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## Research Article

# The effect of the characteristics of audit offices on the level of sectoral specialization: an exploratory study on a sample of auditing offices and companies in Iraq

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## ABSTRACT

This study aims at measuring the impact of the characteristics of the audit offices represented by (the size of the audit office, the length of the engagement period, the professional experience, the reputation of the office) on the level of sectoral specialization. This goal is achieved by addressing the issue of the characteristics of audit offices in all their details and identifying the impact that these characteristics have on the level of sectoral specialization. The researchers adopted the questionnaire form to collect the necessary information, as (155) questionnaires are distributed to the research sample represented by auditing offices and companies licensed to practice the profession according to the bulletin issued by the Board of Audit and Profession of Auditing in Iraq for the year (2021). A number of (120) valid questionnaires are retrieved for analysis. The research concludes that there is a significant correlation relationship between the characteristics of audit offices and sectoral specialization, as well as the presence of a significant effect of the characteristics of audit offices on the level of sectoral specialization. The most important issue recommended by the research is the need for audit offices to pay attention to all the characteristics that enable it to improve its professional performance at a time when competition is increasing between these offices, in addition to urging audit offices and companies to follow sectoral specialization as one of the most important strategies to distinguish between them.

**Keywords:** Characteristics of audit offices, sectoral specialization, audit

## INTRODUCTION

The world has recently witnessed major changes and developments in the business environment that have directly affected the audit profession. Bankruptcy, collapse of major international companies and the intensification of competition, are all factors considered as main reasons for the advancement of the audit profession. This has prompted those in charge of the audit profession to follow all means represented in the characteristics of audit offices as well as sectoral specialization as one of the most important modern strategies used to advance this profession as well as facing the witnessed increasing competition. This means that the audit profession has its own market, just like other professions, in which competition is increasing. Therefore, audit offices and companies must pay attention to the characteristics in question, as well as emphasizing the adoption of sectoral specialization to face this competition.

## RESEARCH METHODOLOGY

The main research problem is that the increase in the number of audit offices operating in the Iraqi environment has prompted many of these offices to pay attention to the characteristics that enable it to perform the audit process at a high level of quality and to obtain the largest market share in light of the increasing competition in the profession market. The offices' lack of interest in these characteristics affects its performance concerning the audit process. The researchers have identified the research problem by several questions, including:

1. Is there a significant correlation between the characteristics of audit offices and sectoral specialization in auditing offices and companies in Iraq?
2. Is there a significant effect of the characteristics of auditing offices on the level of sectoral specialization in auditing offices and companies in Iraq?

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To answer the questions contained in the research problem, the following hypotheses are formulated:

- 1. The first hypothesis:** There is a significant correlation relationship between the characteristics of audit offices and sectoral specialization in auditing offices and companies in Iraq.
- 2. The second hypothesis:** There is a significant effect of the characteristics of audit firms on the level of sectoral specialization of audit offices and companies in Iraq.

## THE SIGNIFICANCE OF THE RESEARCH

The significance of the research is reflected in the following:

**Scientific significance:** The importance of the research lies in the fact that it deals with a new study topic in the Iraqi environment, which is considered one of the most important scientifically tangible topics, i.e. the impact of the characteristics of audit offices on the level of sectoral specialization. This environment lacks such topics, which have become one of the controversial topics in the recent period, and considered a broad field that requires scientific research.

**Practical significance:** It can be highlighted by assisting researchers, auditors, stakeholders and regulators inside and outside the Iraqi business environment in obtaining sufficient information. The beneficiaries are highly professional to make their appropriate decisions.

## RESEARCH OBJECTIVES

The research aims to achieve the following:

Shedding light on the basic concepts of the characteristics of audit offices (the size of the audit office, the length of the engagement period, professional experience, and the office's reputation).

Clarifying the concept and importance of sectoral specialization and the motives behind its emergence as one of the modern strategies that all audit offices seek to work with to face the increasing competition in the profession market.

