



RESEARCH ARTICLE

The Role Of The Auditor Based On The International Auditing Standard 260 Framework In Achieving Independence And Its Impact On The Audit Quality

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ARTICLE INFO	ABSTRACT
Received: Jul 19, 2024	<p>This research seeks to provide a theoretical and practical study on the importance of the auditing process and auditors considering the application of International Auditing Standard 260 (IAS260) to achieve audit independence and its reflection in increasing the quality of auditing, as well as to encourage auditors in Iraq to adopt auditing standards. The descriptive analytical approach was used in this research. It relied on the performance of the questionnaire as a primary tool in collecting information, as the data obtained through conducting the field study are analyzed using three statistical packages (SPSS; Amos and SmartPLS). The professionals working in the Federal Financial Supervision Bureau in Baghdad Governorate were selected (165) certified accountants. The study results found that the relationship between the impact of Auditor Independence (AI) and its relationship with communication with governance officials on the quality of auditing, the relationship between the effects of AI and its relationship with communication with governance officials on the auditor's reputation, and the relationship between the impact of AI and its relationship with communication with governance officials on audit fees and the risks of auditors being sued. Compliance with the requirements of IAS 260 requires auditors to develop their skills and knowledge continuously.</p>
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INTRODUCTION

The concept of corporate governance has received attention from various official bodies and researchers, especially in light of the financial collapses and scandals that have occurred in various economies around the world and the emergence of ideas calling for more transparency and disclosure, improving financial reporting, and adhering to ethical principles by strengthening control and oversight mechanisms (Flayyih, 2013). Following the financial collapses that affected giant institutions, several studies and research were conducted, concluding that the main reason is the absence of practices and procedures in management, organization, control, and adequate supervision of institutions to ensure the achievement of the set goals, and adherence to internal regulations and laws regulating the affairs of institutions. The board of directors is responsible for providing appropriate mechanisms (Abdul Aziz & Muhammad, 2020), and to achieve this and help the board of directors fulfill its increasing supervisory responsibilities, the idea of the current research was

launched to study the role of the auditor within the framework of IAS260 260 in achieving independence and its reflection on the quality of auditing in the Iraqi environment. The neutrality and independence of the auditor are essential matters for practicing the profession without their availability in those who perform it. Many research studies have long been conducted, where neutrality in auditing means "the auditor's non-subjection to the influence and authority of those responsible for the client units whose work he audits, whether when planning or implementing the audit process or when preparing the report on the audit results," i.e., neutrality means the ability to act honestly and objectively (Hussein et al., 2023). Therefore, neutrality is described by some as a mental attitude whose owner cannot be influenced by any material interests or pressures that conflict with honesty and objectivity, which significantly affects the quality of audit work as Iraqi professional bodies seek to improve the quality of auditors (Flayyih & Flayyih, 2019). This is to preserve the interests of all different parties by issuing the standards regulating the profession and ensuring their implementation. Therefore, the auditor must respect the general auditing standards. The more the auditor increases his efforts to achieve quality in the field, the more this is reflected in the quality of the financial statements, which are relied upon in making various economic decisions, so that the more there is disclosure, the more significant the impact of the quality of external auditing on the quality of the financial statements positively, and thus the financial statements are correct and free from manipulation and fraud (Rahal, 2022). The goal of auditors is to express an impartial technical opinion on the fairness of the expression of the financial statements and the resulting trust and credibility of the data contained in these statements, as the financial and non-financial information disclosed by companies is valuable and influential on the decisions of current and potential investors, so accuracy and caution must be exercised when presenting this information so that it is of high quality, which leads to efficient investment decisions.

RESEARCH METHODOLOGY

Study Problem

The adoption and application of international auditing standards by regulatory bodies for most countries (including the Republic of Iraq) does not lead in most cases to obtaining better positive results for economic units, due to the conflict that occurred between the preferences that most regulatory bodies are committed to following, and the small variables that occurred within the state for the units on the one hand, and the weak level of commitment towards that person and knowledge of the developments that occur continuously by regulatory bodies from other parties, and this represents one of the most critical problems facing the process of developing and raising the level of quality of performance and independence of the auditor and his professional opinion within the auditor's report, and the role of the auditor within the framework of IAS260 in achieving independence and its reflection on the quality of auditing is considered an emanation from the board of directors consisting of independent non-executive members whose tasks lie in helping the board of directors to implement the tasks assigned to it by supporting the various internal and external oversight mechanisms of the government, which contributes to supporting and strengthening the management and oversight systems in institutions within the framework of the ethical values of transparency, integrity and independence. The questions of the current study can be raised as follows:

- Is there Sufficient knowledge by Iraqi auditors about the importance of applying IAS260 in the Iraqi environment?
- How does IAS260 contribute to achieving AI?
- What is the impact of IAS260 in achieving independence and its reflection on the quality of auditing in the Iraqi environment?
- What are the most prominent obstacles facing the application of IAS260 in the Iraqi environment?

The importance of the research

The importance of this research stems from the rapid economic, technological, and social changes that the world is witnessing in the contemporary business environment and the complexity and intertwining of production processes and the overlap of laws subject to them, which has led to the difficulty of the auditor's familiarity with all activities and his ability to confront obstacles in the auditing process, perhaps the most prominent of which are international auditing standards in terms of understanding them and the process of applying them due to the diversity and culture of countries, and the importance of the research is related to the importance of the role of the auditor within the framework of IAS260 in achieving independence and its reflection on the quality of auditing in the Iraqi environment.

