when auditing firms do not carry out their work with quality within the required performance (Sitanggang & Karbhari, 2020; Louwers et al., 2015), and they bear responsibility for the damages of poor audit implementation. As a result, audit firms are required to ensure, to a reasonable degree, that the expressed opinion meets professional standards (Alqahtani, 2020). That is, compliance with the International Standard on Quality Control (ISQC1) for quality inspection, and it provides confirmation of compliance with applicable regulations and the issuance of the auditor's report. Researchers believe that there are challenges facing the profession, the most important of which is the

conflict of interests of those responsible for preparing information with its users (Ogoun & Perelayefa, 2020; Mashkour & Abd, 2016). Audit firms have been criticized for the failure of some of their work to reduce information asymmetry and detect material misstatements despite performing in accordance with professional standards (Sarwoko & Iman, 2014; Elder et al., 2015). Criticism increased after the financial collapse, and blame on auditing firms, which raised doubts about the auditors' work and their responsibility for the results. The other challenge is that audit firms face competition, which prompted them to seek to adopt procedures that improve the quality of services within specific costs (Salih & Sultan, 2021). Audit firms' procedures for quality vary. The size of the audit firm also affects the level of implementation of (ISQC1). As the case is different when one auditor owns the auditing firm compared to a small joint venture, there is no need for a complex system of quality control. In large, multi-branch audit firms, there is a need for a more detailed system of quality control. It can be said that the requirements of (ISQC1) are the minimum that must be provided by audit firms.

The research problem can be formulated as follows:

1. Do audit firms and offices adopt Al-Iraqiya (ISQC1) to check the quality of audit services provided?
2. Do Iraqi auditing firms and offices adopt the concept of quality in providing services?
3. Does the adoption of (ISQC1) contribute to improving the quality of services provided by auditing firms and their conformity with the specifications set or desired by the customer due to its impact on reducing information asymmetry?

Literature Review

Audit Quality



The American Institute of Certified Public Accountants (AICPA) announced in 1987 that audit quality is an important and ongoing issue because of its impact on the parties benefiting from auditing, and there is a need to identify the factors affecting it as a result of the varying levels of quality of auditing firms, and that the auditing profession does not react quickly to changes in the economic environment, so there are The need to periodically review the factors that affect audit quality. (Abd al-Rahim et al., 2014) Management is responsible for the content of accounting information, while investors, creditors and the public in general make their decisions by looking at that information. Thus, there is a need for an independent party to check the information (Kesimli, 2019). Professional regulators are concerned about audit quality, due to pressures they face that require steps to be taken to improve the work of audit firms (Haia et al., 2020; Alsughayer, 2021).

Researchers see that audit quality is achieved when financial reports are free from material distortions (Sarwoko & Iman, 2014), while professional organizations see quality achieved by completing audit tasks according to auditing standards (IAASB, 2021; AICPA, 2014). Audit quality represents the possibility of auditors discovering errors and gaps in the accounting system of the unit being audited, and this was mentioned in their reports (Deis & Giroux, 1992). And there are those who believe that it is a degree of confidence provided by the auditor to users of the financial statements that it does not contain material distortions (Azhari et al., 2020; Alsughayer, 2021). Others considered it a means by which auditing firms take into account auditing standards or any legal or contractual conditions that firms set for themselves (Gao & Zhang, 2019). Reducing the expectations gap in order to achieve

community satisfaction with auditing (Lee et al., 2010). And others add to it, reducing information asymmetry (Reyad, 2012).

International Standard For Quality Control (ISQC1)

The need to control the quality of auditing is due to the reasons for changing accounting requirements, which makes the business outcome subject to change from one accounting period to another, which requires auditing firms to clarify this to their customers, and this is reflected in information users (Boonyanet, 2013). Audit quality control is a means by which audit firms can reasonably ensure that opinions about audits reflect their compliance with generally accepted auditing standards (AICPA, 2002; Gao & Zhang, 2019). Another researcher believes that they are procedures designed to implement and monitor compliance with policies and to achieve the goal of creating a quality control system and adherence to it to provide the audit firm with reasonable assurance (Gomaa, 2015), about

(a) the commitment of its employees to professional, legal and organizational standards, (b) reports issued by the firm are appropriate for these cases (IFAC, 2017). The members of the audit team are also responsible for implementing quality control procedures, and for providing information to the higher levels of the audit firms for each audit carried out (Lessambo, 2018). It can be said that they are all the measures used by auditing firms that are designed to help achieve a high-quality audit, by making sure that the opinions reflect the observance of generally accepted auditing standards, or any legal or contractual terms.

Audit firms define systems of quality control as outlined in ISQC1, as they are committed to establishing and maintaining a system of quality control. In addition to applying audit quality controls at two levels (IFAC, 2017):



1. The level of audit firms. The nature, timing and scope of quality control procedures depend on several factors, the most important of which are (the size and nature of professional business, organizational structure, and cost/benefit considerations). Therefore, the adopted system will differ from one auditing firm to another. The objectives of the quality control system should include professional requirements, skills and competence, assignment of duties, supervision, consultations, customer acquisition and retention, and follow-up.