## PREVIOUS STUDIES

A study by [1] This study **aims** to measure the impact of the auditing office's characteristics on the sectoral specialization level of the external auditor to judge the continuity of the economic establishment. In addition, it clarifies the importance of the sectoral specialization of the external auditor and its impact on judging the continuity of economic facilities, and identifying the extent of the concerned authorities' interest by activating the sectoral specialization of the auditor in the Sudanese business environment through the characteristics of the audit offices. This study **concludes** that there is a positive and statistically significant effect of the characteristics of the audit offices on the level achieved by the sectoral specialization of the external auditor. There is also a positive, statistically significant effect of the characteristics of the audit offices on judgments which confirm the continuity of the facility. Moreover, there is the existence of a positive and statistically significant impact of the sectoral specialization function of the external auditor in judging the continuity of the facility.

A study by [2] This study **aims** to demonstrate the essential role played by the sectoral specialization of the auditor in improving or enhancing audit quality through some factors affecting audit quality represented by (the size of the audit office, the period of association between the auditor and the client being audited). The study **concludes** that the effective application of the sectoral specialization strategy for the auditor helps in increasing the size of the audit office. This is due to the fact that the auditor's specialization in a specific activity leads to continuous improvement in the quality of the audit process. This in turn leads to attracting more clients due to the credibility in the dissemination of information which leads to an increase in the number of auditors working in audit offices, as well as an increase in the number of activities performed by those offices. In addition, the application of sectoral specialization by the auditor leads to a long period of association between the auditor and the client being audited, and that the length of this period achieves for the auditor an accurate and deep knowledge of the nature of the activity practiced by the client, which improves the quality of the audit process.

A study by [3] This study **aims** to investigate the relationship between the characteristics of the audit office, represented in: audit fees, the size of the audit office, non-assurance services (consulting services), the period of association between the auditor and the client, and audit quality. The study has **found** that there is a significant positive relationship between the period of engagement of the auditor with the client, audit fees, and audit quality, while non-assurance services (consulting services), and the size of the audit office have a significant negative relationship to audit quality. The study recommends the need to conduct more research on other factors that affect the quality of the audit process using ex post analysis (such as the age of the audit firm, auditor industry specialization).

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A study by [4] This study **aims** to show the relationship between the characteristics of auditing offices and the assurance services provided by these offices in the Egyptian environment. The study deals with the basic concepts of the characteristics of auditing and accounting offices represented in (office size, industrial specialization, technological level), as these characteristics are considered an effective tool that enables auditing offices to provide many services, including assurance services. The study has found that there is a significant relationship between the technological level of audit offices and the provision of assurance services, i.e. there is a direct relationship between them. Thus, the audit offices keep pace with modern technological developments, which enables it to provide many services in addition to providing audit services. The study has also found that there is no significant correlation between the size of the office, the industrial specialization, and the assurance services provided by these offices.

## THE THEORETICAL ASPECT OF THE RESEARCH

### CHARACTERISTICS OF THE AUDITING OFFICES

The audit offices are characterized by many characteristics that have a direct impact on the efforts of the auditors during their implementation of the audit process. Therefore, this impact is positively reflected on the quality of the audit process, i.e., the characteristics that characterize the auditing offices have a positive correlation with the quality of auditing and also considered as a competitive advantage in light of the increasing number of offices.

The characteristics that the researcher addresses through this research include (the size of the audit office, the period of association between the auditor and the client, professional experience, the reputation of the office), and the following is a detailed presentation of each one of these characteristics:

**1. The size of the audit office:** the size of the office is one of the important characteristics that characterize audit offices, and a basic indicator for assessing the quality of the audit. It is also considered one of the easily measurable indicators based on quantitative and objective criteria, as it is measured through the indicators represented by (the number of clients, the number of office branches, the number of employees in the office, the volume of its revenues). The large-sized audit offices are distinguished by possessing all the professional qualifications that enhance the quality of its work. It is also characterized by its high ability to provide capabilities and means of training for its workforce, which gives it a competitive advantage and allows it to perform the audit task with high quality, which results in an increase in the number of its clients compared to small offices, and earns them more revenue [5].

**2. Engagement period:** The engagement period means the number of years in which the client stays with the audit office, i.e. the extent to which the auditor undertakes the audit process for the same client. The length of the connection period between the audit office and the client has a positive impact on the efficiency of the audit process. Thus, the long engagement period achieves for the auditor an accurate and deep knowledge of the nature of the client's activity and the variables affecting it, which leads to an increase in the efficiency of the audit process [1].