Research objectives

The research seeks to provide a theoretical and practical study on the importance of the auditing process and auditors in light of the application of IAS260 for the purpose of achieving audit independence and its reflection in increasing the quality of auditing, as well as to encourage auditors in Iraq to adopt international auditing standards for their benefits in increasing expertise and the ability to detect financial and non-financial errors, as this helps in examining financial statements and making criticisms of internal control systems and obtaining sufficient and appropriate evidence to support the independence of the auditor's opinion on the fairness and honesty of the financial statements, in addition to directing the attention of the competent authorities to develop the auditing profession in Iraq through mechanisms, programs and specialized courses in accounting and auditing aspects for all sectors, in addition to determining the extent to which institutions and organizations accept specialization in auditing work and the awareness of the relevant parties of the importance of specialization in the stages of the auditing process and its impact on reducing risks and raising the level of efficiency of the auditor's professional performance, and highlighting the significant role of the auditor within the framework of IAS260 in achieving the desired goals of the auditing process in obtaining financial statements that express the company's financial position fairly and honestly and instill reassurance in the souls of users These lists and provide a proposed program to increase the independence of the audit process and its reflection on the quality of the audit.

Research Hypotheses

The research is based on a primary hypothesis as follows:

H1: There is an impact relationship between IAS260 and AI

H2: There is an impact relationship for IAS260 on Audit Quality

H3: There is an impact relationship for AI on Audit Quality

H4: AI mediates the impact relationship of IAS260 on Audit Quality

Approach of study

The study method is defined as a systematic set of general principles and actual methods used by the researcher to solve the specific problem in his study. It is an organized thinking method that depends on observation and is based on objective facts and data that aim to reveal the essence of the truth (Al-Jubouri et al., 2017). The researcher relied on both deductive and inductive approaches to prepare his research. According to the deductive approach, the nature of international auditing standards and auditing, in general, was highlighted. Auditing Standard 260 was addressed in some detail to determine how this standard affects the independence of auditing and then its reflection on the quality of auditing. According to the inductive approach, the weaknesses in adopting international auditing standards were diagnosed the extent of the concerned parties' readiness to

apply them, and the reflection of the above on the auditing procedures currently followed by auditors in Iraq.

Research community and sample:

The research community is represented by professionals working in the Federal Financial Supervision Bureau in Baghdad Governorate, who numbered (165) legal accountants according to the administrative position and academic degree according to the statistics prepared by the Department of Studies and Technical Affairs in the Federal Financial Supervision Bureau for the year 2023. Moreover, auditors working in auditing companies and offices, in addition to first-class auditors (171) auditors, according to the bulletin issued by the Auditing and Control Profession Council for 2023.

REVIEW OF PREVIOUS STUDIES

The study (Hardan, 2014) aimed to demonstrate the impact of the pillars of corporate governance on the quality of internal auditing in banks operating in Jordan. These pillars were represented by disclosure, transparency, accountability, social responsibility, justice, independence, laws, and regulations. This study demonstrated the importance of the pillars of corporate governance and measured their impact on the quality of internal auditing. The study relied on the use of the descriptive analytical approach, and it was distributed to banks operating in Jordan, numbering (26) banks. The study sample consisted of most internal auditors at the internal audit departments of banks operating in Jordan. The questionnaire was distributed to them at a rate of (5) questionnaires for each bank. (130) questionnaires were distributed and (126) questionnaires were returned, i.e. (96.9%) of the distributed ones. (4) questionnaires were excluded because they were not suitable for analysis. Thus, the number of questionnaires that were analyzed was (122). The researcher used appropriate statistical methods to analyze the data based on the (SPSS) program in this study. The study concluded that corporate governance's pillars positively impact auditing quality in banks operating in Jordan. A study (Al-Rawashdeh, 2014) aimed to identify the impact of corporate governance principles on the external auditor's independence and audit fees in Jordanian insurance companies listed on the Amman Stock Exchange. The study population consists of Jordanian insurance companies listed on the Amman Stock Exchange, numbering twenty-six companies, and the audit offices of these companies, numbering six offices. A special questionnaire was prepared to collect data and distributed to the study sample, which consisted of twelve companies and three offices. The number of questionnaires that could be analyzed reached 104 questionnaires. After statistical analysis to test the hypotheses, the researcher concluded that there is an impact of the principles of corporate governance (the principle of ensuring the existence of an effective framework for corporate governance, the principle of protecting shareholders' rights, the principle of protecting stakeholders' rights, the principle of disclosure and transparency, and the principle of the responsibilities of the board of directors) on AI and audit fees. The study (Restrepo, 2015) aimed to determine whether the institutional design of the Supreme Audit Institutions in Latin America and the Caribbean meets the independence and professionalism criteria outlined in the principles of the Lima and Mexico Declarations on the Organization of Supreme Audit Institutions as a condition for the development of effective external government oversight, the results of which may provide inputs for improving the performance of the audited entities for the benefit of society. According to the descriptive variables defined for this paper and the sources of information consulted, we demonstrated that the institutional design of the regional Supreme Audit Institutions meets these principles. The study used the descriptive inductive approach. It concluded that, given the analysis of the constitutional and legal rules regulating the Supreme Audit Institutions and the documents issued by the Supreme Audit Institutions, such as audit guidelines and manuals, management reports, and audit reports, we cannot say that this effectively means that the Supreme Audit Institutions meet the independence and professionalism criteria established by INTOSAI. Political, institutional, and

