

---

## **Effect of Ethical Culture on the Opinion of Auditor: An Analytical study in the Iraqi Environment**



**Sallama I. ALI**

Accounting Department, College of Administration and Economics, University of Baghdad, Iraq. Email: [ibrahimslwa2011@yahoo.com](mailto:ibrahimslwa2011@yahoo.com).

**Hakeem H. FLAYYIH**

Department of Banking and finance, College of Administration and Economics, University of Baghdad, Iraq. Email: [hakeem.hmood@coadec.uobaghdad.edu.iq](mailto:hakeem.hmood@coadec.uobaghdad.edu.iq).

**Hassnain R. TALAB\***

Accounting Department, College of Administration and Economics, Kufa University, Iraq. Email: [hassnainr@yahoo.com](mailto:hassnainr@yahoo.com).

---

### **ABSTRACT**

This study focuses on the impact of ethical culture on the opinion of an auditor. The study proffers solution to the problems related to the moral culture of an auditor which are revealed in the end of a financial statement in an economic unit. The members of the International Standards Organization of Supreme Audit Institutions (INTOSAI) posits a definition for the basic principles of the ethics of an auditing profession and highlight the importance of ethical culture and measure their impact on the neutral opinion of the auditor. The need to spread cultural awareness in order to reduce the negative effects of deviant behavior as a result of abandonment of the profession of auditing by some practitioners is important. Similarly, observance and non-observance of the professional ethics by the practitioners in the professional actions need to be guided in order to promote and establish ethical culture specifically governing the profession of accounting and auditing in Iraq. The study concludes that there must be a supervisory body to ensure compliance with ethical culture and professional ethics in auditing and accounting.

JEL Classification: H83; M42.

Keywords: Ethical Culture; Auditor; Professional Conduct; Audit Opinion.

\* *Corresponding author.*

### **1. INTRODUCTION**

Professional ethics are not restricted to the morals and principles of an average individual only but also to form a set of guidelines to become applicable professional rules and realistic that guides the professionals on behavior. This allows the professionals to commit themselves to ethical conduct that ultimately benefit the society. The moral of an individual is a set of factors related to his family and personal composition such as: religious values, personal standards, individual needs, and family influence, financial and other requirements that work to motivate individuals towards a certain behavior. The moral values that give priority to integrity, justice, dignity, integrity and self-respect constitute the foundations of an individual. The moral values make an individual more correct in their actions even if the circumstances surrounding are ambiguous and unclear. This research therefore deals with urgent need to institute moral culture in auditing which will have a positive consequence on the financial statement of the economy.

In every situation, the auditor must stay away from any error related to professional conduct or inappropriate behavior that can affect the integrity and quality of his overall work. Such conduct can raise doubt in the competence and credulity of the auditor and ethics of the auditing profession. Thus, there is need to inculcate a moral culture of the auditor which always reflect in his opinion on the financial statement of an economy. On this basis, the following questions identify the research the research problem:

1. Does an auditor have an ethical culture when practicing an audit profession?

International Journal of Economic Perspectives ISSN 1307-1637 © International Economic Society  
<http://www.econ-society.org>

2. Does an auditor comply with the rules of professional conduct set by the professional supervisory organizations?
3. Does the ethical culture of an auditor affect the expression of his neutral technical opinion on the financial statements of economic unit?

The objective of this study is to demonstrate the ethical culture of the auditor and to identify the basic principles of the ethics of the auditing profession, as defined by the members of the International Organization of Supreme Audit Institutions (INTOSAI), as well as the importance of ethical culture and its impact on the neutral opinion of the auditor. The study is based on a basic premise that “there is a significant relationship between moral culture and opinion of an auditor”. The hypothesis is divided into twofold:

H1: There is a significant correlation between moral culture and the opinion of an auditor

H2: There is a significant moral relationship between moral culture and the opinion of an auditor.