**3. Professional experience:** The concept of experience is the time spent by the office or the auditor in performing a specific task or job. In addition, it can be defined: as the sum of the period of practicing the profession for each of the auditing office and the employees of the audit office, in addition to familiarity with the audit procedures, accounting standards, and full knowledge of the client's activity or industry, which leads to the effectiveness and efficiency of the implementation and planning of the audit process [6].

**4. The reputation of the audit office:** the reputation of the audit office is one of the important factors that can increase the dependency of the auditors. The reputation of the office depends on giving confidence to the beneficiaries of the audit services. It means the continuous circulation of the name of the office in the profession market, meaning that the audit office is characterized by high performance quality through the credibility of the financial reports that are audited. The auditor's behavior must be consistent with the reputation of the office in which s/he works and to refrain from any method that offends it. The office's reputation is also measured by the large size of the office and the large number of clients, meaning that the auditing offices with a good reputation are have a high ability to identify and confront the problems encountered during the implementation of the audit process, which leads to the outputs of the audit process being of high quality [7].

### SECTORAL SPECIALIZATION

The sectoral specialization of the auditor is intended to carry out the audit process in a specific field at a rate not less than the agreed-upon percentage or not less than a certain percentage of his/her fees represented by his/her annual income from auditing a particular sector, meaning that the sectoral specialization of the auditor is always linked to providing high quality services. This is due to the fact that the specialized auditor has high experience in addition to the continuous training processes related to the specialized activity. Therefore, clients, especially joint stock companies, always prefer dealing with specialized auditors due to their great potential in providing high-quality services compared to non-specialist auditors [8]. The sectoral specialization of the

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auditor also means that the auditor possesses the expertise and high technical skills in a particular activity that enables him/her to provide audit services of high quality. That is, specialization leads to reducing the inconsistency between accounting information through the ability of the specialized auditor to discover violations in record time. Despite the limited evidence, sectoral specialization increases the confidence of the beneficiary parties in the audit process reports and then relies on it to make the appropriate decisions [9].

## THE SIGNIFICANCE OF SECTORAL SPECIALIZATION

The importance of sectoral specialization includes the following:

- A. *Facing competition*: specialization enables audit offices to strengthen their competitive position compared to other competitors, i.e. they have the ability to obtain an important competitive position the profession market [10].
- B. *Proper planning of the audit process*: The auditor's specialization enables him/her to develop appropriate audit plans and has the ability to choose the necessary time and appropriate procedures to carry out the audit process [11].
- C. *Strengthening the independence of the auditor*: The sectoral specialization contributes to strengthening and supporting the independence of the external auditor to counter the attempts of some audit clients to compromise the auditor and influence his/her independence [12].

## MOTIVES FOR THE EMERGENCE OF SECTORAL SPECIALIZATION

The motives for the emergence of sectoral specialization of the audit profession can be clarified through the following:

- A. The recent developments in the economic environment as well as the financial crises have made many auditors follow the sectoral specialization strategy to face these events [13].
- B. The increase in the number of offices has led to an increase in the intensity of competition between them. Therefore, the basis used for excellence and uniqueness is the sectoral specialization strategy, meaning that sectorally specialized offices are distinguished from other competitors by providing high quality services [14].
- C. Sector specialization reduces the costs of the audit process by developing the auditors' experience and knowledge of the tasks of a specific sector, which enables them to face or address the problems they encounter during their implementation of the audit process. Therefore, interest in the sectoral specialization strategy has increased [15].