communication challenges must be overcome to move from formal compliance to real application. The study (Abdul Aziz, 2016) aimed to reveal the behavioral dimension of the independence and impartiality of auditors and its impact on the quality of professional performance. The study group comprised 415 (senior auditing offices, accounts control departments in the Central Auditing Organization, credit departments in commercial banks, approved registration agents, and financial consulting and brokerage offices). The study results concluded that the reliability or validity coefficient was close to one, which means that the survey was characterized by reliability and validity, indicating the extent to which the sample expresses its representation of the study community. The results confirmed no statistically significant differences in the axes of the absent dimension (behavioral). In conclusion, the study recommended conducting more experimental studies on the two dimensions mentioned, especially considering other determinants and factors the researcher may not have realized here. The study (Mishari, 2016) aimed to identify the impact of corporate governance mechanisms on audit delay in companies listed on the Kuwait Stock Exchange. Kuwait has an extraordinary audit regulation stipulates that listed companies should be subject to a joint audit by two independent auditors who signed the report. The multivariate regression model analyzes the relationship between audit delay and six corporate governance mechanisms: the joint combination of auditors, board size, board independence, dual role, institutional ownership, and government ownership. This study concluded that empirical evidence used by regulators and bodies can use in their ongoing campaigns can enhance the role and importance of corporate governance mechanisms in improving the quality and timing of financial reports. The study (Al-Marsoumi, 2019) aimed to communicate the important factors that help achieve integration between internal control bodies and the role of the supreme audit bodies represented by the Federal Board of Financial Supervision in Iraq in the course of audit work in ministries and to demonstrate the enhancement of the independence and quality of the work of internal audit bodies through coordination and cooperation between the supreme audit bodies and their supporting bodies. A descriptive analytical approach was used to conduct personal interviews, and the questionnaire design was used to collect data related to the study. The study concluded the necessity of forming coordination committees to review laws and legislation to achieve integration between external audit bodies and the necessity of qualifying internal audit bodies and that internal audit bodies be linked to the supreme administrative authority represented by the relevant minister or head of the authority. The study (Al-Hawari, 2020) aimed at the reality of the quality of external audit service in Algeria by analyzing the factors determining this quality and measuring its impact on audit client satisfaction. In order to achieve the research objectives, the conceptual framework was developed based on a review of theoretical and applied literature, and the research hypotheses were tested through two field studies by distributing a questionnaire to a group of external auditors (62 individuals) and financial statement preparers (42 individuals). The questionnaires were analyzed using SPSS 20, and the research reached the following results: - The quality of external auditing is affected by many variables, such as the characteristics of the external auditor and the audit office, the characteristics of the audit client, the characteristics of the audit task, and the characteristics of the audit environment. - The factors that most influence the quality of external auditing are those related to the independence of the external auditor and its legislation, competence, and good reputation. This quality is embodied practically when performing audit tasks with the required quality in the planning, implementation, and reporting stages. Government guardianship over the profession does not contribute to achieving the quality of external auditing. - The preparers of the financial statements are satisfied with the quality of the professional performance of Algerian auditors, as this quality is considered a basic determinant of their satisfaction, especially the following components: reliability, audit results, independence, and assurance. The study (Saud et al., 2020) aimed to identify the extent of the impact of Audit Quality (AQ) determinants on the performance of the external auditor and to identify the extent of external audit offices' awareness of AQ determinants by analyzing the quality determinants affecting the performance of the audit process represented by

(academic qualification and professional experience, sectoral specialization, consulting services, office size and reputation, audit fees, and AI), and this study adopted the inductive approach, by preparing a questionnaire form and distributing it to the research sample. The study found that the members of the audit offices under study do not possess foreign or Arab professional certificates such as CPA, ACPA, CMA, CFA) due to its negative impact on the efficiency and quality of the audit, and thus the low confidence of users of audit reports in the quality of information provided by audit offices. The study (Ismail, 2020) aimed to clarify and interpret the extent of the independence of the external auditor by studying the factors affecting his independence, considering that it is a criterion of the personal standards that must be available in the person performing the auditing task, in order to express a neutral technical opinion on the extent of the credibility of the outputs of the accounting information system, which is represented in reaching the quality of the financial statements, which in turn gives a true picture of the financial position of the institution and helps in making decisions. This article focused on knowing the factors affecting the exploitation of the auditor and how to reduce their impact to improve the performance of accounting and financial auditing. Through the studies, it became clear that there are factors that affect the extent of the independence of the external auditor, represented by the level of academic qualification and professional experience necessary to practice the profession and the number of fees obtained in exchange for performing his tasks and the kinship between him and the contracting institution, as well as the presence of any common interests that may negatively affect his independence and impartiality and the level of competition, all of which may lead to the auditor not working as required and thus the weakness of the final report and obtaining financial statements that are marred by lack of clarity and the absence of a true picture of the financial position of the institution in a way that may allow By making wrong decisions.

APPLIED STUDY

Research tool design

Data were collected by questionnaire, and this tool was designed to know the opinions and trends of the research sample regarding the studied variables. The questionnaire variables were determined based on the knowledge gap of previous literature, and the questionnaire paragraphs included what was covered by previous literature and the scales that were developed based on the recommendations of studies on the research topic. Table 2 shows the structure of the questionnaire.

Table 1 shows the structure of the questionnaire.

Variables & dimensions	Number of items	Symbol
Variable 1: International Auditing Standard 260 (IAS 260)	14	X
Audit relationship with governance officials	7	X1
AI and his relationship with communication with governance officials.	7	X2
Variable 2: AI	15	Z
Independence of approach	5	Z1
Independence of verification	5	Z2
Independence of reporting	5	Z3
Variable 3: AQ	15	Y
Auditor reputation	5	Y1
Auditor fees and risk of auditors' litigation	5	Y2
Shareholder confidence in the auditor	5	Y3
Total	44	

