

THE QUALITY AND TIMELINESS OF ISSUING FINANCIAL REPORTS IN LIGHT OF THE APPLICATION OF JOINT AUDITING- AN APPLIED STUDY IN A SAMPLE OF AUDITORS' OFFICES IN IRAQ

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Abstract

The aim of this research is to show the impact of the application of joint auditing on the quality and timing of issuing reports in Iraq, By defining the concept of joint auditing and determining the positive and negative effects and the mechanisms to be applied and to explain the research problem and achieve its objectives, the descriptive analytical approach was adopted, as (90) questionnaires were distributed to the sample members, (Account auditors, bank employees, accountants) and the collected data were analyzed by means of a questionnaire using descriptive and analytical statistical methods, and using the statistical analysis program (SPSS). The research hypotheses were tested, and the research concluded: Preparing and adopting a local auditing standard for joint auditing from the relevant authorities in Iraq, regulating the audit process in terms of planning, organization, reporting, cooperation, coordination and communication between auditors.

Encouraging companies to adopt joint auditing for the purpose of increasing the quality of reports and discovering errors and fundamental distortions after the success of the experience in the banking sector.

Keywords: (joint auditing, financial reports, quality and timing of reports, auditors)

1. Introduction:

The issue of the quality and timing of issuing financial reports has taken great interest by international professional organizations and bodies, and researchers, because financial reports are the effective means to achieve the communication function in accounting, by providing decision makers with information that helps them in making rational economic decisions, and that the issuance of these reports in Adequate timing reduces the uncertainty associated with decisions. (Mansour, 2018,)

The cases of the collapse of many international companies in 2001 and its aftermath contributed to the loss of confidence in the financial reports, as well as the filing of lawsuits against the offices and auditing companies that audited these companies, as they did not indicate in their reports their lack of continuity and the fall of the office of Arthur Anderson, One of the largest auditing offices in the world and questioning the independence of the auditor and the low quality of auditing and consequently low confidence in the audit profession as a result of management fraud and manipulation of financial reports, and the auditors' failure or complicity with the management in detecting these deviations based on the foregoing, a demand was made to generalize the French experience regarding the application of the joint audit approach, by

obligating economic units to appoint two audit offices to carry out audit tasks and to issue one audit report, and this was actually applied to the banking sector in the Republic of Iraq.

2. Methodology:

2.1. search problem:

The problem of the research is represented in the lack of a clear assessment about the relationship of joint auditing with the quality and timing of issuing different reports or the speed of performing audit tasks in Iraq as a result of the different mix of the two audit offices conducting the joint audit process.

2.2. research aims:

This research aims to show the impact of the application of joint auditing on the quality and timing of issuing reports in Iraq by defining the concept of joint auditing and identifying the positive and negative effects and the mechanisms to be applied.

3.2. Research hypotheses:

The research seeks to test the following hypothesis:

- There is a significant impact of joint auditing on the quality and timing of issuing reports through .

4.2. Importance of research:

The importance of the research comes as it deals with the relationship between joint auditing and the quality and timing of issuing reports, because the delay in issuing them is one of the most important topics that occupied accounting thought and users of accounting information recently, due to its direct impact on making rational decisions.

5.2. Data collection method and research sample:

To achieve the objectives of the research and test its hypotheses, the research adopted the descriptive and analytical method, and the following sources were used in data collection.

- The theoretical side: the research relied on the theoretical side on references from books, periodicals, theses and university thesis.
- Applied side: the research sample consists of (working in audit offices and the banking sector) and for the purpose of testing the research hypothesis, a questionnaire was designed and distributed (90) questionnaire forms, and the number of forms received by the researcher reached (82) valid forms for analysis, which is equivalent to a response rate (91%), and the collected data were analyzed by means of a questionnaire using descriptive and analytical statistical methods, and using the statistical analysis program (SPSS).

3. Previous studies:

- Nashwan, 2017 (for a trend towards joint auditing as an entrance to improve the quality of financial reports: an applied study)

This study aimed to determine the trend towards the application of joint auditing as an approach to improve the quality of financial reports with all its characteristics (relevance, reliability, comparability, consistency), as well as briefing the difficulties faced by auditors in the Gaza Strip in implementing the joint audit.