## THE RELATIONSHIP BETWEEN THE CHARACTERISTICS OF AUDIT OFFICES AND SECTORAL SPECIALIZATION

The sectoral specialization of audit offices is one of the modern and important trends to advance the profession of auditing. It is also considered one of the successful strategies that work to attract more clients and obtain the largest market share, in addition to its great importance in distinguishing between audit offices in light of the intense competition in the profession market. Therefore, the size of the audit office increases as a result of its specialization in a particular sector. This is what [1] has concluded through his study that the sectoral specialization of audit offices is one of the important and positive factors affecting the efficiency of the audit profession. That is, when the audit office specializes in a particular activity, this leads to its large size and thus the increase in the number of auditors working in these offices, in addition to the increase in the number of activities it performs, meaning that the specialized offices are characterized by their large size and have the ability to face all difficulties. Also, the length of the period of connection between the auditor and the client is achieved through the specialization of the office in a particular sector, as confirmed by [2] through their study that the audit offices' reliance on the sectoral specialization leads to the length of the link between the audit office and the client, which is reflected in the Increasing the knowledge, experience and efficiency of workers in these offices, in addition to their high ability to detect, evaluate and reduce errors and deviations. That is, the length of the period supports the independence of the auditors, which results in a high-quality audit process. Therefore, the client under audit always seeks to maintain the current audit office in order to avoid the burden of excessive costs that s/he would incur if s/he decided to change the office. The study also confirms that there is a direct relationship between the length of the association period and the sectoral specialization. Sectoral specialization also enhances the professional expertise and skills of audit offices when they specialize in a particular sector, as they have the high ability to provide the best services to all their clients, as well as their great capabilities in detecting errors and deviations that occur in the same sector. This is confirmed by [16] through their study in that the specialized audit offices are the ones that have high experience in the activity in which they specialize, which leads to an increase in the efficiency of the audit process and enables these offices to provide high quality services. That is, professional experience is one of the factors that positively affect the quality of the audit process, and therefore sectoral specialization increases the experience of the audit office, which leads to the provision of high quality services. In addition, the sectoral

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specialization raises the reputation of the auditing offices by providing these offices with high-quality services and giving confidence to all the beneficiary parties in the reports submitted to them. This is confirmed by [17] through their study that reputation is one of the most important characteristics of audit offices because of their positive impact on the efficiency of the audit process, i.e. reputation reflects the credibility of audit offices in the work they perform, and therefore these offices must realize the importance of reputation as a key factor in their success.

## THE PRACTICAL ASPECT

For the purpose of achieving the aim of the research, which includes knowing the impact of the characteristics of auditing offices on the level of sectoral specialization, the research community which is selected consists of a group of auditing offices and companies in Iraq. The research sample is represented by auditors working in these offices according to the prospectus of those licensed to practice the audit profession for the year (2021). A number of (155) questionnaires are distributed to the research sample, from which (130) questionnaires are retrieved. The percentage of the recovered forms is (84%). After emptying the data, it is found that there are (10) incomplete questionnaires which are excluded. The valid forms for analysis have amounted to (120) questionnaires, representing (92%) of the total forms retrieved. The researchers have chosen the five-point Likert scale, which is used to measure the respondents' agreement with the items of the questionnaire.

The researchers used the Cronbach's alpha test to measure the consistency of the questionnaire items in order to detect the consistency of the search tool.

**Table (1): Cronbach's alpha test to measure the stability of the search tool**

No.	Variables	No. of items	alpha-Cronbach value
1	Characteristics of audit offices	23	0.979
1-1	Audit office size	6	0.983
2-1	Length of engagement	6	0.986
3-1	Professional Experience	6	0.983
4-1	office reputation	5	0.985
2	Sector specialization	10	0.980

Source: The table is prepared by the researchers, based on the outputs of the (SPSS) program.

It is clear from the results of Table (1) that the reliability coefficient of the research variables ranges between (0.980-0.986), which indicates a high degree of reliability and consistency. This indicates that the questionnaire enjoys a high degree of consistency through which it can be relied upon in the field application of the study.

**Description and diagnosis of demographic variables for the research sample:** Personal and job information (demographic variables) related to respondents to the questionnaire questions are analyzed, and the (2) following table shows the process of analyzing this information:

**Table No. (2): The description and diagnosis of the demographic variables of the studied sample**

Variable	Description	Recurrence	Percentage
Gender	Male	115	%95.8
	Female	5	%4.2
	Total	120	%100
Job title	Office owner and partner	60	%50
	chief auditor	40	%33.3
	Assistant auditor	20	%16.7
	Total	120	%100
Years of Experience	Less than 5 years	30	%25
	5-10 years	54	%45
	10-15 years	16	%13.3
	15-20 years	5	%4.2
	20 years and more	15	%12.5
	Total	120	%100
Scientific specialization	Accounting	120	%100
	N/A	12	%10
No. of training courses	1-3 courses	36	%30
	3or more courses	72	%60
	Total	120	%100

Source: The table is prepared by the researchers and based on the outputs of (SPSS)

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1. **Gender:** The researchers note, through the results shown in the above table, that the number of respondents who are selected from among the sample members according to gender have shown the highest percentage of males at (95.8%), while the percentage of females is (4.2%). This confirms that the workers and owners of private auditing offices and companies are males.