Content Validity Test: Table 5 shows the reliability coefficient of the questionnaire, which reached (0.95), indicating that the questionnaire, in all its aspects, has a high and acceptable degree of reliability, and therefore, it can be relied upon in conducting the analysis and adopting the results as

for the reliability test of the questionnaire reached (0.97), which is also high and is an excellent value and indicates the scale's validity. As for the variables level, the variable (IAS260) achieved a reliability coefficient of (0.83), which indicates that the variable in all its aspects has a high degree of stability, while the reliability test of the questionnaire reached (0.91), which indicates a high value of reliability. As for the dimensions of this variable, the dimension (the relationship of auditing with governance officials) achieved a reliability coefficient of (0.72) and a reliability coefficient of (0.85). This result indicates that this dimension has high stability and reliability. The dimension (AI and its relationship with communication with governance officials) achieved a stability coefficient of (0.77) and a validity coefficient of (0.88). This result indicates that this dimension has high stability and validity. The variable AI achieved a stability coefficient of (0.92), which indicates that the variable in all its aspects has a high degree of stability. As for the questionnaire validity test, it reached (0.96), which indicates a high value of validity. As for the dimensions of this variable, the dimension (method independence) achieved a stability coefficient of (0.77) and a validity coefficient of (0.88). This result indicates that this dimension has high stability and validity. The dimension (independence of verification) achieved a stability coefficient of (0.79) and a validity coefficient of (0.89). This result indicates that this dimension has high stability and validity. The dimension (independence of the report) achieved a stability coefficient of (0.90) and a validity coefficient of (0.95). This result indicates that this dimension has high stability and validity. The variable AQ achieved a stability coefficient of (0.93), indicating high stability in all aspects. As for the questionnaire validity test, it reached (0.96), which indicates a high value of validity. As for the dimensions of this variable, the dimension (heard by the auditor) achieved a stability coefficient of (0.81) and a validity coefficient of (0.90). This result indicates that this dimension has high stability and validity. As for the dimensions of this variable, the dimension (audit fees and risks of suing auditors) achieved a stability coefficient of (0.79) and a validity coefficient of (0.89). This result indicates that this dimension has high stability and validity. As for the dimensions of this variable, the dimension (shareholders' trust in the auditor) achieved a stability coefficient of (0.88) and a validity coefficient of (0.94). This result indicates that this dimension enjoys high stability and validity.

Table 2 Validity and validity tests

Variables & dimensions	Number of items	Value of the validity coefficient	Value of the reliability coefficient
Variable 1: International Auditing Standard 260 (IAS 260)	14	0.83	0.91
Audit relationship with governance officials	7	0.72	0.85
AI and his relationship with communication with governance officials.	7	0.77	0.88
Variable 2: AI	15	0.92	0.96
Independence of approach	5	0.77	0.88
Independence of verification	5	0.79	0.89
Independence of reporting	5	0.9	0.95
Variable 3: AQ	15	0.93	0.96
Auditor reputation	5	0.81	0.9
Auditor fees and risk of auditors' litigation	5	0.79	0.89
Shareholder confidence in the auditor	5	0.88	0.94
Total	44	0.95	0.97

Confirmation of latent structures and verification of the construct validity of the questionnaire as a whole.

In order to identify the validity of the construct or concept, confirmatory factor analysis will be used for the data of the three variables IAS260, AI, and AQ, as it is one of the methods used to verify the

construct validity of the scales. The interpreted values were more significant than (0.40), which indicates the validity of the dimensions of the variables.

Figure 3 confirms latent structures and verifies the scale's construct validity.

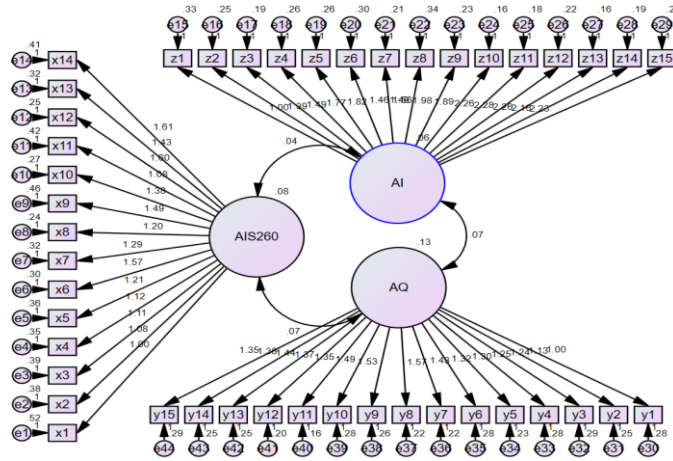


Figure 3 shows the confirmation of the latent constructs and verification of the scale's construct validity.

Table 3 Conformity Quality Indicators

Indicator	Result	General Rule
X2 Chi-square	2334.243	---
Degree of freedom (DF)	899	---
CMIN/DF	2.596	Less than 5
Comparative fit index (CFI)	0.69	0.1
Tucker-Lewis index (TLI)	0.67	0.1

Study Model Variables

The study aims to measure the role of the auditor within the framework of IAS260 in achieving AQ, either directly or indirectly through AI (i.e., within the framework of an "intermediary" model in which AI can play an intermediary role). A study model consisting of four regression equations was built according to the following:

- The first equation studies the impact of IAS260 on the level of AI.
- The second equation studies the impact of IAS260 on the level of AQ.
- The third equation will study the impact of both AI and AQ.
- The fourth equation will investigate the intermediary role of AI in the relationship between IAS260 and AQ.

It is worth noting that the increase in the number of model variables leads to a decrease in degrees of freedom, which requires increasing the sample size to maintain the efficiency of the regression. It is noted from the basic model in the thesis that it included three essential variables. The model was tested using a questionnaire and divided into three variables based on the study's title. The first variable, represented by IAS260, included two primary dimensions: the relationship of auditing with governance officials, the independence of the auditor, and his relationship with communication with governance officials. The second variable, called audit independence, also included three dimensions:

the method's independence, verification, and the report's independence. As for the dimensions of AQ, "the dependent variable" included three dimensions: the auditor's reputation, audit fees, the risk of being sued as a second dimension, and finally, shareholders' confidence in the auditor. Accordingly, the first model will be built based on the central relationship between the variables, as the first structural model will include three basic equations according to the following:

$$(1) \dots\dots Y_i = \alpha + X_i * \beta_i + \dots E_i$$

$$(2) \dots\dots Y_i = \alpha + Z_i * \beta_i + \dots E_i$$

$$(3) \dots\dots z_i = \alpha + X_i * \beta_i + \dots E_i$$

$$(4) \dots\dots Y_i = \alpha + X_i * \beta_i + Z_i * \beta_i + \dots E_i$$

Whereas:

Y_i: AQ included three dimensions: auditor reputation, audit fees, risk of litigation, and shareholders' confidence in the auditor.

