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Adoption of the ISA 500 and its Impact on Audit Quality and Fraud Reduction: Evidence from Iraq

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Abstract. This study aims to demonstrate how adopting the international auditing standard 500 will improve audit quality in audit agencies. The Financial Supervision Bureau auditors and the possibility of benefiting from the research results prompted a recommendation to the Auditor Profession Council to adopt the two international standards of evidence and to accomplish the study's objective; the Auditor Profession Council has adopted these standards. A questionnaire form was adopted for this purpose, and 100 questionnaires were distributed to a sample of auditors in Iraqi auditing agencies and 100 questionnaires to auditors in the Federal Financial Supervision Bureau. All 200 distributed questionnaires were retrieved, and the data were analyzed using the statistical analysis programs SPSS 23 and Amos to test hypotheses based on the path analysis model. The research concluded that the Iraqi Accounting and Supervisory Standards Board must adopt International Auditing Standard 500 due to the impact of this standard on audit quality and fraud reduction.

Keywords. Audit, ISA 500, Audit Quality, Fraud Reduction

1. Introduction
The performance and success of the auditing procedure are dependent on the existence of evidence. Over the past decade, professional organizations have endeavored to develop their standards in this location and provide auditors with guidance to assist them in completing their work as required in response to the rapid growth of companies, the diversity of their activities, and the technological challenges of the present day, and to mitigate the risks to which they are exposed. She believed that many auditors from around the world presented their professional ideas and experiences for the same reason. Most nations attempt to establish accounting or auditing standards for professionals and stakeholders. On a professional level, the International Federation of Accountants remains the primary and most significant source. Because it possesses international members with high-level expertise, which caused most countries in the world to move towards adopting international auditing standards, all or some of them, depending on the nature of the country and its economic and political conditions, and because Iraq was and is still moving at a languid pace in developing local auditing standards, the Accounting Standards Board issued a statement recommending that Iraq should adopt international auditing standards. The supervisory authority in Iraq issued the first general standard in December 1997 on the auditor's responsibility for subsequent events, the second and
third standards on the auditor’s report on the financial statements and basic auditing standards in July and November 1999, respectively, and the fourth standard on the study and evaluation in July 2000. The internal control system, and in January 2002, the fifth standard (documentation) and the sixth standard (planning and supervising the audit process) were issued. In contrast, the sixth and final standard on quality control was published in 2016, and the Council only gave a means once the preparation of this study, so we can see that it was crucial. Adopting international auditing standards, particularly the International Auditing Standard 500 about audit evidence, is the first step towards adopting international standards due to its significant impact on audit quality. Iraqi researchers are tasked with investigating this further. By adopting the International Auditing Standard 500, fraud was discussed. International auditing standards assist the auditor in planning the audit process, detecting fraud and errors, and assessing the risks associated with the audit process. This is expected to reduce fraud affecting private and public sector businesses. We endeavored to investigate this topic to identify scientific and practical solutions for advancing the auditing profession in Iraq.

2. Background

The study by Mentz (2014) dealt with developing an integrated model for planning the process of collecting evidence. A quantitative model was used to determine the evidence the auditor should contain. This model is based on the compensatory trade-off between the tests of internal controls and the essential procedures of the audit. And the means of internal control and the crucial analytical practices with the assessment of the risks of the audit process are reflected positively in the quality of the audit process, according to the study by Firth et al. (2012). The quality of auditing increases due to the role of auditing in improving the quality and reliability of financial statements. The study of auditing quality and the factors affecting it has attracted the attention of researchers, especially in developed countries. The survey by Deng et al. (2014) showed that different forms of auditor rotation affect audit quality; auditors are expected to be less (more) constrained by market forces and less (more) self-disciplined to maintain audit quality in regions with less (more) developed markets and legal institutions. Jeroew’s study, Van & Thürheimer, (2016), indicates that the amount of evidence the auditor undertakes collecting will affect the quality of the audit process. Salehi et al. (2019) consider the existence of contradictory results in the research conducted on the factors that affect the quality of the audit, and that concludes, The year is that tough. The audit firm’s size and the auditors’ specialization are positively related to the quality of the audit. As for AL-Qatami & Salleh (2020), it is necessary to check how to maintain audit quality by highlighting the relationship between audit quality and the many factors affecting it. Arum & Wahyudi (2020) indicated that the auditor is the line of defense and can play a role in fraud detection efforts. Audit quality can be achieved if auditors meet supervisory standards. Enofe et al. (2015) determined the relationship between forensic auditing and fraud in companies and that the frequent use of forensic auditing services will significantly help in detecting, preventing, and reducing cases of fraud in companies, while the study of Kassem (2016) concluded that the capabilities of fraud perpetrators are equally important. The chance of committing fraud, however, is currently ignored by auditing standards. The study of Rengganis et al. (2019) finds that the auditor’s opinion does not affect fraud in financial statements.