This study aimed to strengthen and establish an ethical culture that governs the regulatory body in the local environment and at the personal level in order to strengthen the honesty, trust and credibility of an auditor’s profession and neutral/technical opinion in the financial statement of the economy. This is achieved by taking into consideration the lack of influence in opinion or judgment formation on personal or general interest.

## **2. LITERATURE REVIEW**

Many researchers have dealt with the subject of the ethics on accounting profession and its relationship with the auditor. Ardini (2007) studied most of the important subjects related to this research. The study of Ardini aimed to identify the challenges faced by accountants and the ethics of the accounting profession in Iraqi economy. The study concluded that there is a need for accounting profession in Iraq to have ethical rules that the accountant is committed to practicing. The rule will protect the profession and the general public interest as this shall represent the basic objectives of the professional rules. Al Qtaish et al., (2014) studied the impact of the codes of conduct and the ethics of the auditing profession on the quality of auditing in the industrial companies in Kuwait. This study aimed to clarify the general framework of the ethics of the auditing profession and identify its aspects in order to determine the ethical aspects. The study found that there is significant effect of objectivity, independence, honesty, integrity, credibility, integrity, transparency, confidentiality and professionalism in the quality of the audit process on the Kuwait Stock Exchange as viewed by the internal and external auditors of companies and the financial managers (Jelic, 2012). The impact of ethics on the quality of audit statement and the increase in reliance of audit results are the basis for sound decisions.

The decisions led to the result of the expansion of economic units, which became more complex and developed to meet future requirements. The study revealed that the normal moral feeling and the most professional colleagues experience are enough to protect the ethical aspect of business. The audit quality assessment is quite difficult as researchers are not in a position to monitor how biomedical audits are conducted; also the effect from the quality of audit results on relationships between team leader and the team member whose joint performance may have adverse effects on the final results of the audit cannot be monitored. The study investigated the concept and quality of auditing, the impact of compliance with audit quality standards and the ethical principles of the audit profession. The study recommended development of an audit process by analyzing and measuring the impact of professional ethics and auditor’s compliance on audit quality. Another study of Al Hosban (2014) aimed to evaluate the internal audit requirements of information technology in terms of ethics, regulations and instructions from the point of view of corporate governance with the addition of idea from internal audit offices. Questionnaires were used as a tool to extract information from the internal auditors.

The study showed that the company and system are adapted to the social conditions for proper implementation by its employees. It was revealed that: the external auditor assists the internal audit offices to a more explicit and independent professional opinion; there is evaluation of the degree of submission to the rules and regulations and the integration of staff, especially financial and accounting staff. The study concluded that there should be activation of role of the government through the availability of qualified professionals in the process of issuing laws and language understandable in conjunction with non-governmental actors with relevant accounting and auditing. The study of Abdelal (2015) identified the degree of commitment to ethics and rules of professional conduct.

The study shed light on the importance of professional attitude and importance of ethics in the field of auditing by identifying the commitment of auditors and the impact of religious awareness on the ethical and professional behavior. The study focused on the organization of the auditing profession in Palestine in terms of the auditors' compliance with the rules of professional conduct. The study concluded that the compliance of auditors has significant relationship with the basic principles of ethical conduct, integrity and objectivity. The current study focused on the importance of ethical culture and its impact on the neutral technical opinion of an auditor. The basic principles of auditing ethics set by the members of the Supervisory Standards Committee of the International Organization of Supreme Audit Institutions Accounting and INTOSAI was identified.