2. The level of each audit process: The auditor shall apply quality control procedures consistent with the quality system of the auditing firm for each audit process. The auditor and his assistants shall take into account the professional competence of the assistants when deciding the extent of guidance, supervision and follow-up required for each assistant, and any work must be assigned to the assistants in a manner that provides sufficient satisfaction for its performance with the care required by competent persons.

(ISQC1) defined the procedures of the quality control system at the level of audit firms as follows (IFAC, 2017):

1: Leadership responsibilities related to quality within audit firms

Quality-enhancing procedures (Gomaa, 2015) include the existence of a culture that encourages the adoption of the concept of quality through actions taken by the senior management levels of audit firms, such as compliance with professional standards and legal requirements (Al-Rubaie & Sakhar, 2021). Emphasizing the higher levels on enhancing quality through performance evaluation, and conveying a message that the audit firm is committed to achieving quality. The availability of experienced persons responsible for the quality control system.



When assessing the quality of audit firms, the following is necessary (IAASB, 2009):

- a. The management of auditing firms owns incentive programs to approve the quality of service implementation, as well as clarifying the importance of adopting quality for auditors and their assistants.
- b. Providing resources to carry out quality audits.
- c. Developing strategic plans for continuous improvement.
- d. Entering employees into training courses.
- e. Establishment of an internal quality audit department that examines the quality of services.

b: Ethical audit requirements

2. Ethical auditing requirements are the commitment of the employees of the auditing firms to independence, objectivity, confidentiality, and exerting professional care. Independence is a major pillar in quality (Ebimobowei & Oyadonghan, 2011; Tepalagul & Lin, 2015). 2017). and apparent independence, exemplified by freedom from obligations with audited organizations. (ISQC1) explained the need for procedures designed to provide audit firms with reasonable assurance about employees' commitment to independence, identifying and evaluating circumstances and relationships that create threats to the concept of independence and taking appropriate action to eliminate them by applying preventive measures or withdrawing from the process. Audit firms annually obtain written confirmation of compliance with their independence procedures as part of ethical behavior requirements (IAASB, 2021).

Objectivity represents the auditor's commitment to impartiality when collecting and evaluating evidentiary evidence. While secrecy represents keeping the secrets of the audited organizations and not using them for a private interest. As



for the exercise of professional care, it is the auditor's exertion of professional care as an ordinary professional person, and not extreme care when performing tests and examinations, by adhering to auditing standards that guarantee reducing the possibilities of negligence.

Some believe that the mandatory rotation of audit firms is useful for maintaining audit quality by supporting independence and objectivity. Providing services to clients such as preparing tax returns or advisory services affects the independence of audit firms and negatively affects quality (Francis, 2004). Opponents of mandatory rotation, on the other hand, speak of a diminished knowledge of the client when changing auditors because auditors gain a significant learning curve with the auditing organization and will face risks of undetected material misstatements for a new client, and audit costs will also rise due to the additional effort of the new audit (Onwuchekwa et al., 2012).

3. Acceptance and continuity of relationships with customers

Despite the difficulty of obtaining a new audit contract or retaining an old client in a competitive profession such as auditing, examining the new work when making the acceptance decision is necessary, because the legal and professional responsibility of auditing firms associated with clients who lack integrity or raise controversy about audit fees will lead to problems More than the benefits, and the auditing organizations may face a state of doubt about the continuity of their economic activity, and the auditing firm is required to take into account the risks of the customer's bankruptcy and exposure to a lawsuit because of the allegation of poor implementation of the work. Arens et al., 2017). There are those who see the need for mandatory change of the auditing firm during a number of years, for example 5-10 years of continuous auditing, as change



helps support quality (Lennox et al., 2014; Daniels&Booker, 2011; Blandon et al., 2020), from By enhancing independence and avoiding economic dependence on audit firms (Yuniarti, 2012), and reducing the likelihood of issuing misleading or biased audit reports in order to preserve the flow of audit fees (Jackson & Moldrich, 2008).

Developing (ISQC1) considerations that help auditing firms evaluate their clients, the most important of which are the procedures for accepting and continuing relations with clients that are qualified to perform the process, having time and resources, and complying with ethical behavior. When identifying a potential conflict of interest when accepting an audit with a new or existing client,

The audit firm should make the decision to accept the process or not, and when withdrawing from the process, a discussion must be made with the management of the auditing organization about the reasons for withdrawal (IFAC, 2011).