Based on the preceding, we did not find an Arab or foreign study, as far as we know, dealing with the three variables of evidence, the quality of auditing, and fraud and finding a link between them, so we will try to research this topic and find out its results to circulate it to the beneficiaries in the Iraqi environment.
2. Literature Review.

2.1 A Conceptual Introduction to ISAs 500

Audit standards vary from country to country due to different political, legal, economic, and cultural factors. At present, business people, financiers, and investors must consider these differences, which significantly affect the development of international business activity. Harmonizing audit standards can benefit economic activity in all countries around the world. Standard procedures for preparing financial statements and auditing will benefit investors, lenders, financial analysts, accountants, and auditors. Smith et al. (2008) and the International Federation of Accountants is the global organization for the accountancy profession. The International Accounting Standards Board (IAASB) sets standards for auditing, other assurances, quality control, and related service Davies & Aston, (2017), which are "the basic principles and necessary procedures required of an auditor to complete and rationalise the process of auditing financial statements, and that the aim of the international auditing standards is to serve the public interest by enhancing the quality and standardisation of auditing practises around the world and enhancing public confidence in the profession of Haapamäki & Sihvonen, (2019), and in general they are technical, ethical, and educational guidelines that provide flexibility sufficient to leave the field open for professional bodies in the countries of the world to be guided by and provide an opportunity for them so that they can be adapted to the environmental conditions in each country, and indicates for the International Federation of Accountants that the standards is a general term given to the standards that will be applied to the audit of financial statements and the standards that will be applied in relation to Soltani, (2007) relates to related services and reports on the credibility of data, and that these standards, guidelines, principles and rules issued by international professional organisations serve as a common language and guide that governs the auditing profession, which requires adherence to by all auditors in countries of the world when performing their duties. After going through a series of stages of thinking, analysis, conclusion, and reference to it when the local standards are short of achieving the primary goal of standardizing auditing practices IAASB, (2018), and through the application of international auditing standards, it aims to achieve the empowerment of communities in their quality control system. Furthermore, completing several aspects is necessary to achieve the objectives proposed by the company's management. Mădălina & Florin (2014) say that the call for international standards aims to enhance the international comparability and credibility of financial reporting and audit work to stimulate transnational investment flows, expand market-oriented development, and integrate local companies into global financial markets; however, the history and development of ISAs in emerging and developing countries have not received the same attention, so this should be of interest to researchers because it is often claimed that international harmonization of ISAs can be beneficial to the development of a country Boolaky & Soobaroyen (2017) believes that not all EU countries are fully committed to international auditing standards, which makes it difficult for international investors to rely on information provided by companies Boolaky & Omoteso, (2016), and that basing audit practices on international auditing standards would increase investor confidence in financial information. Of EU companies, and thus, improved investor confidence could lead to increased investments Haapamäki & Sihvonen, (2019); in addition, uniform auditing standards may be less effective in cases where national legal systems differ, Simunic & Zhang; (2015) and countries with high legal liability may be less likely to adopt ISAs because doing so may not improve audit quality. Simunic et al. (2017) and believe that there are some significant obstacles to the successful implementation of the standards, some of which are due to the standards themselves and others due to the nature of the systems in those
countries, and among those factors is a misunderstanding of the nature of international standards. David Sandström & Svanberg, (2010) and lack of education lead to paralyzing the process of implementing standards in general due to the lack of professionals who can link the standards to the current audit systems of some countries, which leads to the lack of professionals in the absence of government agencies that would promote the application of these standards. Boolaky & Omoteso (2016)