The study concluded that it is necessary to encourage all segments of the financial community to pay attention to the trend towards joint review because of the multiple positive effects.

- Ibrahim, 2019 (Joint auditing and its impact on audit quality - applied research in a sample of audit firms in Iraq).

The study aimed to demonstrate the impact of joint auditing on audit quality through a set of dimensions related to joint auditing, which are (professional experience and competence, distribution of audit work, control and mutual review, communication and coordination, independence and impartiality).

The study reached a review of the Iraqi laws and regulations and their amendment in line with recent developments in the professional field and in line with the environmental conditions so as to address the shortcomings and shortcomings in them, in particular working on the development of explicit and direct legal texts related to the multiplicity of auditors.

- Al-Nuaimi, 2020 Joint audit between implementation difficulties and improving audit performance (a prospective study of the opinions of bank administrations and auditors in the Kurdistan Region / Iraq)

The aim of the research is to identify the joint audit, review the experiences of some countries in this field, and review the points of view for or against the joint audit:

The study concluded that the individual audit of the Iraqi private banks for many years was not able to face or reduce many of the problems and bottlenecks experienced by these banks, the joint audit is the appropriate alternative.

The current study differs from previous studies in that it touched on the issue of the timing of issuing financial reports and its impact on decision-making.

4. Joint audit:

1.4. The concept of joint audit:

Decades ago, the concept of joint audit was circulated at the global and regional levels, which sparked widespread controversy at the professional and academic level for the science of auditing subscriber.

On the local level, the Central Bank of Iraq issued a decision No. (916) on 4/28/2016 obligating the banking sector to implement the joint audit.

The joint audit is defined as “two independent auditing offices perform audit work for a particular company, through which audit tasks are divided between them, and each office is reviewed and monitored, and one audit report is issued, signed by both of them” .(Holm & Thinggaard, 2016)

It was also defined as “one of the auditing entrances through which the financial statements of a particular company are audited by two independent auditing offices, where there is coordination between them regarding the planning and implementation of the audit process and the issuance of a single audit report signed by both offices” (Abdullahiebli, 2018).

Thus, there is a joint responsibility between the offices when auditing the financial statements and issuing reports on the business results during that period, as they jointly participate in planning audit procedures, distributing tasks and exchanging supervision, regardless of whether the audit is optional or mandatory (Bianchi et al., 2019)

2.4. Common forms of auditing:

The joint audit takes several forms based on the mix of audit offices participating in its implementation, as the European Commission stressed in its report the importance of having one of the two audit offices not from the big four to prevent its monopoly on audit services, Thus, the rest of the offices are an active party in the audit services, but on the ground, no country, including Iraq, has determined the mixture that is to be approved, but the entity subject to the audit chooses the appropriate mixture for it, as shown below.

The first mix: through the presence of two auditors belonging to the so-called Big Four auditing offices, and this combination is called (Big4-Big4).

The second mixture / through two auditing offices, one of which is from the Big Four and the other is different, and this mixture is called “Big4-Non Big4”

The third mixture/ through two auditing firms other than the big four audit firms, and this mixture is called (Non Big4-Non Big4). (Mandour et al., 2018)

3.4. Consequences of the joint audit:

First / the positive effects (Ibrahim, 2019)

- Raising the professional competence of the auditors through the diversity of expertise and specializations in the two offices.
- Enhancing the independence of the auditors as a result of the administration's inability to influence the two audit offices.
- Reducing the dominance of international auditing companies, especially the Big Four.
- Enhancing professional skepticism as a result of the existence of reciprocal supervision of all audit procedures.
- Submitting an accurate and clear report as a result of the joint responsibility between those conducting the audit.
- Provide a clear picture to investors and stakeholders about the quality of work within the economic unit under audit.

Second/ Negative Effects (Abdullahiebli, 2018))

- Difficulty in selecting audit firms due to the limited market for audit services.
- The emergence of difficulties in coordination and exchange of information between the auditors in the auditing offices.
- It may lead to the emergence of a kind of dependence as a result of the dependence of each office on the other, which will lead to less evidence, less effort and a lower quality of audit.
- The entity subject to the audit bears additional costs as it pays the fees to two offices.
- It sometimes affects the independence of the auditor as a result of competition between offices, and this may lead to offices seeking to gain the approval of the administration in the hope of maintaining it.
- The joint audit may turn into a routine process as a result of informal agreements between the two audit firms.

