

Using SERVQUAL Method for Testing the Quality of Audit Company: An Empirical Study

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The aim of this paper is to explore the application of the SERVQUAL scale in assessing the level of auditing services in auditing companies after the bankruptcy of a number of companies listed on the Iraq Stock Exchange, which was accompanied by the suspension of a number of auditing companies, in order to assess the level of auditing services for customers subject to controlling and auditing with high quality, As the implementation of audits with high quality has become a requirement of the board of directors for choosing the auditing company, and for the implementation of auditing companies to work with high quality, it is necessary to choose auditors with qualifications, quality in the work, especially coordination and organization of the office work papers, and the research sample has included The companies that benefit from the auditing services, the applied study was conducted in five companies as a research population , and thirty-five sample individuals were selected for the research, and the study concluded that there is a good ratio of the Audit Quality from the viewpoint of the beneficiaries of the auditing services.

Key words: *SERVQUAL Method, Audit Quality , External Auditing.*

Introduction

The quality of service, including the Audit Quality services, is a concept that has aroused great interest and discussion of the literature on scientific research, due to the special difficulties in defining it and measuring it, so there is no accurate general consensus in determining its dimensions, and there are a number of different definitions of what the concept of quality of service means,

In general, quality can be defined as the extent to which the service meets the needs or expectations of customers (Shahin, 2004). Nowadays, increased competition has affected both private and public organizations, service-oriented everywhere, and predominantly in developing countries. Therefore, in order for organizations to continue their work, they must provide services with high quality, to the satisfaction of their beneficiaries, and the quality of services is the main factor in distinguishing organizations that also bring competitive advantages (Purcărea, Gheorghe, and Petrescu 2013). Which includes enhancing customer loyalty, the positive factor, the high level of employee performance, and the low costs of the services provided, in a manner that contributes to attracting new customers and preserving old customers, which is reflected in increasing profitability, improving financial performance, increasing customer satisfaction, and expanding market shares. In any of the projects at the beginning of formation, construction, or establishment, there are factors for the success or failure of the project, and these factors are related to what is called the feasibility of its establishment. Therefore, If the expected success factors are greater and cover the factors of failure, a decision is made which is there is a benefit in establishing that project, however, the continuation of these companies and the sustainability of their profits depend on the quality of the service provided. The economic feasibility studies of any of the auditing firms are very important because they are an important indicator of the continuity of the work of these companies. therefor, during establishing an auditing firm, the return on the invested money should be verified, so that the benefit from that investment is higher than the cost of its establishment, and adopting high-quality business implementation requires one of the feasibility requirements of any economic organization, so achieving quality has become a real requirement by all private auditing companies in order to reach the level of continuous improvement, which is the fundamental goal of auditing firms which is represented in providing auditing services. Quality is related to the auditor's report, Sometimes it indicates that the auditor may not issue a clean report as a result of examining statement,s that contain material errors (DeAngelo 1981a). The auditor is interested in improving his reputation, fame and competitive position in the field of auditing service market, therefore he is concerned that the auditing process he performs shall be of the highest possible quality.

As the issuance of international standards for quality found a basis to control the quality of the auditing and to provide guidance for action. However, there is no specific standard for

measuring the quality of service, as opinions differed on that, some of which are attributed to the auditor himself, and others related to the labor market, including what is related to the customer and represented by the audited companies. The other part of the auditing quality work relates to the auditing firm, including ensuring that the company adheres to the establishment of quality standards in accordance with international standards, as well as that the office is supposed to provide its services at the highest level of quality.

Conceptual Framework

Definition of Auditing Quality

In 1979, the American Institute of Certified Public Accountants (AICPA) issued the first program for performance controlling standards and was developed in 1991, which included elements related to independence, guidance from experts, periodic examination of the performance quality control program, acceptance of new clients, and continued relationship with existing clients (Catanach & Walker, 1999). Quality has been defined by the Federal Institute of America as a comprehensive application approach aimed at achieving customer needs and expectations, as quantitative methods are utilized in order to reach continuous improvement in operations and services (Kang and Kim 2011). In the field of auditing, the first to establish a definition of quality is (DeAngelo 1981b) and defined it as a probability provided that the chartered accountant discovered all errors and gaps in the customer's accounting system, and confirmed that in his report issued by him. Titman and Trueman (1986) were defined quality as the accuracy of the information provided by the auditor to investors, and this definition is similar to what (Pamrose, 1988) stated before. Lee et.al. (1999) defined it as the possibility that the auditor would not issue a clean report for examining financial statements that contain substantial errors. As for (Teoh, Wong, 1993), he defined the quality of the auditing as the process that results in more reliable financial reports. (Flayyih, Ali & Mohammed, 2018) defined the quality of the auditing in accordance with generally accepted auditing standards (GAAS) as a "reasonable assurance that the audited financial statements and related disclosures are:

- 1) comply with generally accepted accounting principles.
- 2) are free of material misstatements Whether due to errors or fraud.

Factors Affecting the Quality of the Audit

There are several factors affecting the Audit Quality . If time is taken as a quality control factor, the time dimension from the point of view (Simunic & Stein, 1991) has an impact on quality. Quality has been divided into pre-quality and post-quality, and the pre-quality of the auditing is determined when contracting with the customer, It was defined as the possibility that the auditor's report would reveal the errors and fundamental irregularities in the financial

statements, while the post-quality of the auditing is determined after the auditor issued his report, and it was defined as the probability of the financial statements being free of errors and fundamental irregularities that were not reported, however, there are numerous researchers who researched about the factors It may affect the quality of the auditing, As for (DeAngelo, 1981), he believes that the quality of the auditing process is not independent of the size of the auditing firm, even if auditors have the same experience and techniques, especially when auditors have a large number of clients, they will lose a lot them when they fail to report violations detected in the records of a customer, and this increases the quality assurance of audits by large auditing firms. As for the study (Jaffare et al., 2005), it examined potential factors affecting the Audit Quality from the viewpoint of three groups working in Malaysia, who are the partners in the auditing company, auditing committees, and users of the financial statements. The result of the study confirmed that the four factors that most affect the quality of the auditing are the auditor's knowledge of accounting, auditing standards, the ability of the auditor to inform the customer of any development in accounting and financial reports, the auditor's commitment to standards of behavior, the auditor's knowledge of the activity. While the study (Myungsoo, 2005) concluded that there is no positive effect of other services on the quality of the auditing process, but on the contrary there is a negative effect, and in a study in which Behn and others conducted a survey of (1000) companies to choose (12) properties to judge the quality of the auditing process, the study concluded that the most important factors in judging the Audit Quality are experience with the customer, knowledge in the field of activity, and with regard to the impact of specialization in the field of activity on the Audit Quality , Tan and Lim explained that auditing firms specializing in the activity invest time, financial resources and technology in employee development in specific experiences to improve the quality of the auditing, and so, the auditors who working in auditing firms that specialize in the field of activity. Jones and Giroux believe that there are five constants of the theory is utilized for the selection of auditing quality, and its reputation, and the experience of the auditor in the field of activity, and the wages of the auditing, demographics, a local type of government (Flayyih, 2013).

Methodology

The importance of the research is that it deals with an important aspect of the auditing, which is represented in the quality of the auditing practice, in light of the weak role of legislation and control for auditing firms, and the research problem is the lack of attention to the quality of the auditing practice, which led to the bankruptcy of numerous of the companies listed on the Iraq Stock Exchange In addition to stopping a number of auditing firms, which led to the influence of several shareholders and creditors in the market, and this has affected the financial market activity in general, due to the weak auditing performance of auditing companies in light of the high level of administrative and financial corruption in both the public and private sectors. Therefore it was necessary to evaluate the level of Audit Quality

services, as the implementation of audits with high quality has become a requirement of the board of directors for choosing the auditing company, in light of the general trend of companies towards the application of corporate governance, as the auditor and auditing committees are among these mechanisms, therefore, in order for auditing firms to implement their work in high quality, their work must be characterized by high quality through the selection of qualified auditors. The research sample included the side of the companies benefiting from the auditing services, and the applied study was conducted in five companies as a research population, and thirty-five individuals were selected as a sample for the research.

The Research Hypothesis is as Follows

There is an acceptable level of quality of the auditing firm. The applied study was conducted in five companies as a research population, and thirty-five individuals were selected as a sample for the research, and Table (1) shows the characteristics of the sample.