While ethics is the face of the dark culture, morality is the method of cultural communication in giving with the spirit that inspires vitality and permanence. Similarly, cultures and ethics are diverse, intertwined, intersect and vary from one individual or society to another and from time to place. According to Al-Homsi, culture is the level and quantity of giving; it is the intellectual, material and behavioral achievement of man and society. Ethics is regarded as the method of giving, the nature of an approach, the way of dealing and the way of communication that encourages refraining from violation of any practice of the culture (Al-Homsi, 2009). In another word, ethics is defined as a continuous practice of virtues and lofty values under general principles and standards of mind. These principles and standards must be constantly governing human actions regardless of time and place (William, 2000). Ethics is not limited to knowing the right and wrong behavior and complex ideas and interpretations in determining what is good or bad but also to know why they are right or wrong. Bishop (2013) defined ethics as a way to protect the right or need of one individual as well as preserving the right and needs of others. Ethics is concerned with the moral conduct of people based on clear and specific criteria which are also a set of individual values (Bishop, 2013).

#### Different Approach to Morality Interpretation:

Researchers, scientists and philosophers developed many entries as they tried to explain ethics based on their convictions. Al-Ameri and Al-Ghalebi (2008) stated them as follows:

1. The utilitarian approach: In this approach, behavior is considered moral if it results in the greatest benefit especially to large number of people. This implies that the consequence of the decision is what is taken into account; this must provide maximum benefit to people as many as possible.
2. Individual Entrance: The ethical behavior here is based on the individual perspective from the point that behavior maximizes self-interest of an individual in the long run. This therefore prompts people to make decisions that cater for personal interests first before giving consideration to other parties.
3. The Entry of Right: This is an approach which considers moral behavior as respect and preservation of individual fundamental human right. Basic rights include human rights to freedom, life, and human treatment, the right to privacy, freedom of expression, health and safety in accordance with the law.
4. Access to Justice: This approach posits that moral behavior is based on treatment of others fairly with the use legal rules. The three types of justice as distinguished by researchers are: the stability and neutrality of these policies, procedural fairness, clarity of the formulation of policies and rules of work are classified under the first justice. The second one which is the distributed justice refers to the degree or extent of allocation and distribution of outputs and resources without distinction to gender, age or nationality with equal efficiency and skills. The last one is the interactive justice, which explains the extent at which everyone is treated with respect, integrity and dignity.

The above references refer to the dissemination of cultural awareness to reduce the negative effects of deviant behavior as a result of the abandonment of professional auditing by some practitioners. The observance and non-observance of professional actions and ethical obligations that are set as rules and principles are the behavior common among the members of the profession. This is why competent professional bodies and organizations are set in place to allocate responsibilities.

Professional ethics are not restricted to the morals and principles of an average individual only but also to form a set of guidelines to become applicable professional rules and realistic that guides the professionals on behavior. This allows the professionals to commit themselves to ethical conduct that ultimately benefit the society (Karajah, 2004).

Moral behavior is not limited to auditors in the course of practicing their profession; it is also applicable to their behavior outside the profession (Siyam and Abu Hameed, 2006). Professional ethics is defined as all that is considered as the main source of determination of what is right or wrong within a business environment (Jom, 2012). In other word, it is said to be as a set of rules and assets recognized by the owners of the same profession which certain behavior is required by from the practitioner to maintain the profession and its honour. The profession therefore provides two purposes for its members: the first purpose is the better protection of members of the profession; the second purpose is the protection of the public interest (Tamimi, 2006). From the previous definitions, it is clear that there are ethical obligations to be implemented in the auditing profession. These obligations are important for the practitioners to follow.

The ethical obligations to implement professional auditing by the practitioners are divided into three: the first category is related to the commitment of an auditor to his clients; followed by the obligation of the auditor towards his fellow workers; and lastly the obligation of the auditor to the public. Al-Rawi (2007) mentioned the importance of ethical obligations in an audit profession as follows:

1. The important characteristic of any profession is the ability to accept its responsibilities on members of the society
2. As the responsibility of a professional auditor is determined by a large public interest, an auditor must also meet the needs of the client, the employer and the accounting standards.
3. The auditors carry out in the economic activities that have an impact on the society by relying on their findings, recommendations and opinions in the accounting processes.
4. When auditors continue to provide outstanding services to the public, then they can maintain their good position.

Factors affecting Moral Behaviour.

