

# THE IMPORTANCE OF TRAINING AND SCIENTIFIC QUALIFICATION OF THE EXTERNAL AUDITOR WHEN AUDITING FAIR VALUE ESTIMATES AND THEIR IMPACT ON INCREASING THE EFFECTIVENESS OF PROFESSIONAL SKEPTICISM AN ANALYTICAL STUDY FOR IRAQI AUDITING FIRMS

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<b>ABSTRACT</b>	<b>KEYWORDS</b>
<p>Abstract</p> <p>The study aimed to demonstrate the importance of training and scientific qualification and their impact on enhancing the efficiency of the external auditor in auditing fair value estimates and its reflection on the development of professional doubts for the auditor. About the Council of the Auditing and Oversight Profession in Iraq for the year 2022. Among the results of the research, there is a statistical significance for the external auditors in Iraq in having training and technical qualification and having a sufficient understanding of the activity of the economic unit in order to realize their responsibilities in identifying and evaluating the risks of material errors when auditing and exercising doubt. more effectively in order to achieve the quality of the information in the auditor's report.</p>	<p>scientific training and qualification, fair value estimates, the effectiveness of professional skepticism</p>

## Introduction

To the accounting profession remained in a continuous development until the professional organizations of the audit that aimed at the sponsorship of the interests of their members and the advancement of professional performance of the audit and study of the problems that face the auditors in the performance of their profession and the status of recommendations in the various states of the If the criteria focus on quality Auditing and identifies the basic principles that guide the auditor in the performance of his work, in order to ensure that The level of his professional performance in

accordance with the levels of performance that receive general acceptance among the members of the profession. The Official Gazette of the Official Gazette Shareholders and all those dealing with the economic unit. This forum is a neutral opinion.

If the financial statements fairly express the financial position of the unit and the effect of its business in accordance with the principles And the acquaintances that are acquainted with the auditor, in need of the functioning of the process of quality and efficiency so that he can show the opinion of the artist in the financial lists after a fair and sincere and thus achieve the target of the verification, so that the external auditor can be independent, but it is the same as the one who is not. Hadith in the definition that has the interest of the scientific bodies and societies that are concerned with the field of verification, so that the strategy of training and scientific alertness is the most prominent means through which the auditor is able to achieve quality in the definition and the subject of the subject, so that the question is to be able to do so that the effect of the question is to be able to do so. For auditors when auditing fair value estimates and their reflection on the effectiveness of professional skepticism.

## **first / reviewing the literature and previous studies.**

A study focused ( **Jayanthi Kumarasiri<sup>1</sup> and Richard Fisher / 2011**) on identifying and examining issues and challenges facing auditors, a survey of 156 practicing FVA auditors in Sri Lanka. Specific with its implementation in developing countries. These issues included: lack of technical knowledge (**siriwardane et al ,2014:4**) , prevalence of inactive markets in developing countries, difficulties associated with differences in the techniques used to ascertain fair values across different industries, general complexities in ascertaining fair values, incorporation of events and conditions into valuations and forward-looking forecasts, The basic means of disappearance from these fear either the study (**Oyewo Babajide / 2019**) included studies after the implementation of the measurement of fair value - the international standard for the preparation of financial reports number (13) in Nigeria, and it concluded that the most intense determination of the valuable values is not It seems that the size of these challenges in different industry sectors is similar in the characteristics of the auditing firm that affect the perception of the challenges, but there is agreement that the manipulation of the values of assets and liabilities without a market price during estimation, and taking advantage of the lack of information market for assets / Liabilities on the part of managers to manipulate financial statements, and the low level of training and scientific qualification of auditors are the most important challenges facing auditing fair value estimates.