5. Quality and timeliness of reporting:

1.5. The implications of applying the joint audit on the timing of issuing the auditor's report: One of the characteristics of financial information is the timeliness characteristic, which means that the information is available to its users at the right time for the purpose of making their

decisions, and that the delay in issuing the report affects the timing of issuing and publishing the financial reports of the unit subject to audit, and this also leads to a large information gap and thus exposes the economic unit to penalties and lawsuits Judicial (Juwita et al., 2020)

The concept of delaying the issuance of the auditor's report can be defined as "the time interval or the number of days from the end of the company's fiscal year until the date of the auditor's signature on the auditor's report. This concept is what the researcher will adopt and rely on." (Bhuiyan & D'Costa, 2020)

The Iraqi Companies Law No. 21 of 2008 obligated the economic unit to submit the financial statements with the auditor's report at the first meeting of the members of the board of directors after the auditor finished and signed the report. (Mutawe', 2019)

2.5. Importance of the timing of issuing the auditor's report

The issuance, publication and disclosure of financial reports comes after the auditor's signature on the final report, which represents the approval of the financial reports and their appendices issued by the administration, Therefore, there is a relationship and interrelationship between the period of delay in the auditor's report and the efficiency of decision-making by information users, and that the decrease in the delay period of the report leads to a decrease in their uncertainty when making decisions, and thus increase the efficiency of information through:

- Announcing the distribution of profits during the coming period.
- The demand for shares in the stock market as a result of the improvement in their prices.
- Ensure the continuity of the unit in the foreseeable future through the financial indicators in the report. (, Al-Sayed, 2018)

Therefore, the auditor should date his report on the unit's financial reports to a date that precedes the date of obtaining the supporting evidence on which his report is based.

The relevant authorities in Iraq have issued instructions that the units must submit their annual final accounts issued, accompanied by the report of the Board of Directors and the auditor's report for the previous period, no later than 3/31 of the following year. Otherwise, they are exposed to the legal issue, The auditor shall prepare his report within a maximum of three months.

And in 2005, "the US Securities and Exchange Commission (SEC) issued rules obligating US companies to submit annual financial reports for companies within 60 days, after it was 90 days". (Azizan, 2019)

3.5. Problems and obstacles that accompany the delay in issuing the auditor's report:

There are many problems faced by decision makers as a result of the delay in issuing the auditor's report and consequently the delay in publishing the financial statements, including these problems. (Mohammed, 2016)

- A. It pushes investors and stakeholders to use other methods of obtaining information, such as (purchasing information) and thus obtaining information before it is issued.
- B. Pays those in charge of managing the unit to exploit the information available to them to achieve extraordinary gains through speculation in the financial markets.
- C. The delay in issuing the report increases investors' concerns about the company's financial situation and their reluctance to deal in the company's shares, which will affect its reputation and financial position.

D. The delay in issuing the report gives the impression that there is a weakness in the quality of the accounting information or an increase in the discrepancy in that information.

6. Analysis of the relationship between the quality and timeliness of the issuance of the auditor’s report and the joint audit:

6.1 . The accuracy of the resolution

The validity of the questionnaire means that the questions of the questionnaire measure what it was designed to measure. The researcher verified the validity of the questionnaire using the following:

A. Internal consistency: Internal consistency means that each of the paragraphs follows the same path as the scale as a whole, In this case, the correlation coefficient is determined between the result of each item in the scale separately with the result of the total of the entire scale, as the item that is highly correlated or negatively correlated is a clause that cannot be adopted and it often measures a function that differs from that measured by the rest of the scale items, and as Shown in the table below.