According to Al-Majali(2008), in a diverse economy, the professionals generally working derived moral behavior from three basic elements: the individual, the economic unit where they operate and the external environment.

1. Individual: Arange of factors related to an individual family and personal composition affects the moral behavior of the individual. A particular behavior which motivates an individual can be due to religious values, personal standards, individual needs, family influence, financial and other requirements work. An individual that does not have a strong moral base or religion oscillates his actions in order to maximize his personal interest only, but those who rely on a strong moral base have strong self-confidence with homogenous behavior in their decision. While the moral values give priority to justice and integrity, self-confidence provides foundation for individuals to make them more right in their decision whether the circumstances around are unclear or certain.

2. The economic unit where the individual works: The economic unit where the individual operates affect the moral behavior of the individual through the existing organizational structure, the rules of work, procedures and incentive systems. The employee behavior is also affected by the existing informal groups and organizations. The common values and norms that govern the interactions between the members of the economic unit on the one hand and its members and others outside the unit are significant and effective in the conduct. Adoption of employees on these customs and values whether ethical or unethical reaffirms the commitment or lack of commitment to a particular behavior.

3. The external environment: In a competitive environment where an economic unit operates, prevailing social norms, government regulations and laws have a high impact. These units are obliged by certain laws with set of standards and behavior that are governed to a particular limit. The government is helped by the legislation to control the behavior of the units and bring them into line with acceptable standards. Just as the case of Enron, the government often intervenes to enact new law when there is non-compliance or violations of laws. While the US government intervened with new legislation to address the issue, the overall legislation, laws, values and social norms prevailing give perceptions about the nature of the ethical climate common in the industrial sector or a particular service.

There are many factors that affect the ethical behavior of the auditors in terms of auditing profession such as the legislation, the social environment and the economic environment as mentioned by Al-Mutairi (2012):

1. Legislation: Legislation refers to the constitution of the state and other laws emanating from state such as the civil service regulations and other various regulations that deals with the ethics of work. The ethics of work comprises the regularity and adherence to the rules of merit and entitlement, preference to the public interest and the non-acceptance of bribes. The behavior of an auditor explains what is right from what is wrong as well as giving clarification on the rules that an auditor must comply with when performing his duty. The ministry of labour established the labour law to be followed in order to create awareness on auditor's behavior and give a clear approach on legislation to the employer in transaction based on well-founded and well-known information.

2. The social environment: The social environment is when an auditor who works greatly is affected his behavior and reflects in his decisions and behavior. The environment in this case includes home, neighborhood, work, customs, tradition and society where he lives. Social and economic beliefs and conditions contribute significantly to shaping the behavior of the auditor and the formation of trends. The behavioral practices and trends develop and grow with the evolution the auditor's career.

3. The economic environment: The economic conditions and standard of living contribute significantly to shaping the behavioral and ethical attitudes of an auditor. Auditors are in positions to lead an emergence of multiple social and economic layers in society allowing each individual or group of individuals to take a certain behavior and approach in reaching individual or collective goals.

Completion of work in the community through professional care is the moral responsibilities of auditors during the implementation of their duties. Abu Zeid and Marai (2004) introduced a concept of ethics as a set of principles around four axes. The principles must involve impartiality in any dealing when carrying out practices. If any activity in the professional society is characterized by unethical activity, judgment may arise from there. The professional ethics is a step forward in the process of reconciling ethical concepts within the International Organization of Supreme Audit Institutions (INTOSAI). This organization submitted a document named "INTOSAI Ethics for the profession of the public sector auditor" which contains the basic ethical principles of the profession where language, social system, and culture create the need to adapt these principles on every environment in each country. Therefore, this professional ethic should be viewed as a basis for national profession that will be developed by each higher controlling device and accounting which are included in the basic principles of professional ethics regulated by INTOSIA guidelines as published in 2012:

1. It is considered necessary by INTOSAI to establish an international ethic for the profession of accountants in the public sector.