Table 1: Research Sample Properties

Academic achievement	the number	percentage
BA	8	%23
Higher diploma	10	%29
Master or equivalent	13	%37
PhD or equivalent	4	%11
Total	35	%100

The sample's description of academic achievement included that the highest percentage for holders of a master's degree, which amounted to 37% of the total sample members, while the lowest percentage was for those holding a doctorate degree by 11%, as they numbered only 4. The age ranges of the individuals in the research sample ranged between (20-60) years, as the highest age group ranged between (40-49), where their percentage reached 34% of the total sample population, while the lowest age group was (60 or more), As they valued for 6% of the total of the sample selected. The measurement of the quality of the auditing services provided by the research sample was used by relying on a model (Parasuraman, Zeithaml, and Berry 1991) known as the SERVQUAL model for the evaluation of public services, as it is considered an elaborate model and a tool for measurement, which measures the quality of the services provided, however, the model includes four dimensions, through which it is possible to evaluate the quality of the provided service, and these dimensions are devices, individuals, tangible things, reliability and credibility in dealing, speed of response, and confidence in dealing.

Results

The study utilized the factor analysis method, which is a statistical method used in dealing with multiple data that were related to each other with different degrees of correlation, to summarize in the form of independent classifications based on qualitative basis for classification, with the aim of examining the correlations between a number of four-dimensional questions mentioned in the model, Explaining which of these questions is more important at the level of those dimensions, and exploring the common properties among them, with the aim of summarizing the multiple variables in a smaller number called (factors) so that each of these factors has a function that relates to some or all of these variables, In order to indicate which of the questions presented is more apparent and representative, that is, the need to recognize the level of auditing quality in the auditing firms, the research sample, i.e. the need to know the level of audit quality in auditing firms, the research sample, as the global analysis shows the importance of each question at the one axis level in relation to other questions (variables), and the basic components method that is the most common method of accuracy of its results has been used compared to other methods It is characterized by the fact that it extracts the maximum correlation variance of the matrix, and the global analysis is characterized by being a statistical method that specializes in studying a group of factors that indicate the interactions of multiple variables of the research phenomenon by returning the causes of those interactions to the lowest possible number of factors that can be described as a phenomenon with high clarity and accuracy, the results of the factor analysis are crystallized in Table (2).

Table 2: Shows the different views of customers according to the dimensions of the SERVQUAL model

sequence	Dimensions	The first factor	The first factor	The first factor	The first factor	The first factor
1	Devices, individuals and tangible things	Computers and printers owned by the office	Scientifically and practically qualified auditing team	Auditors' experience and the diversity of their professional grades	Selecting the suitable location for the auditing company (geographical area)	Information archiving and stationery files used
2	Reliability and reliability in dealing	Confidence in the reports submitted by the auditing firm	Correct information from the auditing company	Transparency in dealing with information	The information is based on logical facts	Paper documentation and modern technological methods such as CD-ROM
3	Responsiveness	Accept the assignment of the auditing mission	Field visits to the audited units	Providing consulting services	Accept special assignment to solve a specific problem	Follow up on inquiries and problems and provide assistance
4	Confidence in dealing	Submit reports on time	Continued presence in the	Guidance and counseling and	Dealing with team spirit	Caring for the interests of the



			audited economic unit (customer's company)	advised assistants		economic unit (the customer's company)
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The results of the statistical study also indicate that there is a strong significant correlation between the quality of the auditing work and the auditing company, which amounted to (0.988), while the calculated level of significance only reached (0.000), which confirms the correlation strength being less than the significant level of (0.05), and the results data indicate to the existence of a positive and significant role at the same time for the Audit Quality work.

Conclusions

The purpose of this paper is to explore the application of the SERVQUAL scale in assessing the level of auditing services in auditing firms. The SERVQUAL model is a measurement tool in which customers can be measured regarding the service provided to judge the quality of the auditing, and the dimensions included in the model (Parasuraman, Zeithaml, and Berry 1991) considered as one of the most significant dimensions in which the customer evaluates the quality of the service provided to him, and it became clear through the results after using the form for measuring the level of services, that there is a good percentage of the level of auditing quality from the viewpoint of the beneficiaries of the auditing services.

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