On this basis, the following tables were formed to measure the internal consistency validity coefficient, as follows:

paragraph number	Correlation coefficient between the paragraph and the total score of the axis	paragraph number	Correlation coefficient between the paragraph and the total score of the axis
1	77.3%	9	89.3%
2	77.4%	10	87.3%
3	80.5%	11	83.0%
4	86.2%	12	87.8%
5	78.7%	13	82.2%
6	78.8%	14	79.5%
7	86.2%	15	86.3%
8	89.3%		

The above table shows that the correlations were all significant and high, and this indicates that the paragraphs of the questionnaire are characterized by the sincerity of internal consistency.

B. Discriminatory power: It means the ability of each paragraph of the scale to distinguish between those with high ability and those with low ability in a specific trait, trait, ability or skill, and measurement and evaluation specialists see the following:

ratio	statement
Negative(30%)	Unmarked paragraph.
40%	A paragraph with poor discriminating ability
40%-60%	Paragraph with medium discriminatory ability
More 60%	well-distinguished paragraph
100%	Excellent ability to distinguish

Among the conditions for accepting the coefficient of discrimination for the test or paragraph:

- It must be positive (that is, the largest number of the targets whose answers are correct are from the higher group).
- If it is not zero, then the two groups are equal.
- The discriminatory value of 0.5 or close to it gives us the largest number of discrimination or information.

The method of the two extreme groups was used in calculating the discriminatory power, and most researchers and specialists support choosing a percentage of 27% for the upper and lower groups, as this percentage is acceptable between two different groups of the total group.

To ensure the discriminatory validity of the questionnaire, the method of the two extreme groups was used, by choosing (27%) for the upper group and (27%) for the lower group from the sample size. Using the t-test for two independent samples, the following was found:

Test	Value T	level morale	The limits of trust	
			minimum	up to the top
Value	18.708	0.00	(.96939)	(0.78158)

It is noted from the above table, that the test value is significant below the 1% level, which means rejecting the null hypothesis that there are no significant differences between the answers of the lower and upper group, That is, the scale is characterized by the presence of a differential difference between the two groups, and what this test confirms is that the confidence limits are negative, and this means that zero does not occur between the two negatives, that is, the null hypothesis is rejected.

6.2. The stability of the study model:

The stability coefficient is one of the basic features of good tests and standards. The stability of the test means the degree of confidence in the results and therefore their relative freedom from errors. It is also the degree of coherence in the results of the individual on one of the honest tests or standards, and the degree of test coherence means the degree of its stability, A test or scale whose results are not characterized by the stability of its results is considered inaccurate, and for anyone whose results can be relied upon, the test or scale can be stable but not true, while the test or test or scale that is honest is always fixed, Stability, as we have indicated, means coherence and not the real value in the thing to be measured, i.e. (honesty), so stability represents one of the most important conditions that must be provided in the measurement tools.

Kir kebndall has presented criteria for judging the quality of stability coefficients, as shown in the following table:

Table (1) shows the estimation of the stability coefficients for (Kir Kendall)

Appreciation	Stability coefficient
Excellent	0.90 - 1
High	0.80 - 0.89
Average	0.60 - 0.79
weak	0.50 - 0.00

To verify the stability of the study model, two methods were used:

- A. Half-splitting method: This method is characterized by being performed once on individuals and does not need to be repeated again, and thus is characterized by saving time, effort and cost. The study model was divided into 7 pairs and 8 odd items. The stability coefficient was calculated by the half-split method, and the results were as follows:

Table (2)

Reliability Statistics			
Cronbach's Alpha	Part 1	Value	.7940
		N of Items	8
	Part 2	Value	.7870
		N of Items	7
Total N of Items			15
Spearman-Brown Coefficient	Equal Length		.9310
	Unequal Length		.9310
Guttman Split-Half Coefficient			.9290

It is noted from the above table that the total value of the alpha cronbach coefficient has reached (0.929), which is a high value that indicates the stability of the scale, in addition to the high values of the alpha cronbach coefficient for the odd and even questions separately.