2. The ethics of the profession is a comprehensive statement of the values and principles that guide the day-to-day activities of the auditor. A serious ethical requirement was placed by the independence and responsibilities of the auditor in the public sector on the employees and SAI who employ them to perform supervisory work. In general, the ethics of the auditing profession in the public sector must take into account the ethical requirements of public officials and the requirements of auditors especially on their commitment to professional duties.

3. Professional ethics should be considered a necessity to support the regulatory standards issued by the INTOSAI Standards Committee in June 1992. This is in accordance with the Lima Declaration on Fundamental Principles of Financial Control.

4. Ethics of the auditing profession is followed by each auditor from the head of the SAI, executive officers and all individuals working for or on behalf of the SAI and those concerned with the auditing. In addition, professional ethics should not be interpreted as having an impact on the organizational structure of SAI.

5. Since any failure in any professional conduct or misconduct in the auditor's personal life would cast a shadow over his integrity and the organization he represents, therefore the behavior of the auditor should always be free from all shortcomings in all circumstances. Also, any misconduct may affect the quality and truthfulness of his supervisory work and this may raise doubts about the credibility, the adoption of ethics, the profession of the auditor and competence of the organization itself in the public sector that are originally put in place to strengthen confidence of the auditor and the organization.

6. It is important to note that the authority considers that the source of trust, honesty and credibility are attributes acquired through adoption and application of ethical requirements of the concepts embodied in the organization such as: integrity, independence, objectivity, confidentiality, efficiency, trust, honesty and credibility.

7. The legislature, the executive branch, the general public and other controlled entities have the right to expect that the behavior and style of the auditors is far from suspicion and doubt and they are worthy of trust and respect.
8. The auditor should inculcate an habit that promote cooperation and good relations within his profession as the support of the profession by the owners and their cooperation with each other are essential elements of the professional nature. To a certain extent, the observers of the current and former accounts must have confidence and honesty in the auditor. Therefore, it is in the interest of the auditor and the benefit of citizens to deal with fellow colleagues in a fair and moderate manner.
9. The legislature, the executive branch, the general public and the controlled entities should ensure that all the work of the agency is fair and impartial. Therefore, it is important that there are professional ethics or a document governing the provision of services.
10. As every part of the society needs credibility, it is essential for external parties familiar with the reports of the organization to view and take into account the accuracy and reliability of the report.
11. The legislative or executive authorities of SAI and the public should carry out all work on appropriateness and examination in the light of the ethics of the national profession.

Integrity is referred to as an essential quality of the auditor according to the Chapter II of the INTOSAI ethics paper on the profession of the public sector auditor. Political neutrality and conflict of interest are features of the document which are essential to the auditor. The auditor's work in Chapter IV of the INTOSAI Ethics Practice for the Public Sector describes the essential quality of an auditor as professional confidentiality. The chapter states that the auditor should not disclose information obtained during the audit process to the third party whether in writing oral. The objective of this disclosure is to respond to the legal responsibility of SAI or other customary responsibilities as its application to the relevant laws or part of the normal procedures of the SAI. The document refers to the skill that an auditor should have in chapter V in order to apply high professional standards in the performance of his duty. This shall contribute to the smooth and effective implementation of his responsibilities. The document deals with the responsibility of the auditor in the area of professional development in exercising the necessary professional care, implementation and supervision of the supervisory processes and in preparing the relevant reports. Generally, the auditor also uses the highest quality methods and concept to apply oversight processes.