2.2 ISA 500 is the core of the audit process.

The audit process is the methodology for obtaining and evaluating objective evidence regarding assertions about economic events and activities, which determines the degree of conformity of those assertions with applicable standards and communicates the results to interested users. The audit process is centered on the evidence. Adiloglu & Vuran (2011) Audit standards stipulate that Auditors must collect evidence to support their professional opinions. ISA 500 requires auditors to satisfy the expected minimum standards for the audit evidence they collect and use as the foundation for their professional ideas. Conclusions and information recorded in the accounting records upon which the financial statements are based, as well as information obtained from other sources, on which to base his opinion IAASB, (2018). It affects the auditor's psyche, which influences his judgment and evidence of his decisions regarding the accurate presentation of the financial statements. Cascarino (2007), the information that he used to determine whether the approved accounting standards have prepared the audited financial statements and that they are authentic and reflect the reality of the economic unit subject to audit Arens & Easley, (2014), so audit evidence is a reflection of the facts that were discovered during the audit process Yin, (2019). In general, the audit evidence establishes the starting point for auditors to express their opinions regarding a company's financial statements Efiong et al. (2017), as the audit guide is comprised of the documents that form the basis of the financial statements and accounting transactions, as well as supporting information from other sources. The audit evidence must meet the requirements of international auditing standards in terms of quantity and quality Tuxtabaevich, (2022) and those realistic and collectible materials that can support the various accounting procedures implemented by the economic unit when producing its accounting information, which serves as the basis and justification for the auditors' opinion regarding this information Kiabel, (2012). Without audit evidence, there is no basis for audit work, and the categories of evidence obtained and criteria used to evaluate evidence may vary from one audit process to the next. Wahhab et al. (2021), And that the management's integrity indicates an increase in strength over the hazards of distortion. It is crucial to express collected audit evidence. According to Agwor & Amangala (2020) and Dawd (2018), there is substantial evidence that individuals give greater weight to evidence from a more reliable source when presented with contradictory evidence. Auditors are expected to pay more attention to audit evidence from a more reliable, competent, and sufficient source when presented with contradictory evidence, per professional standards PCAOB, (2007). Audit evidence consists of the documents or materials gathered by auditors during the auditing process, which are recorded on audit worksheets. This evidence will aid in effectively and efficiently implementing the audit process under the standards Gospel recommends Gospel (2019). It is evident from the preceding sentence that auditing the financial statements aims to increase users' confidence in the financial statements. This is made clear to users of the financial statements by defining in the audit report that the auditor's responsibility is to plan and conduct the audit process IAASB, (2018). To obtain reasonable assurance, auditors examine the audit evidence to ensure its adequacy and reliability and that the financial statements are free of material errors Mentz, (2014). Without
audit evidence, the auditor cannot form and express an opinion El-Masr & Hansen, (2007), and inconsistencies in audit evidence or doubts about its reliability arise when audit evidence from a source contradicts it. The audit was acquired from a third party. According to Khodjaeva (2020), the auditor must collect evidence confirming that the information produced by management is accurate. The audit evidence consists of written and electronic information that enables the auditor to conclude beneficial for forming an opinion. Augustine et al. (2013).