X_i: represented by IAS260, which included two basic dimensions: the audit relationship with governance officials and the auditor's independence and his relationship with communication with governance officials.

Z_i: Audit independence, which also included three dimensions: independence of method, independence of verification, and independence of reporting.

α, β, E: represent the function constant, β is the beta coefficient, and finally, the random error E, which represents the error limit with its usual characteristics.

Descriptive analysis:

It is an initial stage of data processing that contributes to summarizing the large number of variables used into simple measures that are easy to read and compare. The descriptive analysis here includes a statistical description and correlation matrix. Statistical description of the data

Appropriate descriptive statistics are used, such as the arithmetic mean (M), which is one of the measures of central tendency, and the standard deviation (S.D) and the coefficient of variation (C.V) as one of the tools of dispersion measures. Table 1 shows the statistical description of the studied variables.

Table 4 Statistical description of variables

Variables & dimensions	MEAN	S.D	C.V
Variable 1: International Auditing Standard 260 (IAS 260)	3.91	0.60	0.15
Audit relationship with governance officials	4.10	0.55	0.13
AI and his relationship with communication with governance officials.	4.06	0.56	0.14
Variable 2: AI	4.27	0.55	0.13
Independence of approach	4.24	0.53	0.12
Independence of verification	4.22	0.54	0.13
Independence of reporting	4.22	0.66	0.16
Variable 3: AQ	4.15	0.64	0.15
Auditor reputation	4.14	0.55	0.13
Auditor fees and risk of auditors' litigation	3.93	0.62	0.16
Shareholder confidence in the auditor	4.00	0.63	0.16

Independent variables (IAS260):

Regarding "the audit relationship with governance officials": We find that the independent variables reflect relatively high levels of IAS260, as we note that the average dimension of "the audit relationship with governance officials" is (3.91), which is greater than the hypothetical mean of (3) with S.D. and C.V. reaching (0.60) and (0.15); Their results indicate low dispersion in the answers of the sample members, numbering (178).

Regarding the dimension "the independence of the auditor and his relationship with communication with governance officials," The average dimension of "the independence of the auditor and his relationship with communication with governance officials" is (4.10), which is greater than the hypothetical mean of (3) with S.D. and C.V. reaching (0.55) and (0.13); Their results indicate low dispersion in the answers of the sample members, numbering (178), and the results indicate that the second dimension of the first variable achieved better results than the first dimension of the same variable, and this can be attributed to the effectiveness of the auditor's independence from the main actors in governance.

The mediating variable AI:

Regarding the independence of the method: The average dimension of "independence of the method" is (4.24), which is greater than the hypothetical mean of (3), with S.D and C.V reaching (0.53) and (0.12). Their results indicate low dispersion in the answers of the sample members, numbering (178).

Regarding the independence of verification: The average dimension of "independence of verification" is (4.22), which is greater than the hypothetical mean of (3), with S.D and C.V reaching (0.54) and (0.13). Their results indicate low dispersion in the answers of the sample members, numbering (178).

Regarding the independence of the report: The average of the dimension "independence of the report" is (4.22), which is greater than the hypothetical mean of (3) with S.D and C.V reaching (0.66) and (0.16), and their results indicate low dispersion in the answers of the sample members, numbering (178). All the descriptive results of the variables are close.

Dependent variable AQ

Regarding the auditor's reputation: The average of the dimension "auditor's reputation" is (4.14), which is greater than the hypothetical mean of (3) with S.D and C.V reaching (0.55) and (0.13), and their results indicate low dispersion in the answers of the sample members, numbering (178).

Regarding audit fees and auditor litigation risks: The average of the dimension "audit fees and auditor litigation risks" is (3.93), which is greater than the hypothetical mean of (3) with S.D and C.V reaching (0.62) and (0.16); Their results indicate low dispersion in the answers of the sample members numbering (178).

Regarding shareholders' confidence in the auditor: The average of the dimension "shareholder confidence in the auditor" is (4), which is greater than the hypothetical mean of (3) with S.D and C.V reaching (0.63) and (0.16); Their results indicate low dispersion in the answers of the sample members numbering (178).

Structural Model

The first structural model of the study (SEM-1) aims to study the direct impact of IAS260 on the level of AI; Also investigating the direct effect of AI on AQ, as well as studying the indirect effect of IAS260 on AQ through AI as an intervening variable in the relationship, the model was designed based on the main objective of the study under which the scale was designed.

First: Validity of the scale:

Figure 6 shows the results of the validity, reliability, and quality of the first structural model (SEM-1) regarding the impact of IAS260 on the level of AQ under AI .