In view of the differences between the countries in terms of culture and language, legal and social systems, each organization is responsible for the development of its own professional ethics in accordance with their environmental suitability. SAI is responsible for ensuring that all auditors are given awareness and are working with the values and principles of national ethics while the public sector is considered to be the basis for national ethics. The following are the steps and methods that can help professional associations in improving the level of ethical culture and professional behavior of the auditor (Al-Tanibat, 2010):

1. The establishment of standards related to the personality of the auditor: these standards require the auditor to be reasonably capable of scientific and practical qualification, possess virtual and mental independence and undertake reasonable professional care.
2. To determine the criteria related to the implementation of the field work of the auditor such as: study, planning, understanding, evaluation of internal control and the collection of sufficient and appropriate evidence in order to enable him produce the appropriate result from the audited financial statements.
3. Setting standards for the preparation of the auditor's report.
4. The profession should have continuity of education and knowledge of developments
5. Standards should be set for auditing the quality work for account monitoring.
6. Indulging other colleagues to audit the auditor's work.
7. Determining the professional exams that must be passed for those who want to practise the exam.

8. Issuing a manual of professional conduct.

Ethical Culture and its Impact on the Neutral Technical Opinion of an Auditor

### 3. METHODOLOGY

This section discusses the measurement of the impact of ethical culture on the neutral technical opinion of the auditor. A questionnaire was used for the purpose of testing the hypothesis of the research in accordance with the theoretical aspects covered in this research. A group of professors working in the accounting departments and holders of the equivalent accounting certificate for doctorate and staff in the office of financial supervision are chosen for the sample of the research. From 45 numbers of individuals, Table 1 illustrates the ratios and frequencies of the description of the research sample. The number of females was 15, with 33.3% of the total sample, while the number of males was 30, with 66.7%. Thus, the majority of the sample is male.

**Table 1. Sex of the Sample**

Sample	Frequency	Percent
<b>Sex</b>		
Female	15	33.3%
Male	30	66.7%
Total	45	100%

Table 2 shows the nature of the academic and practical practice of the research sample. From the 57.8% of the total sample, the number of professionals was 8 (17.8%), while the sample included professionals and academicians (11) by 24.4%, which means that the majority of the sample has academic degrees.

**Table 2. Nature of the Academic and Practical Practice**

<b>Profession</b>		
Academic	26	57.8%
Professional	8	17.8%
both of them	11	24.4%
Total	45	100%

The holders of the Master's degree were 15 individuals making them 33.3% of the total sample. The total number of PhD holders in the field of accounting is 30, with 66.7%, which means that the majority of the sample has a doctorate degree in accounting. Table 3 below showed academic certificate for the sample of the study.

**Table 3. Academic Certificate**

Master	15	33.3%
doctor phd	30	66.7%
Total	45	100%

Table 4 presents the years of service for the sample of the research. The people with services from 11 to 20 years ranked first with 42.2%, while those with service in the field of accounting for more than 21 years are ranked second, which amounted to 12 individuals by 26.7%.

**Table 4. Years of Service**

less 5	5	11.1%
from 5 to 10	9	20%
from 11 to 20	19	42.2%
more of 21	12	26.7%
Total	45	100%

Those who have a service of 5 to 10 years are ranked third with 9 members by 20% while people with a service less than 5 years have the least rank, with a total of 5 people by 11.1%.

#### 4. RESULTS AND DISCUSSION

This section focuses on the presentation and analysis of the results of the study of the results gathered from the questionnaires using the descriptive tools as conducted by the researchers. The result was analyzed using arithmetical mean and standard deviation as the descriptive statistical tools to estimate the absolute dispersion of the responses from sample group. The relative dispersion of the respondent is considered in order to draw a general picture or framework for the preference of respondents. The respondents' attitudes towards the variables of the research are measured through a five-Likert ordinal scale as included in the statistical program (SPSS). From the representation, completely agree = 5, agree = 4, neutral = 3, do not agree = 2, do not completely agree = 1, from where the arithmetic mean (weighted mean) of the scale is determined by determining the length of the first period 4 that represents the number of spaces (from 1 to 2 first, 2 to 3, 3 to 4, 4 to 4, 5 to 4), 5 is the number of selections, and 4 to 5 is the length of the period in category which is equal to 0.8.