4. Appointment Of The Audit Team (Human Resources)

Human resource requirements can be summarized as follows (ISQC1):

- a. Design procedures to provide audit firms with reasonable assurance that they have a sufficient number of competent and ethical employees in accordance with professional standards and legal requirements (Manry et al., 2008).
- b. Developing competence through continuous professional development, including training by experts. (Cahan & Sun, 2014)
- c. Designing performance appraisal procedures and granting compensation and bonuses for the development of competence. Notifying the employees of the performance auditing firm's expectations, evaluating them periodically and developing them, and assisting them in career progression in positions of greater responsibility according to the quality of performance. It is difficult to

implement a quality audit unless the audit firms have a team with skills, experience and commitment to professional ethics and audit procedures.

5. Perform Operations

Procedures for performing operations seek to provide reasonable assurance about the audit firms' assignments in accordance with the Standards. As (ISQC1) indicated the need to achieve the following when adopting quality:

1. Develop procedures to provide audit firms with reasonable assurance about audit performance in accordance with auditing standards and legal and regulatory requirements.
2. Designing procedures to provide reasonable assurance about the implementation of appropriate consultations to resolve difficult or controversial issues, documenting their nature, scope and conclusions.
3. Examining contracted audits, and defining criteria according to which auditing and other services are evaluated.
4. Compilation and preservation of main and permanent files by audit teams and writing reports on time.

6. Follow Up

Designing procedures to monitor the application of quality control and ensuring the effectiveness of periodic examination of audits. And correcting deficiencies, and informing the management of auditing firms of the follow-up results, taking into account the cost and benefit of applying (ISQC1). The advantages of quality control procedures include the following (Mashkour & Abd, 2016):

- a. Acceptable assurances that the work performed by the auditor is consistent with the requirements of the profession and auditing standards.
- b. Existence of a program that demonstrates compliance with the guidelines and standards of professional associations on audit quality control.



- c. Attracting new clients and maintaining existing ones in light of the competition between audit firms.
- d. Promote professional advancement and raise the level of outstanding performance.

The peer examination method helps in following up and evaluating the quality of the implementation of (ISQC1), through the auditing firm examining the work of other auditing firms.

7. Documentation

Documentation as one of the elements of (ISQC1) requires the following (IFAC, 2017):

- a. Include specific issues of compliance with ethical requirements, how they were reached and conclusions related to compliance with the requirements of the independence of the audit, and any supporting discussions.
- b. Conclusions related to the acceptance and continuation of customer relations and the audit process.
- c. The nature and scope of the consultations undertaken during the audit.
- c. Completion of the audit quality control examination on or before the date of the auditor's report.

Information Asymmetry

Accounting information is used by those involved in the activities of the organization from internal and external users, as any economic transaction between two or more parties depends on the availability of information, but most likely and in practice one of the parties will have more information than the other, which is called information asymmetry (Agrawal & Rao, 2014). Information asymmetry can be defined as having one or more investors have

information about an organization that is not available to other investors based on general information only (Brown & Hillegeist, 2007). There are two aspects to the causes of information asymmetry that arise between internal and external parties, as follows:

1. Asymmetry of information between the management and other internal and external parties: It means the use of internal parties, especially the management, of information in its possession before publishing it in the financial reports to achieve unusual returns at the expense of external parties.
2. Information between external parties is not identical with each other: this is private information about an organization and its current or future performance, which is available to some investors from internal sources through informal communication channels (Salehi & Rostami, 2013).

Methods

The study used the descriptive approach, through a checklist of seven sections that measure the level of implementation of (ISQC1), and a questionnaire that includes two parts: the first measures the adoption of the concept of quality by auditing firms and offices. The second reviews the reflection of quality on reducing information asymmetry. The examination and questionnaire lists were based on a five-point Likert scale. Both questionnaires were distributed to a random sample of (8) auditing firms out of 26 joint ventures for the year 2022, and (16) clas I auditing offices out of 117 offices, and (26) Class II audit office out of 116 offices. As shown in Table 1.

Table 1: Distributed Questionnaires

Sample	Questionnaires
Audit Firms	8
Audit Offices (Class I)	16

Audit Offices (Class II)	26
The Total	50

Auditing firms are considered joint ventures consisting of two or more auditors who hold a license to practice the profession from the Council of the Auditing and Monitoring Profession, provided that they are of the first category, and have more than (5) years of experience in the field of auditing. As for the audit offices in Iraq, they are less structured than the audit firms and consist of an auditor (one person) with assistants from the auditors, and they are not different from the firms, but rather they are characterized by all the specifications of the audit firms, from practicing the audit profession according to the provisions of the profession and the availability of expertise and skills for the auditors to be able to perform their work with full professionalism . Audit offices are classified into two categories (the first) are audit offices whose practice of the profession exceeds ten years, while the (second) category includes audit offices with a service of not less than ten years in the profession. Both cultivars are distributed in the governorates of Iraq.