2. **Job title:** The researchers note from the results of the above table that the highest percentage of job titles is for (the office owner and partner), reaching (50%), followed by (33.3%) of the total sample. The lowest percentage is for the position of (assistant auditor) with (16.7%). This explains that the majority of those in the offices are owners, partners and auditors working in those offices. This proves that auditing offices and companies are considered as private properties.

3. **Number of years of experience:** The researchers also note from the results of the above table that the highest percentage is of those who have a job experience (5-10 years), amounting to (45%), followed by (25%) of those who have experience (less than 5 years). Those who have experience from (10-15; 20 years and more) account for (13.3%; 12.5%) respectively, and lastly come those who have (15-20 years) experience with (4.2%).

4. **The scientific specialization of the office owners:** It is clear from the results of the above table that all categories of the studied sample are within the scientific specialization of accounting.

5. **Number of training courses:** The researchers note from the results shown in the above table that the highest percentage of participants in training courses is within (3 courses or more), where their percentage has reached (60%), while the participants in training courses from (1-3 courses) have reached (30%), and finally the group that have not participated in any training course reached (10%). This confirms that a large percentage of auditors working in auditing offices and companies have sufficient knowledge in auditing accounts due to their participation in many training courses that qualify them to do work efficiently and professionally.

Description and diagnosis of the items related to the research variables (characteristics of audit offices with their dimensions, sectoral specialization): The researchers have extracted the arithmetic mean, standard deviation, and the relative importance of all the questionnaire's items related to the research variables, and the following table illustrates this:

**Table (3): Results of the answers of the research sample members**

No.	Items	Arithmetic mean	Standard deviation	Relative importance	Order of importance	Rating level
XX	Characteristics of audit offices	4.248	0.634	%85	-	V.high
X1	Audit office size	4.245	0.689	%84.9	3	V.high
q1	Large-sized audit offices are highly experienced and able to provide the best services compared to small-sized offices.	4.408	0.883	%88.1	2	V.high
q2	Large audit firms are keen to hire highly qualified and professional auditors.	4.108	0.683	%82.1	5	High
q3	Large-sized audit offices enjoy an increase in their fees, which reflects positively on the efficiency and effectiveness of the audit process.	4.316	0.869	%86.3	3	V.high
q4	The large size of the audit office leads to an increase in the number of activities as well as an increase in the number of auditors working in it.	4.233	1.066	%84.6	4	V.high
q5	The size of the audit office through its affiliation with one of the international offices, the multiplicity of its local branches, and the increase in the number of its clients.	4.458	0.787	%89.1	1	V.high
q6	The large-sized audit office has credibility and reliability in disseminating audited accounting information.	3.950	0.968	%79	6	High
X2	Length of engagement	3.948	0.852	%78.9	4	High
q7	The long period of engagement between the auditor and the client subject of the audit achieves for the office an accurate and deep knowledge of the nature of the client's activity.	4.233	0.604	%84.6	1	V.high
q8	The length of the engagement period does not affect the independence, impartiality and professionalism of the audit office.	3.875	1.111	%77.5	4	High
q9	The long engagement period is considered one of the basic ingredients to improve the level of professional performance of the audit office.	3.675	1.116	%73.5	6	High