2.3 The Role of International Auditing Standards in Auditing Quality.
AlQatamin & Salleh (2020) note that the management of any company relies primarily on financial and accounting data when developing strategic plans to monitor and evaluate the company's performance, and it is eager to have these data verified by a neutral technical authority. After the development of management science, the industrial revolution and large corporations, and the increase in competition, the concept of quality changed as quality became required in various fields of professional work; however, auditing needed a more transparent, more comprehensive, and agreed-upon idea of quality. This is because the market assumed that the auditor could differentiate and detect material misstatements and then submit a report to the entity that hired him to conduct the audit. Husain (2020) and the Basel Committee's reference to audit quality as submission By generally accepted international auditing standards, an objective and pertinent professional opinion on the client's financial statements. While the Public Companies Accounting Oversight Board (PCAOB) believes that audit quality is to meet the requirements of investors by providing an independent audit process with high reliability and a strong communication relationship Zamorski & Lee, (2015), the Public Companies Accounting Oversight Board (PCAOB) disagrees. And clear with the audit committee about the financial statements, including disclosures and assurances regarding internal control and continuity warnings, Degeorge et al. (2013). Audit quality is also the extent to which the auditor will likely discover errors in the company's financial statements to be reported. The quality of Auditing will make customers give strong confidence to become an added value for auditors, Budiandru, (2021) and audit quality means the long period practiced by the auditor and his specialization in a specific type of industry for the client, Amahalu et al. (2018). With the quality of the audit outputs, that is, the auditor is likely to discover errors and irregularities in the financial statements and report on them AL-Al-Rashdan, (2022), and audit quality can be achieved by measuring the audit's ability to reduce bias to improve the quality of financial information. Wahhab & Khlaif (2022), And audit quality reflects the efficiency of the audit process and its capacity to obtain evidence supporting the auditor's opinion, the ability to force the management of the economic unit to implement accounting principles, reduce fraud and manipulation of financial statements, and reduce profit management practices, Hamdan et al. (2012) For the public to have faith in the accuracy of the financial statements, the integrity of the audit is crucial. When the auditor is independent, the audit will be of higher quality. Suyono, (2012). In addition, the likelihood that the auditor will discover specific misrepresentations depends on the auditor's independence. Octavia & Widodo, (2015). In addition, independence is believed to impact audit quality significantly; if the auditor is deemed independent, he will accomplish high audit quality. Also, the auditor's independence is an indirect measure that strongly affects audit quality. When auditor independence is adequate, audit quality will also be sufficient. Ismail (2020), The figure below illustrates the concept of audit quality.
2.4 How does audit contribute to reducing fraud?

Fraud is an unethical crime; it is an evolving process, it is frequently well-organized, and it appears in many areas that fraud is a deliberate misrepresentation of the company’s performance levels and is committed by employees working at management levels who seek to take advantage of fraud opportunities to achieve promotions, rewards, and incentives, etc. Singleton et al. (2006). In all cases, it is considered a criminal act characterized by deceit. As for the scope of auditing the financial statements Arens (2012), it results in material and moral damage to the economic unit as well as the loss of its reputation among its competitors Louwers et al. (2018), and it is a deliberate attempt to mislead stakeholders Drogalas et al. (2017). According to the Association of Certified Fraud Examiners (ACFE), it is the intentional misuse or exploitation of the resources or assets of an economic unit and injuring its interests for personal gain. Austin, (2023), and that the manifestations of fraud vary between the various levels of the economic unit; most employees are capable of simple theft, whereas corrupt managers can embezzle large sums of money or manipulate financial statements for their benefit Kung et al. (2015). Fraud differs from error in that it is practiced intentionally to obtain unique benefits in exchange for causing damage to others. In contrast, errors may cause harm to others,
but unintentionally or unintentionally. IAASB (2018) And that one of the methods for identifying fraudulent practices is to select the accounting policy that the standards permit to achieve a better picture of the financial statements through the use of some inputs related to evaluation or prediction in the accounts, such as the economic life of future assets or liabilities, or the introduction of some artificial transactions either to manipulate the amounts of the financial position or to manipulate profits between accounting periods. This is achieved by engaging in two or more interconnected transactions with a willing third party Vona, (2011). Although the responsibility for fraud prevention ultimately rests with managers and officers, it has become evident that auditors must learn about the various types of fraud that can occur and be able to develop rational processes to discover them Sudarmanto & Utami (2021). The fraud theory depends on four essential factors that contribute to the commission of fraud: opportunity, pressure, justification, and ability. Figure 2 shows the factors that lead to fraud based on the fraud theory.

![Figure 2: fraud theory](image)

3. Methodology
3.1 Research Importance

Examining and analyzing the literature on the issue of applying international auditing standards, particularly the International Standard of Evidence 500, as well as its role in the quality of the audit process to reduce fraud operations that Iraqi companies and government institutions are exposed to and to increase the efficiency of the work of auditors, whether in the public or private sector, constitutes the theoretical significance of the research. Alternatively, audit offices may implement the audit standard of evidence, which reduces fraud and improves audit quality.

3.2 Problem of the Research

The subject of evidence, obtaining it, and its suitability and adequacy represent the essence of the audit process, and establishing guidelines and rules for auditors in this regard enables the auditor to carry out his work with the utmost professionalism to achieve high quality
in the audit process and reduce the risks to which the audited entity is exposed. The study is founded on the following question:

Does adopting the international auditing standard 500 impacts the audit's quality and indicate a decrease in fraud?