## **The second / the role of training and scientific qualification in developing the perception of the external auditor**

### **1- the importance of training and scientific qualification of the external auditor.**

Training from a group of activities is related to new programs that aim to cheer the workers in the only ones that make them able to bear the responsibilities and alms, (**Herliansyah & Ilyas :2006: 25**) as well as that the value of a high -economic head is qualified for the human money that grows when the learning and training of workers are achieved in a continuous manner: (Bernardin) describes training as an 'attempt to improve the quality of workers' performance in the jobs they are assigned to perform, which leads as a result to realizing the knowledge and skills of workers at the economic unit and improving their behavior' (**Bernardin: 2003: 164**). As well as the efficiency that leads to the result of the improvement of performance ( **Rue and byrs:2004:190** ) (the training was also described' that it is a systematic development process that workers in the economic only obtained in the thoughts and the decision -making and the definition of problems and the extent The maturity of its solutions'(**Bai**

and Yang :2009:1 ) (Therefore, scientific training and qualification lead to the development of cognitive maturity and the completeness and clarity of perceptions, as maturity in knowledge and thinking is the goal of the human mind in terms of the completion of those perceptions in order for them to be aware of variables and accounting systems and auditing accounts (Pany 2004: 13). & Whittington, (Rahayu) indicated that training has a greater impact on improving the auditor's experience than that obtained from traditional programs and has a positive effect on the auditor's ability to detect errors, fraud, or management manipulation (Rahayu 2010: 139). The training discusses in depth the auditor's techniques in spotting irregularities through different audit manuals so the auditor must undergo adequate training and different kinds of expectations can result from that training which auditors increasingly follow. (Nasution, et al:2012:31) audit results explained in

## 2-The role of the external auditor in auditing fair value estimates.

The role of the auditor is based on checking the estimates of the management of the economic unit by examining the soundness of The internal controls of the unit in its planning stage ( Krishnamoorthy:2000:500 ), and the better the controls, the less the need for implementation Audit procedures, which ultimately leads to a reduction in the external audit budget (Callao et al :2007:133 ),In fact, the globalization of banking operations and financial markets has led to an increase in the importance of the external auditor's opinion, in addition to the role of internal audit in evaluating reliable information and improving sound governance of economic units ( Ester,et,al:2012:729 ), where the management is confident that it is presented by the auditor. By making unbiased estimates in the economic unit in achieving the values of governance practice and strong control to assist the objectives of the financial reporting standard (IFRS9), As the unit needs to inform the investors of the plans related to the evaluations to face the risks of material misstatement, as a result of this, the auditor strengthens the assurances about the credibility of the financial reports ( Deloitte:2020:9).

3- The importance of professional doubt in the auditing profession. Doubt is the best way to reduce lawsuits filed against audit firms and auditors through the auditor's practice of suspicion, which is the most effective tool to reduce the filing of such lawsuits (Ciolek: 2019:10). It is one of the basic principles Which the auditor must enjoy when performing auditing tasks and acquires its importance as it aims to reduce audit risks and diagnose errors and material violations committed by management and in a way that enhances the independence and efficiency of the auditor in examining and discovering those errors ( Rahmida:2020:7).

## The third / testing the hypotheses of the research The research is based on the following hypothesis:

The absence of a correlation and a significant effect between the two axes of the research 'The importance of training and scientific qualification of the auditor in auditing fair value estimates and between the effectiveness of professional skepticism'.

## The fourth / descriptive statistics of the research questionnaire data:

In order to identify the relationship between the importance of training and educational qualification of the external auditor when auditing fair value estimates and the effectiveness of professional skepticism from the point of view of the auditors of the research sample, the necessary information was collected to design a form for a sample of inspection and inspection offices The first category

included in the 2022 Bulletin issued by the Profession Council for the Control and Auditing of Accounts in Iraq.