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q10	Audit offices provide services distinct from their competitors whenever the period of engagement with clients is long.	3.725	1.107	%74.5	5	High
q11	The long engagement period helps to detect errors and material misstatements committed in the financial statements with high professionalism.	4.008	1.103	%80.1	3	High
q12	The length of the engagement period leads to the issuance of audit reports in a timely manner.	4.175	0.922	%83.5	2	High
X3	Professional Experience	4.330	0.590	%86.6	2	V.high
q13	Increasing the professional experience in the audit office leads to an increase in its professional ability to solve problems and face unexpected circumstances.	4.350	0.717	%87	3	V.high
q14	Experience and professional knowledge are evidence that the office possesses all the qualifications that enable it to carry out the work entrusted to it to the fullest.	3.916	0.975	%78.3	6	High
q15	Professional experience is one of the basic ingredients that audit offices must have in order to improve their professional performance.	4.641	0.719	%92.8	1	V.high
q16	Professional experience is one of the main motives that work to attract more clients, which is reflected positively on the fees it receives.	4.175	0.774	%83.5	5	High
q17	Enhancing the experience and professional knowledge of auditors is achieved through their participation in training courses, conferences and seminars related to the audit profession.	4.308	0.707	%86.1	4	V.high
q18	The professional experience of the auditor enables him, with great ease, to know the places of recurrence and presence of accounting errors and work to address them.	4.591	0.667	%91.8	2	V.high
X4	Office reputation	4.470	0.520	%89.4	1	V.high
q19	Verifying complete independence when preparing audit programs, implementation and supervision, which earns a good reputation to the audit office.	4.300	0.681	%86	5	V.high
q20	The decline in lawsuits filed against the audit office is a positive indication of the strengthening of its professional reputation.	4.525	0.593	%90.5	2	V.high
q21	The high reputation of the audit office makes the management of the office more keen to complete the work in accordance with professional standards through careful supervision towards work to maintain this reputation.	4.541	0.776	%90.8	1	V.high
q22	Sectoral specialization earns audit offices a high reputation, which obliges the auditor to act in a manner consistent with this reputation and to refrain from any method that offends it. It has the largest market share despite the increasing competition in the profession market.	4.516	0.594	%90.3	3	V.high
q23	The good reputation of the audit office helps in increasing confidence in the financial statements of the client under audit with all the beneficiary parties.	4.466	0.593	%89.3	4	V.high
YY	Sector specialization	4.236	0724	%84.7	-	V.high
q24	Sector specialization helps audit offices to diagnose events and practices that may have a major impact on the financial statements when planning the audit process.	4.158	0.467	%83.1	7	High
q25	Sectoral specialization earns audit offices the largest market share, despite the increasing competition in the profession market.	4.383	0.811	%87.6	2	V.high

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q26	Sector specialization helps auditors take appropriate decisions and improve the way they deal with problems encountered when planning the audit process.	4.233	0.718	%84.6	6	V.high
q27	Sector specialization helps to enhance the professional expertise of auditors in a particular field of activity.	4.366	0.634	%87.3	3	V.high
q28	Sector specialization helps audit offices acquire a high professional reputation in the field of activity in which they specialize, which leads to attracting more clients.	4.325	0.746	%86.5	4	V.high
q29	The sectoral specialization of audit offices enhances their ability to face the pressures they are exposed to from the client.	4.283	0.790	%85.6	5	V.high
q30	Sectoral specialization supports the independence of audit offices and increases their professional capacity.	3.966	0.943	%79.3	10	High
q31	Sector specialization is one of the main motives for reducing the risk of lawsuits filed against audit firms.	4.075	0.999	%81.5	9	High
q32	Sector specialization is an important differentiation strategy between offices despite the increasing competition in the profession market.	4.425	0.706	%88.5	1	V.high
q33	An auditor specialized in a particular sector has better capabilities than a non-specialized auditor during the planning and implementation of the audit process in the same sector.	4.150	0.894	%83	8	High

Source: The table is prepared by the researchers, based on the outputs of the program (SPSS v. 23).

From the results shown in Table (3), the researchers note the following:

The independent variable for this research (the characteristics of the auditing offices) has achieved an arithmetic mean of (4.248) and a standard deviation of (0.634). This indicates a decrease in the dispersion in the answers of the members of the researched sample, i.e. there is a convergence in their views and they agree very much with a