3.3 Objective
The study seeks to achieve the following objectives:
1: Statement of the role of the international auditing standard 500 when applied and its contribution to raising auditing quality in the audit offices and the Federal Bureau of Supreme Auditors.
2 - The possibility of benefiting from the research results in raising a recommendation to the Accounting and Control Standards Council in Iraq to adopt the international standard of evidentiary evidence.
3: An introduction for future researchers to adopt international auditing standards or update Iraqi auditing manuals in line with international auditing standards.

3.4 Hypotheses
Based on the question that was addressed in the study problem, the current study is based on the following hypothesis:

The first hypothesis: There is a correlation between adopting ISA 500, audit quality, and fraud reduction.
The second hypothesis is: "There is no statistically significant effect of adopting the international auditing standard 500 and the quality of auditing in reducing fraud.

3.5 Community and Sample Research
The research community consists of audit offices in Iraq and auditors of federal financial control debts. In contrast, the research sample consists of a sample of 100 auditors from auditing offices and 100 auditors from the Financial Supervision Bureau, chosen randomly and distributed according to career title and as in the table below:

Table 1: Distribution of sample members according to Career title.

<table>
<thead>
<tr>
<th>Career Title</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>An expert or auditor</td>
<td>18</td>
<td>11.6</td>
<td>11.6</td>
<td>11.6</td>
</tr>
<tr>
<td>The senior chairperson or audit director</td>
<td>5</td>
<td>3.2</td>
<td>3.2</td>
<td>14.8</td>
</tr>
<tr>
<td>Head of a commission or director of audit</td>
<td>5</td>
<td>3.2</td>
<td>3.2</td>
<td>18.1</td>
</tr>
<tr>
<td>Senior Financial Controller or Senior Auditor</td>
<td>24</td>
<td>15.5</td>
<td>15.5</td>
<td>33.5</td>
</tr>
</tbody>
</table>
4. Results

Reliance was made on a questionnaire designed to test research hypotheses, and this consisted of three axes: the first axis included five dimensions in each dimension, a group of questions measuring in their entirety the adoption of the international auditing standard 500; the second axis included eighteen questions that measured in their entirety the quality of the audit process; and the third axis included ten questions dedicated to measuring the reduction of fraud. It was used to express the sentences of the five dimensions on the five-point Likert scale, in which the measurements range from one point with content that does not fully agree to five points with content that entirely agrees. And after completing the description of the sample, making sure of the stability of the scale by calculating the Cronbach alpha coefficients, and with the help of the SPSS program, the results were as follows:

Table 2: Testing the stability of the questionnaire using Runback's Alpha

<table>
<thead>
<tr>
<th>Axis</th>
<th>Axis name</th>
<th>Cronbach alpha coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>The first axis</td>
<td>Dimension 1: Standard 500 - General Matters and External Audit Evidence</td>
<td>%84.7</td>
</tr>
<tr>
<td></td>
<td>Dimension 2: Standard 500 - Sufficient and appropriate audit evidence</td>
<td>%91</td>
</tr>
<tr>
<td></td>
<td>Dimension 3: Standard 500 - Obtaining Audit Evidence</td>
<td>%88.9</td>
</tr>
<tr>
<td></td>
<td>Dimension 4: The 500 Standard - Information to be used as audit evidence</td>
<td>%81.6</td>
</tr>
<tr>
<td></td>
<td>The total axis: adopting the international auditing standard of 500</td>
<td>%96.78</td>
</tr>
<tr>
<td>The second</td>
<td>The quality of the audit process</td>
<td>%92.3</td>
</tr>
<tr>
<td>The third</td>
<td>Reduce fraud</td>
<td>%89.6</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>%89.2</td>
</tr>
</tbody>
</table>

The above table shows the high stability coefficients for all questionnaire dimensions, and the stability coefficient for all axes is 89.2%, which is higher than 70%, which are very high values from a statistical point of view.

The stability was also confirmed by calculating the stability coefficients using the split-half method, and the results were as follows:
Table 3 Test of questionnaire stability using split-half reliability.