The questionnaire was based on a Likert scale consisting of five points and weights for the type of answer in each item ((strongly agree = 5, agree = 4, neutral = 3, disagree = 2, completely disagree = 1) for sample answers, and the weighted arithmetic mean is calculated. weighted for each paragraph according to the five-point Likert scale of the research to determine the degree of approval by comparing it with the degrees of approval established according to the calculation of the length of the period (80.0) through ( $\frac{4}{5}$ ) shown in the following table:

**Table (1) shows the periods of weighted average agreement of response trends**

Degree of agreement (direction of answers)	weighted average periods
I don't agree at all	
I agree not	
neutral	
agree	
Strongly Agree	

Source / prepared by the researchers

When conducting the census for easy statistical descriptive handling and the rest of the statistical analysis of the form, the paragraphs of the first axis are coded with the symbol X, while the paragraphs of the second axis are coded with the symbol Y.

**Table (2) Coding the paragraphs of the first axis, the importance of training and qualification for the external auditor when auditing fair value estimates (explanatory variable)**

phrases (paragraphs)	Paragraph symbol
The availability of understanding of the activity of the economic unit, training and scientific qualification reflects positively on the quality of the professional judgments issued by the external auditor.	<b>X<sub>1</sub></b>
The inputs to the fair value estimates are based on personal judgment, which makes it difficult for the external auditor to audit them.	<b>X<sub>2</sub></b>
The potential bias by management is one of the most difficult challenges to detect because: Some accounting estimates involve uncertainties that lead to substantial risks.	<b>X<sub>3</sub></b>
The auditor must make sure that the evaluation method is commensurate with the nature of the item to be evaluated and is compatible with the framework of financial disclosure and the nature of the activity of the economic unit.	<b>X<sub>4</sub></b>
Auditors face difficulties in obtaining appropriate and sufficient audit evidence when: 1- There is no active market price for the asset or liability. 2- Using inappropriate valuation methods to evaluate fair value estimates.	<b>X<sub>5</sub></b>
The auditor is interested in verifying the data sources on which the fair value estimates are based through mathematical recalculation and verifying information sources to ensure internal consistency.	<b>X<sub>6</sub></b>
The auditor should verify that the fair value estimation methods are appropriate and that they are applied on a regular basis .	<b>X<sub>7</sub></b>

Source: prepared by the two researchers

**Table (3) Coding the paragraphs of the second axis, the effectiveness of professional skepticism (response variable)**

phrases (paragraphs)	Paragraph symbol	phrases (paragraphs)	Paragraph symbol
The characteristic of the questioning mentality does not adhere to international auditing standards only in thinking, but also includes everything related to understanding and analyzing the facts Aim to examine evidence.	<b>Y<sub>1</sub></b>	The auditor is required to take into account the psychological and personal dimensions when dealing with the customer.	<b>Y<sub>7</sub></b>
The auditor pays attention to all available information before issuing a professional judgment.	<b>Y<sub>2</sub></b>	The auditor must match the content of the verbal and non-verbal information in order to reach an understanding of the customer's personality.	<b>Y<sub>8</sub></b>
The search for knowledge feature enhances giving clear perceptions of the factors that help in evaluating the evidence according to a realistic and accurate perspective.	<b>Y<sub>3</sub></b>	The auditor does not allow any external influences to change his skeptical attitude, as he controls himself and his feelings.	<b>Y<sub>9</sub></b>
The auditor is always ready to reveal knowledge of the mind and has a new mentality, as he practices open questioning.	<b>Y<sub>4</sub></b>	The tendency of professional skepticism is based on the fact that the auditor possesses self-confidence and self-respect, which enables him not to be inclined to temptations that limit his his practices of professional skepticism.	<b>Y<sub>10</sub></b>
The availability of evidence indicating the integrity and honesty of management does not exempt the auditor from practicing professional skepticism.	<b>Y<sub>5</sub></b>	The availability of evidence indicating the integrity and honesty of management does not exempt the auditor from practicing professional skepticism.	<b>Y<sub>11</sub></b>
The critical evaluation of evidence requires the auditor not to accept any unconvincing audit evidence for use.	<b>Y<sub>6</sub></b>	The critical evaluation of evidence requires the auditor not to accept any unconvincing audit evidence for use.	<b>Y<sub>12</sub></b>