1. percentage of (85%) regarding the items related to this variable. As for the sub-dimensions, the following becomes apparent:
  - A. *The size of the audit office:* The researchers note from the results shown in the above table that item (q5) has come in the first rank with an arithmetic mean (4.458) and a standard deviation (0.787). This indicates that there is a very large agreement with a relative importance of (89.1%) by the members of the research sample regarding that item. As for the item (6q), it has come in the last rank with its arithmetic mean (3.950) and standard deviation (0.968), and the level of relative importance amounting to (79%). Normative (0.689) and a very high evaluation level, which indicates the importance of the paragraphs of this dimension. In total, this dimension has achieved an arithmetic mean of (4.245) and a standard deviation (0.689), with a very high evaluation level, which indicates the importance of the items of this dimension.
  - B. *The length of the engagement period:* the researchers note from the results shown in the above table that item (7q) has come in the first rank with an arithmetic mean (4.233) and a standard deviation (0.604), which indicates that there is an agreement of (84.6%) by the research sample regarding that item. As for the item (9q), it has come in the last rank with its arithmetic mean (3.675), standard deviation (1.116), and a level of relative importance amounting to (73.5%). In total, this dimension has achieved an arithmetic mean of (3.948) and a standard deviation (0.852) with a high evaluation level.
  - C. *Professional experience:* The researchers note from the results shown in the above table that item (15q) has come in the first rank with an arithmetic mean (4.641) and a standard deviation (0.719), which indicates that there is a very large agreement with a percentage of (92.8%) by the research sample regarding this item. As for item (14q), it has come in the last rank with its arithmetic mean (3.916), standard deviation (0.975), and a level of relative importance that amounts to (78.3%). In total, the dimension has achieved an arithmetic mean of (4.330), a standard deviation of (0.590), and a very high evaluation level, which confirms the importance of the items of this dimension.
  - D. *Office reputation:* The researchers note from the results shown in the table above that item (21q) has come in the first rank with an arithmetic mean (4.541) and a standard deviation (0.776), which indicates that there is a very large agreement with the percentage (90.8%) by the research sample regarding that item. Item (19q) has come in the last rank with its arithmetic mean (4,300), standard deviation (0.681), and a level of relative importance reaching (86%). On that the great importance of the paragraphs of this dimension. In total, the dimension has achieved an arithmetic mean of (4.470), a standard deviation of (0.520), and a very high evaluation level, which confirms the great importance of the items of this dimension.

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2. As for the dependent variable (sectoral specialization), the researchers have noticed through the results shown in Table (3) that item (32q) has come in the first rank with an arithmetic mean (4.425) and a standard deviation (0.706), which indicates that there is a very large agreement with (88.5%) by the research sample regarding that item. The item (30q) has come in the last rank with its arithmetic mean (3.966) and standard deviation (0.943), which also indicates that there is agreement between the opinions of the sample and significantly at a level of relative importance reaching (79.3%). and overall, this variable achieved an arithmetic mean of (4.236), a standard deviation of (0.724), an overall relative importance of (84.7%) and a very high evaluation level, which confirms the importance of the paragraphs related to this variable. In total, this variable has achieved an arithmetic mean of (4.236), a standard deviation of (0.724), an overall relative importance of (84.7%), and a very high evaluation level, which confirms the importance of the items related to this variable.

## TESTING THE RESEARCH HYPOTHESES

The first hypothesis: There is a significant correlation between the characteristics of audit offices with their dimensions and the sectoral specialization in auditing offices and companies in Iraq. To test this hypothesis, the Correlation Coefficient Pearson test is used to measure the correlation between the characteristics of audit offices represented by their dimensions (audit office size, length of engagement, professional experience, office reputation) and sectoral specialization, as shown in Table (4).

**Table (4): (Pearson) test to measure the correlation between the characteristics of audit offices with its dimensions and sectoral specialization**

Dependent variable	Association and signification	Characteristics of audit offices	Audit office size	Length of engagement	Professional Experience	office reputation
Sector specialization	R (correlation)	**0.975	**0.929	**0.949	**0.926	**0.917
	Sig Statistical significance	0.000	0.000	0.000	0.000	0.000
	N	120	120	120	120	120

Source: Table prepared by the two researchers based on the outputs of SPSS v. 23

We note from the results of Table (4) that all the correlations are significant, as they have reached (0.000) at a level of significance less than (0.01), and the strength of the correlation relationship between the characteristics of audit offices and sectoral specialization is (0.975), which is at a level of significance (0.000). This indicates that there is a positive correlation between the two variables, and this relationship can be strengthened through the great attention that audit offices can provide to the sectoral specialization strategy because of its great importance in advancing the audit profession. The results indicate that the highest correlation coefficient is between (the length of the link period and sector specialization) with a strength of (0.949), and the lowest correlation coefficient is between (the office's reputation and sectoral specialization) with (0.917). Also, the positive value in the correlation coefficients indicates the direction of the strong positive relationship between the variables, and this result confirms the validity of the first hypothesis in the form of proof, which states: The existence of a significant correlation relationship between the characteristics of the auditing offices in their dimensions and the sectoral specialization in the auditing offices and companies in Iraq.