<table>
<thead>
<tr>
<th>Axis</th>
<th>Axis name</th>
<th>Cronbach alpha coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>The first axis</td>
<td>Dimension 1: Standard 500 - General Matters and External Audit Evidence</td>
<td>%81.7</td>
</tr>
<tr>
<td></td>
<td>Dimension 2: Standard 500 - Sufficient and appropriate audit evidence</td>
<td>%88.7</td>
</tr>
<tr>
<td></td>
<td>Dimension 3: Standard 500 - Obtaining Audit Evidence</td>
<td>%87.3</td>
</tr>
<tr>
<td></td>
<td>Dimension 4: The 500 Standard - Information to be used as audit evidence</td>
<td>%80.4</td>
</tr>
<tr>
<td></td>
<td>The total axis: adopting the international auditing standard of 500</td>
<td>%94.67</td>
</tr>
<tr>
<td>The second</td>
<td>The quality of the audit process</td>
<td>%84.4</td>
</tr>
<tr>
<td>The third</td>
<td>Reduce fraud</td>
<td>%88.5</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>%86.2</td>
</tr>
</tbody>
</table>

The above table shows the high stability coefficients for all questionnaire dimensions, and the stability coefficient for all axes is 86.2%, which is higher than 70%. Therefore, the values are considered statistically high.

4.1 The results of the first hypothesis test
The first hypothesis: There is a correlation between adopting ISA 500, audit quality, and fraud reduction.

To test this hypothesis, the following "linear regression" model was formulated:

\[ APQ = B_0 + B_1 AAS500 + 501 + \varepsilon \]

where:

- ASAS 500 = the independent variable (adopting the international auditing standard 500).
- APQ = the intermediate variable (the quality of the audit process), which here is considered dependent compared to the independent variable.
- \( \varepsilon \) = Estimation errors, or what is called statistical residuals.
- \( B_0 \) = constant of the regression equation, representing the dependent variable's value when the independent variable's value equals zero.
- \( B_1 \) = slope of the regression function, which measures the effect of the independent variable on the dependent variable.

Moreover, using the SPSS statistical program, the results were as follows:

Table 4: Summary of the hypothesis testing form

<table>
<thead>
<tr>
<th>Model Summaryb</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td>1</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), AAS500
b. Dependent Variable: APQ
The table above shows that the correlation (R) between the variables amounted to 0.871, a high-strength value. The coefficient of determination, R Square, reached 0.758, representing the "explanatory power" of the model used. The independent variable (adopting the international auditing standard 500) explains 75.8% of the value; the intermediate variable (the quality of the audit process) and the Std. Error of the Estimate is 310414.0, which is a meager number, and the lower this type of error, the better it is statistically.

Table 5: Variance of hypothesis testing

<table>
<thead>
<tr>
<th>ANOVA</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>46.106</td>
<td>1</td>
<td>46.106</td>
<td>478.805</td>
<td>.000</td>
</tr>
<tr>
<td>Residual</td>
<td>14.733</td>
<td>153</td>
<td>.096</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>60.840</td>
<td>154</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The table above shows that the calculated value of F amounted to 478.805, more remarkable than its tabular value calculated according to the degrees of freedom df 153,1 and amounted to 3.94 at the significance level of 5%. The story of the importance of the Sig test amounted to 0.000, which is less than the acceptable error value in science predetermined by 0.05, which indicates the suitability of the statistical model used to test the hypothesis.

Table 6: Coefficients of the regression function for the hypothesis

<table>
<thead>
<tr>
<th>Coefficientsa</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>.508</td>
<td>.165</td>
<td>3.078</td>
</tr>
<tr>
<td></td>
<td>AAS500+501</td>
<td>.874</td>
<td>.040</td>
<td>.871</td>
</tr>
</tbody>
</table>

The above table shows that the value of the regression equation constant was 0.508. The slope of the regression equation was 0.874, which shows the effect of the independent variable on the mediating variable (by coefficient B). The positive value of the coefficient indicates that there is a direct effect between the two independent variables and the mediator, or in other words, that any increase in the independent variable (adopting the international auditing standard 500) by one degree leads to an increase of 87.4% in the mediating variable (the quality of the audit process), with all other independent variables remaining constant. The predetermined accepted error in social sciences is 0.05, which means that the sample data has provided convincing evidence for rejecting the null hypothesis and accepting the alternative hypothesis to prove the effect statistically. Thus, adopting the international auditing standard 500 has a statistically significant effect on the quality of the auditing process.
The regression equation that was adopted in testing the hypothesis can be reformulated in light of the results that have been reached, which can be used for prediction in the following way:

\[ \text{APQ} = 0.508 + 0.874 \times \text{AAS500} + 501 \]

The following figure displays the frequency histogram, which shows the normal distribution of the statistical residuals of the regression equation and the accuracy of the previous regression equation.