**Source: prepared by the two researchers**

In order to find out the answers of the sample trends for each paragraph of the questionnaire form, ratios, frequencies, arithmetic means, and standard deviations were used, as well as results. The results contained in Tables No. (2) and (3) included the answers of the research sample to the questionnaire items as follows:

**Table (4) Frequencies of the sample's answers, the arithmetic mean, standard deviations, and the degree of agreement with the paragraphs of the first axis (the role of training and scientific**

n	Paragrap h symbol	the answers										Arithmet ic mean	standar d deviati on	degree of approval
		Strongly agree		agree		neutral		not agree		Do not agree Agree at all				
		5		4		3		2		1				
		s	%	s	%	s	%	s	%	s	%			
1	X <sub>1</sub>	42	60. 0	28	40.0	0	0	0	0	0	0	4.60	0.49	Strongly Agree
2	X <sub>2</sub>	20	28. 6	34	48.6	14	20. 0	2	2.9	0	0	4.03	0.78	Agree
3	X <sub>3</sub>	26	37. 1	36	51.4	8	11. 4	0	0	0	0	4.26	0.65	Strongly Agree
4	X <sub>4</sub>	31	44. 3	33	47.1	6	8.6	0	0	0	0	4.36	0.64	Strongly Agree
5	X <sub>5</sub>	25	35. 7	30	42.9	15	21. 4	0	0	0	0	4.14	0.75	Agree
6	X <sub>6</sub>	25	35. 7	43	61.4	2	2.9	0	0	0	0	4.33	0.53	Strongly Agree
7	X <sub>7</sub>	26	37. 1	37	52.9	7	10. 0	0	0	0	0	4.27	0.64	Strongly Agree
The arithmetic mean and standard deviation of the first axis												4.28	0.36	Strongly Agree

**qualification of the external auditor when auditing fair value estimates)**

**.Source: The preparation of the two researchers based on the results of the program SPSS.**

and from table (4) we note that most of the answers of the research sample were distributed between two options (strongly agree, agree) in large numbers and percentages that favored the option of agreeing, and in the second place strongly agreed and compared with the rest of the other answer options. The paragraphs of the axis got The first (the importance of training and scientific qualification of the external auditor when auditing fair value estimates) all on an arithmetic mean, depending on the sample size (70) larger R from (4) most of them except for paragraphs X2 and X5, and the arithmetic mean of the first axis was (4.28) with a standard deviation of (0.36). This indicates the agreement of the research sample and their agreement on the importance of the paragraphs of this axis, and it is clear from the table (4) The third main factor of the first axis (the explanatory variable (independent)) (the importance of XR training and the scientific qualification of the external auditor When auditing the fair value estimates (one paragraph (R1) guarantees the quality of the availability of understanding of the activity of the economic unit, training and experience The professional judgments issued by the external auditor (and have the most important) are reflected positively The relative relative value is (0.941) and it can be called a factor (the level of accumulated experience of the external auditor to issue professional judgments in the audit process.

While the results of the descriptive statistics for the second axis (the effectiveness of professional skepticism) were as follows:



**Table (5) frequencies of the sample's answers, the arithmetic mean, standard deviations, and the degree of agreement for the paragraphs of the second axis (the effectiveness of professional**