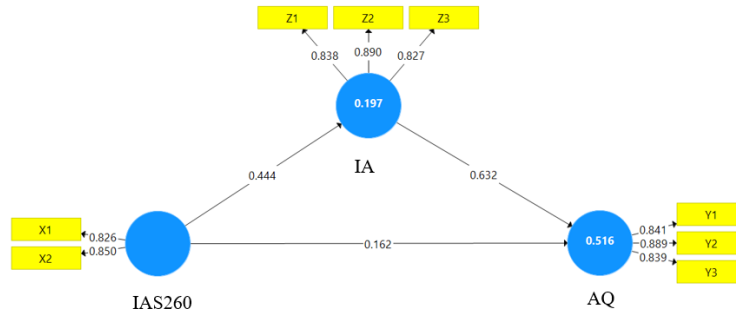


Figure 7 Results of the validity and reliability of the model and the quality of the first structural model (SEM-1)

The effect of IAS260 on the level of AQ under AI. Figure 7 shows that IAS260 explains (19%) of the changes that occur in the level of AI. The remaining percentage (81%) is due to random error, possibly due to many other organizational and administrative factors that were not controlled in the structural model. We also find that AI itself and IAS260 explain together the percentage (51%) of the changes that occur in AQ. The remaining percentage (49%) is due to random error, possibly due to many other organizational and administrative factors that were not controlled in the structural model. As for the value of the total coefficient of determination for the model, it was (71%). Figure 8. The graph shows the value of the coefficient of determination (R2).

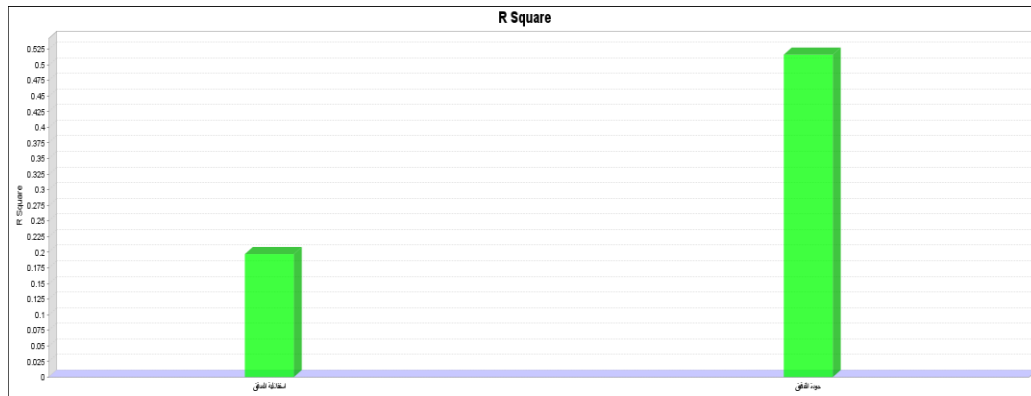


Figure 8 Value of the coefficient of determination (R2) for the first structural model.

Table shows the results of the validity and reliability of the model, the quality of the first structural model (SEM-1), and the effect of IAS260 on the level of AQ under AI.

Table 5 Results of the validity and reliability of the model and the quality of the first structural model (SEM-1) the effect of IAS260 on the level of AQ under AI.

Variables	Items saturation	C.R	AVE	A.C
Audit relationship with governance officials	0.826	0.702	0.825	0.576
AI and his relationship with communication with governance officials.	0.850			
Auditor reputation	0.841	0.733	0.892	0.818

Auditor fees and risk of auditors' litigation	0.889			
Shareholder confidence in the auditor	0.839			
Independence of approach	0.838	0.726	0.888	0.811
Independence of verification	0.890			
Independence of reporting	0.827			

It is noted from Table 14 that all dimensions exceeded the threshold of external loadings standard of 70%, as the first dimension, "the audit relationship with governance officials" from the variable "IAS260," achieved a percentage of (82%). In comparison, the second dimension, "the auditor's independence and his relationship with communication with governance officials," achieved a percentage of (85%). The first dimension, "the auditor's reputation," from the variable "AQ," achieved a percentage of (84%). In comparison, the second dimension, "audit fees and risks of suing auditors," achieved a percentage of (88%), and the third dimension, "shareholders' confidence in the auditor," achieved a percentage of (83%). The first dimension, "independence of the method" from the variable "AI" achieved a percentage of (83%). In comparison, the second dimension, "independence of the method," achieved a percentage of (89%), and the third dimension, "independence of the report," achieved a percentage of (82%). As for the first variable, "IAS260," It is clear that the value of the composite reliability coefficient (C.R) was (0.702), which is greater than the standard value of (70%). The value of the average calculated variance coefficient (AVE) for the model was (0.825), which is greater than the standard value of (50%). At the same time, the statistical package failed the validity test of Cronbach's coefficient (A.C) for the model, which had a coefficient of (0.576), which is less than the standard value of (70%). Accordingly, we can judge the scale's validity because it achieved three validity tests, while it failed to achieve one validity. As for the first variable, "AQ," it is clear that the value of the composite reliability coefficient (C.R) was (0.733), which is greater than the standard value of (70%). The value of the average calculated variance coefficient (AVE) for the model was (0.892), which is greater than the standard value of (50%). It also tested the validity of the model's A.C. coefficient, which was (0.818), more significant than the standard value of (70%). Accordingly, we can judge the validity of the scale by all measures. For the first variable, "AI," it is clear that the value of the composite reliability coefficient (C.R) was (0.726), which is greater than the standard value of (70%). The value of the average calculated variance coefficient (AVE) for the model was (0.888), which is greater than the standard value of (50%). It also tested the validity of the model's A.C. coefficient, which was (0.811), more significant than the standard value of (70%). Accordingly, we can judge the validity of the scale by all measures. Second: Relationship test: Figure 8 shows the first structural study model (SEM-1) of the effect of IAS260 on the level of AQ in light of AI.