Auditing firms and offices are monitored by the Auditing and Control Profession Council, which consists of the President of the Office of Financial Supervision, representatives of the ministries (Finance, Industry, Higher Education and Scientific Research), the Federal Office of Financial Supervision, the Director General of the Firms Registration Department, and the Syndicate of Iraqi Accountants and Auditors. And three of those who are licensed to practice the profession of monitoring and auditing, who have actually practiced the profession in Iraq for a period of not less than (15) years.

Research Hypotheses

1. Iraqi auditing firms and offices adhere to the (ISQC1) standard.
2. There is a significant correlation between (ISQC1) procedures, and enhancing audit quality, which is reflected positively in reducing information asymmetry.
3. There is a significant effect of (ISQC1) standard procedures, which supports the reduction of information asymmetry.

Results

Validity And Constancy

It is the validity of the scale or the tool adopted by the research, and it relies on the opinion of experts to apparently judge the credibility of the scale. The examination form was presented to experts to obtain their opinions about the clarity of its items and their suitability for measuring the research variables. As for stability, it means the degree of convergence that the tool gives when applied. Cronbach's Alpha is one of the most common scales whose positive value ranges between (zero - 1), and the acceptable value is (0.60). Table 2 shows Cronbach's coefficient for measuring the validity and reliability of the checklist and questionnaire axes.

Table 2: Cronbach's coefficient to measure the reliability and validity of the examination questionnaire and questionnaire

	Variable	Cronbach's Alpha Value		
		Audit Firms	Audit Offices Class I	Audit Offices Class II
First	Quality Concept	0.984	0.978	0.974
Second	Procedure Application (ISQC1)			
1	Leadership Responsibility For Audits	0.980	0.986	0.985
2	Ethical Requirements Related To Auditing	0.971	0.968	0.983
3	Acceptance And Continuity Of Relationships With Customers	0.971	0.978	0.983
4	Appointment Of The Audit Team (Human Resources)	0.971	0.981	0.981
5	Perform The Audit	0.982	0.987	0.984

6	Follow-Up	0.977	0.986	0.982
7	Documentation	0.991	0.983	0.976
	The Effect Of Adopting The Concept Of Quality In Reducing Information Asymmetry	0.978	0.985	0.979

(ISQC1) Application, By Iraqi Auditing Firms And Offices

The ranges of the arithmetic mean applied (ISQC1) as shown in Table 3, as follows:

1. The arithmetic mean of the auditing firms ranged (2.72-3.60) from the measurement tool, whose scale ranges for all items (1 to 5), and the standard deviation (0.909-1.086), which indicates the presence of a medium dispersion in the answers.
2. The arithmetic mean for the audit offices of the first class ranged (2.59-3.76), and the standard deviation (0.897-1.155), which indicates that there is a medium dispersion in the answers.
3. The arithmetic mean for the audit offices of the second class ranged (2.54-3.77), and the standard deviation (0.926-1.091), which indicates that there is a medium dispersion in the answers. Table 3 shows the level of implementation of (ISQC1) for a sample of Iraqi auditing firms.

Table 3: Level of application (ISQC1) for Iraqi auditing firms and offices

Audit Firms And Offices	Audit Firms			Audit Offices Of The Class I			Audit Offices Of The Class II		
	W.A	St.D	Application Level	W.A	St.D	Application Level	W.A	St.D	Application Level
Requirements (ISQC1)									
Leadership Responsibilities For Quality	3.59	1.041	Apply	3.39	0.975	Fairly Apply	3.23	1.07	Fairly Apply

Ethical Auditing Requirements	3.6	1.053	Apply	3.61	0.986	Apply	3.44	1.091	Apply
Acceptance And Continuity Of Relationships With Customers	3.79	0.982	Apply	3.69	0.91	Apply	3.77	0.981	Apply
Appointment Of The Audit Team (Human Resources)	3.59	1.051	Apply	3.49	0.956	Apply	2.99	1.015	Fairly Apply
Perform The Audit	3.55	1.086	Apply	3.4	1.144	Apply	3.26	0.926	Fairly Apply
Follow-Up	2.72	0.97	Fairly Apply	2.59	1.155	Fairly Apply	2.54	1.192	Not Apply
Documentation	3.91	0.909	Apply	3.76	0.897	Apply	3.01	1.083	Fairly Apply

Leadership Responsibilities For Audit Quality

Audit Firms

The results of the analysis showed weak organization, holding programs and orientation seminars to introduce the professional responsibilities of the employees of the surveyed audit firms, and a lack of interest in encouraging effective communication between auditors within the surveyed firms to create a good work environment and problem-solving. Audit firms do not have an internal audit department that reviews quality issues, whether on firm level or for each audit. The results of the analysis of audit offices for the first and second classes showed that there is a level of application to some extent with regard to interest in developing the quality of control work, and weak interest in holding guidance seminars on the professional responsibilities of workers, and that the offices do not have a department for internal quality audit.