n	Paragrap h symbol	the answers										Arithmet ic mean	standar d deviati on	degree of approval
		Strongly agree		agree		neutral		not agree		Do not agree Agree at all				
		5		4		3		2		1				
		s	%	s	%	s	%	s	%	s	%			
1	X <sub>1</sub>	19	27.1	43	61.4	8	11.4	0	0	0	0	4.16	0.61	Agree
2	X <sub>2</sub>	20	28.6	45	64.3	5	7.1	0	0	0	0	4.21	0.56	Strongly Agree
3	X <sub>3</sub>	20	28.6	40	57.1	10	14.3	0	0	0	0	4.14	0.64	Agree
4	X <sub>4</sub>	21	30.0	36	51.4	10	14.3	2	2.9	1	1.4	4.06	0.83	Agree
5	X <sub>5</sub>	37	52.9	23	32.9	5	7.1	1	1.4	4	5.7	4.26	1.06	Strongly Agree
6	X <sub>6</sub>	15	21.4	49	70.0	6	8.6	0	0	0	0	4.13	0.54	Agree
7	X <sub>7</sub>	15	21.4	34	48.6	12	17.1	6	8.6	3	4.3	3.74	1.03	Agree
8	Y <sub>8</sub>	18	25.7	36	51.4	13	18.6	3	4.3	0	0	3.99	0.79	Agree
9	Y <sub>9</sub>	30	42.9	30	42.9	10	14.3	0	0	0	0	4.29	0.70	Strongly Agree
10	Y <sub>10</sub>	33	47.1	32	45.7	5	7.1	0	0	0	0	4.40	0.62	Strongly Agree
11	Y <sub>11</sub>	26	37.1	40	57.1	4	5.7	0	0	0	0	4.31	0.58	Strongly Agree
12	Y <sub>12</sub>	34	48.6	32	45.7	3	4.3	1	1.4	0	0	4.41	0.65	Strongly Agree
The arithmetic mean and standard deviation of the second axis												4.18	0.40	Agree

**skepticism).****.Source: The preparation of the two researchers based on the results of the program SPSS.**

It is clear from table (5) that the first main factor of the second axis (the effectiveness of professional skepticism) included two paragraphs (Y3, Y4 (paragraph Y2) showed that the auditor is always willing to discover new knowledge of the mind and has an open mind) the largest relative importance with a value of (0.790) (While he is practicing interrogation, the second paragraph Y3) enhances the search for knowledge feature by giving clear perceptions of the factors that YR help in evaluating the evidence according to a realistic and accurate perspective (with a value of ( 0.777 ), and Paragraph 7R indicated (the auditor is required to take into account the psychological dimensions and personality when dealing with the customer. (The greatest relative importance (YR) is that the auditor's competence, knowledge, and technical qualifications enable him with a value of (0.752) (while the second paragraph 11R was avoiding any behavior of the customer (J) with a value of (0.609), (it is believed that it affects the professional doubt that he exercises Checker The third paragraph Y6 (The critical evaluation of the evidence obliges the auditor not to accept any audit evidence that is not convincing for use).

**fifth / Based on the results shown in the previous tables, the following is clear:**

A- There is a significant correlation between (the importance of training and educational qualification of the external auditor when auditing fair value estimates) X and (the effectiveness of professional skepticism) Y.

- B- There is a significant influence relationship between (the importance of training and educational qualification of the external auditor When auditing fair value estimates (X) and (the effectiveness of professional skepticism) (Y).

**sixthly /research Results :**

1. The basis for the external auditor to be aware of the impact of fair value estimates is to possess technical training, scientific qualification and sufficient understanding of the activity of the economic unit.
2. The effectiveness of the professional skepticism of the external auditor is affected by the level of the auditor's cognitive awareness of the impact of fair value estimates.
3. The low level of experience and sufficient skill of the external auditor in auditing fair value estimates in light of the multiplicity of measurement methods and their reliance on personal judgment.
4. The importance of the external auditor choosing appropriate evidence related to the fair value estimates, in a way that stimulates the effectiveness of his professional skepticism and his issuance of professional judgments.
5. The necessity of holding training courses to reduce the challenges and difficulties faced by auditors when auditing fair value estimates in the Iraqi environment for the purpose of improving their practices of professional skepticism regarding those estimates.
6. The possibility of conducting more studies that provide an explanation of the Iraqi environment to practice professional skepticism effectively while auditing management assumptions of fair value.
7. The auditor's skill and knowledge of the reasons for the fair value estimates help him in resolving Fundamental problems in auditing and reflected in the improvement of professional skepticism practices for the auditor
8. The results of the statistical analysis showed that the majority of the sample agreed that acquiring knowledge is correct. It contributes to enhancing the performance of specialized hammers.

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