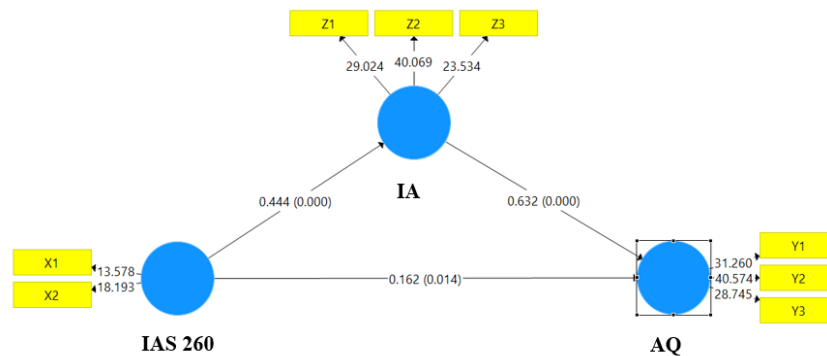


Figure 9 The first structural model of the study (SEM-1) The effect of IAS260 on the level of AQ under AI

Table 6 shows the results of the effect of IAS260 on the level of AQ under AI.

Table 6 the effect of IAS260 on the level of AQ under AI.

Path	Unstandardized Coefficients	Standardized Coefficients	S.D	T-Test	P Values
IAS 260 Equation					
IAS260 -> AI	0.444	0.447	0.071	6.208	0
IAS260 -> AQ	0.162	0.165	0.066	2.472	0.014
AI Equation					
AI -> AQ	0.632	0.63	0.063	9.988	0
IAS260 Variable Creation Measurements					
IAS260-> X1	0.826	0.816	0.061	13.578	0
IAS260-> X2	0.85	0.852	0.047	18.193	0
Measurements for creating the variable AQ					
AQ-> Y1	0.841	0.84	0.027	31.26	0
AQ-> Y2	0.889	0.888	0.022	40.574	0
AQ-> Y3	0.839	0.838	0.029	28.745	0
Measurements for creating the variable AI					
AI-> Z1	0.838	0.837	0.029	29.024	0
AI-> Z2	0.89	0.888	0.022	40.069	0
AI-> Z3	0.827	0.826	0.035	23.534	0

From the above results, it is clear from the path (IAS260 -> AI) that there is a positive and significant effect and that any change in the variable "IAS260" by one unit will affect the variable "AI" by (44%), while the calculated T value reached (6.208) which is greater than the tabular T value. It is clear from the path (IAS260 -> AQ) that there is a positive and significant effect and that any change in the variable "IAS260" by one unit will affect the variable "AQ" by (16%), while the calculated T value reached (2.472) which is greater than the tabular T value. It is clear from the path (AI -> AQ) that there is a positive and significant effect and that any change in the variable "AI" by one unit will affect the variable "AQ" by (63%), while the calculated T value reached (9.988) which is greater than the tabular T value. From the above results, we accept hypothesis (H1), which states: "There is an impact relationship between IAS260 and AI." Moreover, (H2) which states: "There is an impact relationship between IAS260 and AQ." Moreover, (H3) which states: "There is an impact relationship between AI and AQ." Figure 9 shows the proportion of unstandardized coefficients for the first structural model.

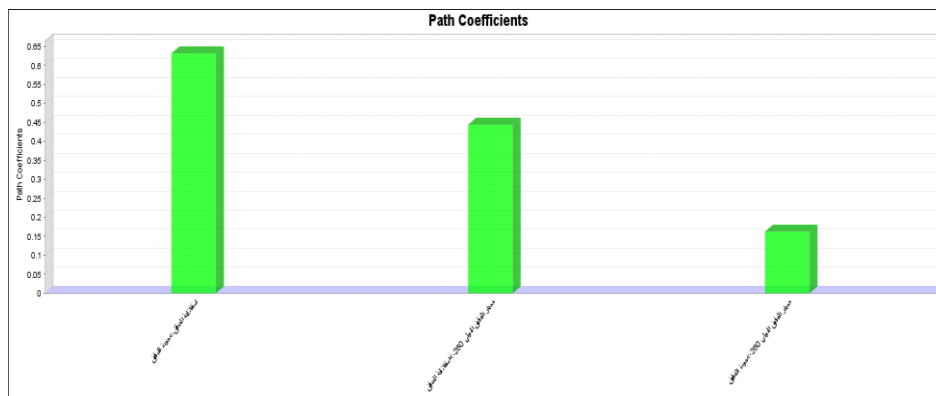


Figure 10: The ratio of the non-standardized transactions (β) for the first structural model: The impact of IAS260 on the level of AQ in light of AI.

As for the measurements latent in the construction of the scale, for the variable "IAS260", the importance of the dimension "AI and its relationship with communication with governance officials" is evident with a coefficient of (0.85) and then the dimension "audit relationship with governance

officials” with a coefficient of (0.82). As for the measurements latent in the construction of the scale, for the variable “AI,” the importance of the dimension "independence of verification and independence of the method" is evident with a coefficient of (0.89), and then the dimension "independence of the report" with a coefficient of (0.83) and then the dimension " with a coefficient of (0.83). As for the measurements latent in the construction of the scale, for the variable "AQ," the importance of the dimension "audit fees and risks of suing auditors" is evident with a coefficient of (0.88), and then the dimension "auditor reputation" with a coefficient of (0.84) and then the dimension "shareholders' trust in the auditor" with a coefficient of (0.83).

Path decomposition

Table x. shows the decomposition of the paths of the first structural model so that it shows the direct effect of IAS260 on AI, as well as the indirect effect of IAS260 on AQ through the level of AI as a mediator in the relationship. The total effect represents the total direct and indirect effects together. Therefore, this Table enables us to determine whether the AI variable is a mediator.

Table 7 Baron & Kenny's approach to investigating mediation is to test the direct and indirect effects of the first structural model: The effect of IAS260 on the level of AQ in light of AI.

Paths	Direct effect	Indirect effect	Total effect
AI -> AQ	0.632 [9.9]***	0.000 [0.00]***	0.632 [9.9]***
IAS260 -> AI	0.444 [6.2]***	0.000 [0.000]***	0.444 [6.2]***
IAS260 -> AQ	0.162 [2.4]***	0.28 [5.1]***	0.442 [6.7]***

Table also shows the path of the effect of IAS260 on the indirect level of AQ under the mediation of the mediating variable “AI.”