Ethical Requirements Related To Auditing



The low level of interest of auditing firms' managements in employees signing written declarations about compliance with ethical and professional requirements. Audit offices for the first and second classes. There is no follow-up of office workers signing written declarations of compliance with ethical and professional requirements. Audit offices also do not apply a separation between the provision of consulting services to clients who are provided with audit services by specific employees to avoid damage to independence. Audit offices do not avoid mutual financial interests such as investment, litigation and lending between members of the audit team and the auditing organizations.

Analyze the results of acceptance and continuity of relationships with customers.

Audit firms. Lack of interest in applying procedures for evaluating a new customer in terms of integrity and reputation, or rejecting an audit process through which an acceptable level of quality cannot be reached. Audit offices first and second class. The existence of a weak application in evaluating the new customer in terms of integrity, reputation and financial position. It is possible to accept an audit process even with a conflict of interests. It is possible to accept an audit in which the office cannot reach an acceptable degree of quality.

Analyzing the results of appointing the audit team (human resources)

Audit firms. Weak use of job performance evaluation forms for auditors and follow-up on development in evaluations. Weakness in developing the qualifications required for appointment, such as technical knowledge, analytical ability, leadership skills and training. Audit firms do not entrust the responsibility of professional development to persons with competence, such as the use of consultants with experience in the field of audit. Audit offices first and second class. Not conducting a job analysis to determine the needs for



efficient and expert human resources. Poor identification of employment objectives, qualifications of workers, and guidelines required for evaluating employees for each professional level. Audit offices do not organize training courses. Audit offices do not assign responsibility for professional development to a person with competence, such as the use of experienced audit consultants. Audit offices do not use rewards and incentives as a mechanism to maintain human competencies.

Analyze audit results class I and II

Auditing firms. The more experienced respondents do not review the work of the less experienced individuals. It also does not take into account the evaluation of planned risk procedures such as discovery risks and audit risks. The lack of interest of members of the audit team in planning the process and discussions, given that their role is embodied in the implementation of what was planned for them. Firms have audit programs ready regardless of the results of the internal control examination to expand or reduce the scope, timing and direction of the audit process.

Analyzing the results of follow-up auditing firms for the first and second categories.

Quality control procedures are not reviewed either through a self-audit such as the formation of a review committee or by peer examination. Lack of interest in reviewing quality control procedures every number of years. There is also no interest in submitting reports related to quality to higher administrative levels, whether in firms or audit offices.

Analysis of the results of the documentation of firms and audit offices for the first and second categories. Documentation checklist responses are as follows: Lack of interest in including issues of compliance with ethical requirements.



Lack of interest in documenting follow-up audit evidence. Consultations and guidance for the audit process are not documented. Poor documentation of conclusions related to the requirements for the independence of the audit process and discussions that support these conclusions. Failure to document the auditing firms' clients' complaints or response procedures.

Adoption of the concept of quality by Iraqi auditing firms and offices

Auditing firms The arithmetic mean of adopting the concept of quality was 3.57, which means there is agreement. The results showed an awareness of the importance of applying programs that stimulate the adoption of the quality of service implementation, and the management of auditing firms is also interested in diagnosing problems and treating them. While there is weak agreement among the respondents about the commitment of the management of auditing firms to the implementation of quality standards, and the management of auditing firms clarifying the importance of adopting the concept of quality for auditors and their assistants.

Class I audit offices

The arithmetic mean as a whole was 3.17, in the direction of (partial agreement). The lack of awareness among the management of audit offices, class I, about the following: clarifying the importance of adopting the concept of quality for employees, strategic plans for continuous improvement, and the availability of an internal quality audit department that examines the quality of services.

Class II audit offices

The arithmetic mean as a whole was 3.26, the general trend (partial agreement), the lack of audit offices of the class II having an internal audit department, as well as the lack of interest in the courses. However, there is agreement on the

existence of awareness of the importance of applying programs that motivate the adoption of quality services.

Accordingly, there is interest in adopting the concept of quality by class I and II office firms, with weakness in some areas, for example, not having a quality audit department, weak interest in strategic plans for continuous improvement. There is agreement to some extent in some areas on the importance of adopting the concept of quality, and this is justified by the class II auditing offices incurring additional costs when adopting quality according to the international standard. Table 4 shows the results of the questionnaire list on adopting quality.