## THE SECOND HYPOTHESIS: THERE IS A SIGNIFICANT EFFECT OF THE CHARACTERISTICS OF THE AUDITING OFFICES WITH THEIR DIMENSIONS ON THE SECTORAL SPECIALIZATION OF THE AUDITING OFFICES AND COMPANIES IN IRAQ.

**Table (5): Multiple linear regression test to measure the effect of office characteristics on sectoral specialization**

Dimensions	regression coefficients (eta $\beta$ )	Calculated (T) values	p value sig*	Interpretation
Audit office size	0.302	5.911	0.000	significant
Length of engagement	0.397	6.796	0.000	significant
Professional Experience	0.192	3.571	0.001	significant
Office reputation	0.128	2.410	0.018	significant
regression coefficient (B)	0.914		The form is significant	
coefficient of determination (R <sup>2</sup> )	0.952			
Calculated (F) values	571.089			
Statistical significance	0.000			

Source: The table is prepared by the researchers based on the outputs of the SPSS v. 23

It is clear from the results of Table (5) that the independent variables generally affect the sectoral specialization at the level of significance (0.05); as the value of (F) reached (571.089) at a level of statistical significance (0.000) less than the level of moral

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significance, and the coefficient of determination ( $R^2$ ) reached (0.952). This represents the explanatory power that indicates that the percentage (95.2%), which is a very high percentage of the discrepancy in the sectoral specialization of the audit offices, is the result of the changes taking place in the characteristics of the audit offices that the management of these offices practice. The remaining percentage (4.8%) is due to other factors that are not included in the research model, and the value of the regression coefficient ( $B$ ) is (0.914), which means that there is a positive effect for the characteristics of offices in the sectoral specialization. With regard to the individual effect of the independent variables on the dependent variable, we find that (the size of the audit office, the length of the association period, the professional experience, the reputation of the office), where each characteristic has a significant effect on the sectoral specialization at the level of significance (0.05). Thus, the fourth hypothesis is accepted in the form of proof, which states: There is a significant effect of the characteristics of the auditing offices represented by (the size of the audit office, the length of the engagement period, professional experience, the reputation of the office) in the sectoral specialization of the auditing offices and companies in Iraq.

## CONCLUSIONS AND RECOMMENDATIONS

### CONCLUSIONS

1. The interest of audit offices and companies in Iraq in the characteristics of (the size of the auditing office, the length of the engagement period, professional experience, the reputation of the audit office) leads to upgrading the skill and professionalism of these offices and this is reflected positively on the services provided by them.
2. Sectoral specialization has many benefits and advantages that the audit office can exploit if it wants to specialize in a particular sector, such as (increasing its ability to plan the audit process, improving its ability to assess the risks of the audit process, increasing the office's ability to detect cases of committing errors and deviations and working to address them).
3. The practical results of the research have shown that there is a correlation and a significant effect of the characteristics of the audit offices at the level of sectoral specialization, which confirms the achievement of the objective of the research.

### RECOMMENDATIONS

1. The researcher recommends auditing offices and companies to increase their interest in the characteristics in question in order to improve their professional performance and then face the increasing competition in the profession market.
2. Urging audit offices to set up a special guide that organizes their work that takes care of sectoral specialization and enables them to improve the quality of their services provided to clients.
3. Urging small-sized audit offices to merge with each other and exchange professional experiences with each other as this is of great importance and has a positive impact on the efficiency of their professional performance and thus improving their competitive position in the profession market.
4. The researcher recommends auditing offices and companies in Iraq to increase training courses for their auditors in order to develop their professional expertise and raise the level of their practical performance.

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