B. Measurement of the stability coefficient using the Alpha Cronbach:

The Alpha Cronbach method was used to measure the stability coefficient for the overall model, and the result was as follows:

Reliability Statistics Table (3)

Cronbach's Alpha	N of Items
0.925	28

It is noticed from the table (3) above that the value of Alpha Cronbach for the socket as a whole has reached (92.5%), which is a high value that indicates the stability of the scale, and from this point of view it has been proven that the model is characterized by stability. Studying the direction of respondents' opinions, the paragraphs of the questionnaire:

In this topic, the direction of the respondents' opinions was studied based on the weighted arithmetic mean of the following paragraphs:

Standard Deviation = S.D

Weighted Average = W.A

Paragraph Number = P.N

P.N	W.A	S.D	direction	P.N	W.A	S.D	direction
1	2.1146	0.82243	yes	9	2.58	0.598	yes
2	4.5454	0.01312	yes	10	2.3447	0.47207	yes
3	1.64	0.970	yes	11	3.2346	0.82342	yes
4	2	0.598	yes	12	4.3324	0.01302	yes
5	2.3435	0.46997	yes	13	3.64	0.970	yes
6	2.2147	0.84342	yes	14	2.99	0.597	yes
7	3.5344	0.01412	yes	15	3.3346	0.47206	yes
8	2.64	0.869	yes				

Table (4) Results of regression analysis of variance (dependent variable = timing of reporting)

Sample	S of S ¹	D.F ²	M.S ³	C.V ⁴ F	S.L ⁵ F	C.D ⁶ R ²
Regression	5.517	1	5.517	7,6002622	0.003	0.87
residual error	34.843	48	0.726			
Total	40.361	49				

- 1-Sum of squares=S of S
 2-Degrees of freedom =D.F
 3-Mean Squares= M.S
 4- Calculated F value= C.V
 5-Significance Level= S.L
 6- coefficient of determination=C.D

Table (4) shows the results of simple regression analysis to test the effect of independent variables on the quality and timing of reporting.

The regression is significant, since the calculated value of the (F) test of 0.003 is less than the level of significance of 5%, the value of the coefficient of determination reached 0.87 and this means that the joint audit explained, 0.87of the changes in the quality and timing of issuing reports.

Table (5) The results of multiple regression analysis to test the effect of the independent variable on audit efficiency and the timing of issuing the report.

Sample	Atypical transactions		Calculated value T	Significance Level T
	B	Standard error		
Fixed- Constant	1.208	0.252	30.18118	.0000
Joint Audit	0.996	0.033		.0000

It is noted from Table (5) that the joint audit has a significant effect on the quality and timing of issuing reports, since the probabilistic value of the T-test of 0.000 is less than the level of significance of 5%.

That is, the increase in the level of joint auditing by 100% leads to an increase in the level of quality and timeliness of issuing reports by 0.996, This shows the extent of the impact of joint auditing on the quality and timing of issuing reports that are applied in the banking sector within the Iraqi Stock Exchange with high accuracy and as quickly as possible.

7. Conclusions and Recommendations:

7.1. Conclusions:

1. Joint audit means auditing the financial statements of a particular company and issuing a single report signed by two audit offices independent of each other, and that the responsibility is jointly between them with regard to planning and carrying out audit tasks.
2. This study is one of the few studies that dealt with the issue of joint audit and its relationship to the timing of issuing the auditor's report in the Iraqi environment.
3. The joint audit is optional by the economic units in most countries, but Iraq has made the joint audit mandatory for the banking sector for the purpose of studying this experience.
4. The results of the research showed that the application of joint audit leads to a reduction in the delay in issuing the report and an increase in confidence as well as the exchange of experiences.
5. Increasing the quality of financial reports, by discovering fundamental errors and distortions that one of the two offices may not discover.
6. The field study found that the problems faced by the joint audit are the result of the lack of a standard upon which to divide and distribute work, tasks and responsibilities between audit offices.

7.2. Recommendations:

1. Preparing and adopting a local auditing standard for joint auditing by the relevant authorities in Iraq, regulating the audit process in terms of planning, organization, reporting and how to cooperate, coordinate and communicate between the auditors.
2. Encouraging companies to adopt joint auditing for the purpose of increasing the quality of reports and discovering errors and fundamental distortions after the success of the experience in the banking sector.
3. The imposition of penalties by the relevant authorities on the audit offices, which make the joint audit process just a sham process or transform it into an individual audit based on a prior agreement between them.
4. Encouraging the auditors' offices to benefit from the experiences of countries that have made great strides in the field of joint auditing, as well as joining the relevant international professional organizations.

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