Table 4: Adoption of the concept of quality by Iraqi auditing firms and offices

Audit Firms And Offices	Audit Firms			Class I Offices			Class II Offices		
	W.A	St.D	Level Of Agreement	W.A	St.D	Level Of Agreement	W.A	St.D	Level Of Agreement
There is an awareness of the adoption of the concept of quality	3.75	1.035	Agree	2.75	1.39	Partially Agree	4.04	1.183	Agree
Commitment to quality standards	3	1.195	Partially Agree	3.62	1.025	Partially Agree	2.92	1.055	Partially Agree
Attention to diagnosing and solving problems	3.63	1.061	Agree	3	1.033	Partially Agree	2.96	0.958	Partially Agree
Provides resources for audits	4.25	0.707	Completely Agree	4.19	0.75	Agree	4.23	0.587	Agree
Adopting the concept of quality	3	1.309	Partially Agree	2.66	0.966	Partially Agree	2.62	1.203	Partially Agree
Interest in continuous improvement	2.88	1.246	Partially Agree	2.56	1.365	Disagree	2.44	1.297	Disagree
Interest in training courses	3.87	1.126	Agree	3.12	1.258	Partially Agree	2.04	1.038	Disagree
Owning an internal quality audit department	2.38	1.408	Partially Disagree	2.37	1.088	Disagree	1.77	0.992	Partially Disagree
Satisfy the wishes of the beneficiaries	4.38	0.744	Completely Agree	3.06	0.68	Agree	4.08	0.891	Agree
Detect material misrepresentations	4.38	0.744	Completely Agree	3.94	0.998	Agree	4.31	0.679	Agree
Creative accounting practice and its	3.75	1.389	Agree	3.75	1.238	Partially Agree	4.08	0.688	Agree

impact on quality									
Average	3.57	1.036	Agree	3.17	0.991	Partially Agree	3.26	0.879	Partially Agree

The Effect Of Adopting The Concept Of Quality In Reducing Information Asymmetry

The ranges of the arithmetic mean ranged as in Table 5 , as follows:

1. The arithmetic mean of the auditing firms (2.88-4.38) from the measurement tool, whose scale ranges from (1 to 5), and the standard deviation (0.835-1.553), which indicates the existence of a medium dispersion in the answers.
2. The arithmetic mean of the class I offices (2.56-4.19), and the standard deviation (0.911-1.258), which indicates that there is a medium dispersion in the answers.
3. The arithmetic mean for the offices of the second category (2.92-4.50), and the standard deviation (0.648-1.294), which indicates that there is a medium dispersion in the answers.

Table 5 shows the effect of adopting the concept of quality in reducing information asymmetry.

Table 5: The Effect Of Adopting Quality In Reducing Information Asymmetry

Audit Firms And Offices	Audit Firms			Class I Offices			Class II Offices		
	Agreement	St.D	W.A	Agreement	St.D	W.A	Agreement	St.D	W.A
Adopting quality in reducing information asymmetry									

The professional experience of auditors plays a key role in reducing information asymmetry.	Agree	0.835	3.88	Agree	1.063	3.94	Agree	0.883	3.93
Vocational training plays a fundamental role in reducing the asymmetry of accounting information.	Completely Agree	0.744	4.38	Agree	0.981	4.19	Agree	0.766	3.88
Independence and impartiality help audit teams reduce information asymmetry.	Partially Agree	1.512	3	Partially Agree	1.195	3.31	Agree	0.816	4.12
There is an essential role to resist customer pressure when performing the audit, in reducing information asymmetry.	Partially Agree	1.035	3.25	Agree	1.124	3.94	Agree	0.891	4.08
The audit team's professional care contributes to the reduction of information asymmetry	Agree	1.553	3.88	Agree	1.088	3.62	Completely Agree	0.648	4.5
Good planning for the audit process and supervising the performance of the assistants contributes to reducing the asymmetry of accounting information.	Partially Agree	1.126	3.13	Partially Agree	1.124	3.03	Completely Agree	0.703	4.42
Developing a comprehensive strategy for the implementation of audit procedures plays a key role in reducing information asymmetry.	Partially Agree	1.126	3.13	Partially Agree	1.258	2.88	Agree	1.251	3.73

Informing the auditor, through his report, of the auditing organization's violation of generally accepted accounting principles, in reducing information asymmetry.	Partially Agree	1.126	3.13	Agree	0.911	4.19	Agree	0.977	3.92
The quality tests carried out by the firm and the audit office play a major role in reducing information asymmetry.	Partially Agree	1.126	2.88	Disagree	1.031	2.56	Partially Agree	1.294	2.92
Results	Partially Agree	1.072	3.4	Agree	1.03	3.52		Agree	0.869

Testing the influence and correlation relationship between search variables for auditing firms

The research hypotheses were tested through the correlation between the two independent variables (ISQC1) and the dependent quality and information asymmetry reduction using the statistical method (Pearson). It also tested the effect of the independent variable and its dependent hypotheses on the dependent variable quality.

1. The effect and correlation of (ISQC1) and the concept of quality and reducing information asymmetry of Iraqi auditing firms and offices. The results showed that there is a correlation (ISQC1) with the concept of quality of 0.993 at the confidence level of 99%, indicating a strong direct correlation between the two variables. Table 6 shows the influence of the independent variable (ISQC1) by 99.3% of the changes that occurred in the concept of quality, the value of R2

was 0.985, and the regression coefficient B (1.023), which shows that whenever one unit of (ISQC1) improves, it will improve 1.023 in quality, with a value of 1.023 Tabular F 396.032, which is a signifier smaller than the significance level. The results confirm the existence of a significant correlation and effect of (ISQC1) standard with quality with a value of t19.901.