Table 8 testing the indirect effect of the second structural model: The effect of IAS260 on the level of AQ under the mediation of AI.

Path	Indirect Effect	Sobel		Mediation Type
		probability	test statistic	
IAS260 -> AI -> AQ	0.280 [5.189]***	0.000	4.2	Partial

From Table 17, we can summarize the analysis of the standard impact paths. As for the direct impact, for the path (AI -> AQ), it is clear that there is a direct and significant positive impact of the variable “AI” on AQ with the direct impact only and that any increase of one unit will lead to an increase in the deviation by 63% at a significance level of 0.05. In contrast, the impact percentage was zero in the indirect impact because the impact in this relationship only comes from the indirect impact. For the path (IAS260 -> AI), the results show a direct positive effect, and any change in the variable “IAS260” by one unit will affect the variable “AI” by (44%). At the same time, the calculated T value reached (6.2), which is greater than the tabular T value. Also, a direct effect appeared for the path (IAS260 -> AQ), and any change in the variable “IAS260” by one unit will affect the variable "AQ" by (16%). At the same time, the calculated T value reached (2.4), which is greater than the tabular T value. The indirect effect is shown in Table xx. Through the path (IAS260 -> AI -> AQ), there is an indirect positive effect. Any change in the variable "AI and its relationship with communication with governance officials” by one unit will affect the variable “AQ” by requiring the mediation of the

variable "AI" by (28%). At the same time, the calculated T value reached (5.189) which is greater than the tabular T value. The results of the Sobel test confirmed what was concluded using the three-step Baron & Kenny test, as the test statistic was statistically significant. Therefore, these results came to support the realization of all hypotheses (F4), which states that "AI mediates the relationship between the impact of IAS260 on AQ."

CONCLUSION

The researcher conducted several tests on the pre-tests, which are both the apparent test, or what is known as the validity of experts and arbitrators, and the content validity test. We also investigated the confirmation of the latent structures. We verified the validity of the structure by confirming the latent structures and verifying the validity of the structure for the questionnaire as a whole and at the level of the variables individually. We relied on adopting the study hypotheses on the study model by investigating the role of the auditor within the framework of IAS260 in achieving AQ, whether directly or indirectly through AI within the framework of an "intermediary" model in which AI can play an intermediary role in the relationship. A study model consisting of four regression equations was built. The first equation studies the effect of IAS260 on the level of AI. The second equation is concerned with studying the effect of IAS260 on the level of AQ. The third equation investigated the effect of both AI and AQ in the third equation. Finally, the fourth equation investigated the mediating role of AI in the relationship between IAS260 and AQ. Appropriate descriptive statistics are used, such as the arithmetic mean (M), which is one of the measures of central tendency, and the standard deviation (S.D) and the coefficient of variation (C.V) as one of the tools of dispersion measures. The study concluded that there is a positive and significant impact of IAS260 and that any change in the variable of these standards by one unit will affect the AI variable AQ by (44%) and (16%) respectively. In contrast AI affects AQ by (63%). This result was consistent with many previous studies, including the study (Hardan, 2014; Al-Marsoumi, 2019; Ismail, 2020). The same is the case for AQ. While AI "as an intervening variable" came with the same results, meaning that the relationship was influential in light of what was assumed in the hypothetical plan of the study. These results are consistent with the study (Zuulf & Al-Obaidi, 2011), which indicated that independence is a fundamental pillar in the audit process, as independence aims to reduce or prevent conflicts of interest by forming independent audit committees and not allowing any influence from any party to control or influence the decisions of the Board of Directors. The independence and objectivity of the internal auditor must be ensured when performing his work in companies. In contrast, the study differed from the results of the study (Saud et al., 2020), which indicated that auditors having professional certificates have a negative impact on the efficiency and quality of auditing, and thus, the low confidence of users of audit reports in the quality of information provided by audit offices. Although the results at the level of the basic variables indicated an influential relationship between the variables, at the level of the sub-variables, we did not find a relationship between the independent and dependent dimensions except for the relationship of one of these dimensions. In contrast, we found that the effect at the level of these dimensions was significant in light of the mediation of AI in this relationship, which necessitates the importance of AI as a basic and effective element in the relationship between the variables. Based on the above, we conclude that the auditor's role within the framework of IAS260 enhances his independence in the Iraqi environment. Moreover, adopting IAS260 enhances auditing quality in the Iraqi environment. Auditing standards can also be achieved AQ without the auditor enjoying complete independence from the entity that appointed him.

Recommendations

In light of the above research results, the researcher can emphasize several recommendations that he sees as necessary in this context, the most important of which is the necessity for the accounting profession in Iraq to adopt the full adoption of international auditing standards in the Iraqi environment—and emphasizing the necessity of appropriate qualification for the auditor from a

scientific and practical standpoint in several fields by forcing them to take intensive courses on adopting the latest versions of international accounting and auditing standards that would enhance the quality of financial reporting and improve the efficiency and effectiveness of the auditor's work in reducing fraud, manipulation, and deception in financial statements and reports. It is necessary to focus on the auditor's independence within the framework of international auditing standards in the Iraqi environment. Focusing on the comprehensive adoption of international auditing standards in the Iraqi environment is necessary due to its role in attracting foreign investments. Given the importance of international auditing standards in enhancing the auditor's independence and quality of auditing, the accounting profession must focus on the complete independence of auditors from the entity that appointed them. In the absence of the influential role of the accounting profession in fully committing to adopting international auditing standards in the control process, we see it necessary for auditors in Iraq to adopt the directives of international auditing standards and make them a fundamental pillar in auditing work due to their benefits that contribute to increasing the expertise of the work team, which contributes to raising the efficiency, effectiveness, and ability of auditors to detect financial and non-financial errors.

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