Figure 3: Histogram of hypothesis residuals

The following figure shows the fulfillment of the regression analysis test conditions graphically, which shows the distribution of points around the straight line, and this proves that the statistical residuals follow the normal distribution.
4.2 The results of the second hypothesis test

The second hypothesis is: "There is no statistically significant effect of adopting the international auditing standard 500 and the quality of auditing in reducing fraud. To test this hypothesis, the following "linear regression" model was formulated:

$$RF = B_0 + B_1 AAS\ 500+QA + \varepsilon$$

where:
- $RF$ = dependent variable (reducing fraud)
- $QA$ = mediating variable (quality of auditing)

Furthermore, using the SPSS statistical program, the results were as follows:

**Table 7: Summary of the second hypothesis test form**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.830a</td>
<td>.689</td>
<td>.687</td>
<td>.381881</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), AAS500+501

b. Dependent Variable: RF

The table above shows that the correlation (R) between the variables amounted to 0.830, a high-strength value. The coefficient of determination, R Square, reached 0.689, representing the "explanatory power" of the model used. The independent variable (adopting the international auditing standard 500) and the mediating variable explain the auditing quality. Its value is 56.8% of the variation in the dependent variable (reducing fraud), and the Std. Error of the Estimate was 381881.0, a deficient number that reinforces the results for its statistical acceptance.
Table 8: Variance of the second hypothesis test

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>49.443</td>
<td>1</td>
<td>49.443</td>
<td>339.038</td>
<td>.000</td>
</tr>
<tr>
<td>Residual</td>
<td>22.312</td>
<td>153</td>
<td>.146</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>71.755</td>
<td>154</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The above table shows that the calculated value of F amounted to 478.805, which is greater than its tabular value calculated according to degrees of freedom df (153.1) and amounted to 3.94 at the level of significance of 5% by 0.05, which indicates the suitability of the statistical model used to test the hypothesis.

The following figure displays the histogram, which shows the normal distribution of the statistical residuals of the regression equation and the accuracy of the regression equation.

![Histogram](image)

Figure 6: Histogram of the second hypothesis remainder
The following figure shows the fulfillment of the regression analysis test conditions graphically, which shows the distribution of points around the straight line, and this proves that the statistical residuals follow the normal distribution.
5. Conclusion

The auditor's responsibility is to ensure the financial statements' validity, accuracy, and absence of fraud and material distortion. The success of the auditor's work depends on the process approach and adherence to international auditing standards, as it is a prerequisite for the exemplary implementation of the audit process, and it is incredibly challenging to define the auditor's responsibilities. Given that the users of the financial statements depend on his report to make investment decisions, he bears a portion of the professional responsibility if he fails to detect errors and deception. Consequently, auditors must adhere to local auditing standards, if any, or international auditing standards at all phases of the auditing process, thereby ensuring an increase in auditing quality.

The statistical analysis of the study revealed that there is a direct relationship between the two independent variables and the mediator; that is, an increase of one degree in the independent variable (adoption of the international auditing Standard 500) results in a rise of 87.4% in the intermediate variable (the quality of the audit process), assuming that all other variables remain constant. The other independent variables, and at the level of significance (0.05), as well as the existence of a direct effect between the independent and dependent variables or in other words that any increase in the independent variable (adopting the international auditing standard 500) by one degree leads to a rise of 90.5% in the dependent variable (reducing fraud) with all other independent variables remaining constant, at a level of significance (0.05), and also there is a direct effect between the intermediate and dependent variables, or in other words, any increase in the middle variable (the quality of the audit process) by one degree leads to an increase of 91.9% in the dependent variable (Reducing fraud) with all other independent variables constant, and at the level of significance (0.05), and based on the above, the study concluded the need to adopt the international auditing standard 500 to raise the quality of auditing in Iraqi auditing offices and the auditors of the Federal Financial Supervision Bureau, to reduce fraud, which has become It is common in the private and public...
sectors due to a lack of reliable professional or local standards regarding evidence, quality of audit, or fraud

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