Table 6: The Effect And Association Between (ISQC1) And The Concept Of Quality And The Reduction Of Information Asymmetry

IV.	DV.	r	R ²	B	t	F	Sig
		R					
ISQC1	Concept The Quality	0.993	0.985	1.023	19.901	396.032	0

Table 7 shows the effect and correlation of the seven hypotheses related to the two independent and dependent variables (ISQC1) and the dependent concept of quality.

Table 7: The Effect And Correlation Of The Seven Hypotheses Related To The Independent And Dependent Variables

DV.	(ISQC1)	R	Sig	R ²	B	t	F	Sig
Concept The Quality	1	0.99	Con. %99	0.98	0.985	16.961	287.664	0.000
	2	0.99		0.981	0.975	17.509	306.565	
	3	0.992		0.984	1.047	19.35	374.405	
	4	0.982		0.964	0.968	12.706	161.436	
	5	0.971		0.943	0.927	9.991	99.818	
	6	0.983		0.967	1.05	13.27	176.093	
	7	0.985		0.969	1.123	13.762	189.403	

The results of Table 7: showed, in correlation with the concept of quality (ISQC1) for auditing firms, the value of the correlation R for the axis was

0.992, which explains a direct positive correlation, and the value of F 374.405. As for the lowest correlation coefficient, it was for the fourth axis and the concept of quality with a value of 0.971, which is a strong positive direct correlation, and an F value of 99.818. The highest B value was (1.123), which is a positive value that explains that improving one unit of the seventh axis improves 99.4% of the quality. The highest F value was 374.405 and the t value was 19.350.

Table 8: The Effect And Correlation Between (ISQC1) And The Reduction Of Information Asymmetry

Iv.	DV.	r	R ²	B	t	F	Sig
ISQC1	Reduce Information Asymmetry	0.991	0.982	1.057	18.257	333.31	0

Table 8 shows a strong correlation between the dependent variable, the reduction of information asymmetry, and the independent variable (ISQC1). The correlation reached 0.991 at 99% confidence, representing a strong direct correlation between the two variables. Tabular F 333.310, with a regression coefficient B(1.057) and explains that improving one unit of (ISQC1) improves by 1.057 information asymmetry.

The impact and correlation of (ISQC1) and the concept of quality and reduction of information asymmetry of class I audit offices. The results of Table 9 showed that there is a close correlation between (ISQC1) and the concept of quality with a value of 0.997 at 99% confidence. There is a strong direct significant correlation between the two variables. There is also an effect of the independent variable (ISQC1) 99.7% of the changes that occurred in the

concept of quality due to the application of (ISQC1) with a value of R² 0.997, and the value of the regression coefficient B (0.993) explains the improvement of one unit of (ISQC1) that will lead to an improvement of 99.3% of quality, and reached the F-value is 2599.562. This confirms the existence of a significant correlation and impact of the (ISQC1) standard in the concept of quality and the reduction of information asymmetry.

Table 9: The Effect And Correlation Between (ISQC1) And The Concept Of Quality

Iv.	DV.	r	R ²	B	t	F	Sig
ISQC1	Concept The Quality	0.997**	0.995	0.993	50.986	2599.56	0

Table 10 shows the influence and correlation of the seven hypotheses for the independent and dependent variables.

Table 10: The Effect And Correlation Of The Seven Hypotheses Of The Independent And Dependent Variables

DV.	(ISQC1)	r	Sig	R ²	B	t	F	Sig
Concept The Quality	1	0.985	Con. %99	0.97	1.001	21.275	452.635	0.000
	2	0.989		0.977	0.994	24.563	603.361	
	3	0.991		0.982	1.08	28.021	785.181	
	4	0.993		0.985	1.029	30.698	942.369	
	5	0.99		0.98	0.858	26.364	695.08	
	6	0.986		0.972	0.849	22.102	488.501	
	7	0.991		0.982	1.094	27.998	783.905	

The results showed a high correlation with the concept of quality and the axes of the international auditing standard for audit offices of the first category. The

R value of the fourth axis was 0.993, which explains a positive direct correlation, and the F value was 942.369. The lowest correlation coefficient for the first axis and the concept of quality was 0.985, which is a strong direct correlation, F 452.635. The highest B value was (1.094), which is a positive value that explains that improving one unit of the seventh axis improves 99.4% of the quality. The highest value of F was 942.369 with a t value of 30.698.

Table 11: The Effect And Association Between (ISQC1) And The Concept Of Information Asymmetry Reduction

IV.	DV.	r	R ²	B	t	F	Sig
ISQC1	Reduce Information Asymmetry	0.993**	0.986	1.028	31.822	1012.61	0

Table 11 shows a close correlation between the dependent variable and the independent variable (ISQC1). The correlation coefficient was 0.993 at a confidence level of 99% indicating a direct correlation between the two variables. The value of F was 1012.611. The value of B was (1.028), which is a positive value that explains that improving one unit of (ISQC1) improves 95.1% of the reduction of information asymmetry. The results confirm the existence of a significant association and impact of the International Auditing Standard (ISQC1) with the reduction of information asymmetry.

3. The Impact And Correlation Of (ISQC1) And The Concept Of Quality And Reducing Information Asymmetry Of Class II Audit Offices.

The results of Table 12 showed a close association of the (ISQC1) standard with the concept of quality, amounting to 0.959 at a confidence level of 99%, which represents a direct correlation between the two variables. The Table shows that

there is an effect of the independent variable (ISQC1) by 97.6% of the changes that occurred in the concept of quality due to the application of the international auditing standard. The value of R² (0.976) was the value of the regression coefficient B (0.833), which is a positive value that explains that improving one unit of the audit criterion improves 83.3% of the quality. The F value was 955.914. The results confirm that there is a significant effect (ISQC1) on quality.

Table 12: The Effect And Correlation Between (ISQC1) And The Concept Of Quality And Reducing Information Asymmetry

IV.	DV.	r	R ²	B	t	F	Sig
ISQC1	Quality	0.988**	0.976	0.833	30.918	955.914	0.000

Table (13) shows the influence and correlation of the seven hypotheses of the independent and dependent variables.

Table 13: The Effect And Correlation Of Hypotheses For The Independent And Dependent Variables

DV.	(ISQC1)	R	Sig	R ²	B	t	F	Sig
Concept The Quality	1	**0.985	Con. %99	0.97	0.809	27.907	778.799	0.000
	2	**0.985		0.97	0.974	27.776	771.51	
	3	**0.958		0.918	0.858	16.415	269.437	
	4	**0.984		0.968	0.853	27.479	755.075	
	5	**0.977		0.954	0.928	22.406	502.006	
	6	**0.983		0.966	0.725	26.249	689	
	7	**0.983		0.966	0.798	26.27	690.119	

The results showed a high correlation with quality and (ISQC1) axes for audit offices of the second category. The highest R value for the first and second axes

was 0.985, and this explains a strong direct correlation, with an F value of 778.799 and 771.510, respectively. As for the lowest correlation coefficient for the third axis and the concept of quality, it was 0.958, which is a positive direct correlation, and the value of F was 269.437. The highest B value was (0.974), which is positive and explains that improving one unit of the second axis improves 97.4% of the quality. The highest F value was 778.799 with a t value of 27.907

Table14: The Relationship Of Influence And Correlation Between (ISQC1) And The Reduction Of Information Asymmetry

IV.	DV.	r	R ²	B	t	F	Sig
ISQC1	Reduce information asymmetry	0.984**	0.969	0.818	27.345	747.774	0.000

Table (14) shows a significant correlation between the independent variable (ISQC1) and the dependent variable, a reduction in information asymmetry, as the correlation coefficient reached 0.984 at a 99% confidence level, meaning that there is a direct correlation, which means a correlation between (ISQC1) and a reduction in information asymmetry. The value of the tabular F was 277.774. This confirms the presence of a significant effect between (ISQC1) and reducing information asymmetry. The value of the regression coefficient B (0.818), which is a positive value that explains that improving one unit of (ISQC1) will lead to an increase and improvement of 81.8% of the reduction of information asymmetry.

Conclusions And Recommendations

Conclusions

1. The adoption of auditing firms and offices (ISQC1) and quality control procedures leads to improving the quality of services provided and improving profitability in the long term.
2. The commitment of auditing firms and offices to applying (ISQC1) varied, as statistical analysis showed partial implementation of quality control for some of them, which violates the requirements of the standard.
3. Weak interest in both appointing an internal quality auditor to follow up on the implementation of (ISQC1), and providing sufficient resources to develop and support auditors, such as training courses and other development areas.
4. There is a weakness in auditing firms and offices in establishing qualifications through which the performance and efficiency of auditors is evaluated.
5. There is a close relationship between reducing information asymmetry as a dependent variable and the independent variable (ISQC1), which means that improving the application of (ISQC1) improves reducing information asymmetry.

Recommendations

1. The need for Iraqi audit firms to take into account their contractual responsibilities with clients and users of financial statements, by maintaining audit quality.
2. The establishment of a special section by the granting authorities to license the auditing profession, with the task of evaluating (ISQC1) the work of auditing firms and offices.
3. Holding periodic meetings between the management of auditing firms and offices to discuss areas of interest, such as knowing the progress of the audit



process plan, coordination to solve problems, and address weaknesses and deficiencies in the application of (ISQC1).

4. Applying and developing the audit quality control assessment methodology using the elements identified in this research.

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