The questionnaire includes two variable variables: the first of which is the moral culture; while the second variable is the opinion of the auditor. Table 5 represents the computational and standard deviations of the variables from the questionnaire distributed to the sample. The mathematical mean of the first and second variables was 4 and 3.9 respectively, which is larger than the mean and the standard deviation of 0.71 and 0.79 respectively.

**Table 5. Mean and Standard Deviation**

Variable		Ethical culture	Auditor option
N	Valid	45	45
	Missing	0	0
Mean		4	3.9
Std. Deviation		0.71	0.79
Result		Strongly agree	Agree

The result indicates a harmony in the answer for both variables, and the result indicates a high homogeneity between the responses of individuals who have been interviewed. At the level of the first variable, moral culture, Table 6 (Appendix) illustrates the computational environment, standard deviations, ratios and frequencies of the five-digit Likert response, while Table 7 (Appendix) presents these indicators at the level of the second variable, which is the opinion of the auditor. It is clear from Table 6 that the fifth question states that there should be curricula for the teaching of ethical culture in the academic stages of the accounting departments. The highest percentage of complete agreement was 60% with a frequency of 27 members of the sample with a mean of 4.5, which is higher than the satisfactory average of 3. With a standard deviation of 0.58, it indicates a decrease in the dispersion of the respondents' answer. The third question is with a content that is not affected by the moral culture of the accountants when their interests conflict, whether it is a conflict of personal, financial or functional motives is less than the ratio of 6.7% members of the total sample. The reverse question for this variable represents a mean of 3, which is equivalent to a standard deviation of 0.92. This indicates a rise in the dispersion of the respondents' answers.

Table 7 (Appendix) shows that the second question which is "strengthening the pillars of moral culture" has the highest percentage of total agreement of 53.3% with a frequency of 24 members from the sample with a mean of 4.3, which is higher than the mean of 3 with a standard deviation of 0.83. The later indicates a high dispersion of respondents' response. The content auditors do not comply with regulations and laws related to the profession that avoid any action that may harm the reputation of the profession. The lowest percentage of agreement was 6.7% with a frequency of 3 members from the total sample. This is the reverse question for this variable. The mean was 3, which is equal to the standard deviation of 0.92 which means there is high dispersion from the sample.

Correlation coefficients were adopted in order to determine the nature and level of the relationship between the basic search variables and the link of the index of this relationship as the data are not naturally distributed. Correlation coefficient is used as the first step in determining the nature of the relationship if we have only two variants. The moral culture is a variable that is determined by the researcher which is called the explanatory variable.



The independent variable is accompanied by another variable called the adopted variable, which is the opinion of the auditor. Result is specific and depends on the values of the explanatory variable, and it is noted that there is relationship between the two variables under reciprocal interdependence and the two variables have effect on each other, because the auditor's opinion is influenced by the nature of moral culture. Table 8 shows the correlation between the moral culture and the opinion of the auditor.

**Table 8. Correlation Coefficient**

	Correlations	Auditor opinion
Ethical culture	Pearson Correlation	0.624**
	Sig. (2-tailed)	0.000
	N	45

\*\* . Correlation is significant at the 0.01 level (2-tailed).

The correlation between the ethical culture and the opinion of the auditor is significant with a significance of 0.000 which confirm the correlation between the two variables. This is because it is greater than the moral level of 0.001. Accordingly, the hypothesis of research, which states: “There is a significant correlation between moral culture and the opinion of the auditor”

**Table 9. Regression Coefficient Values between Moral Culture and the Opinion of the Auditor**

Moral culture				Independent variable
F	R <sup>2</sup>	$\beta$	P value	Dependent variable
31.6	0.42	0.58	0.000	<b>Auditor opinion</b>

Table 9 presents the results of the values from the regression equation obtained from the results of the questionnaire conducted by the researchers. The hypothesis and the impact of the research were tested for the purpose of determining the possibility of judgment by acceptance or rejection, in order to test the main hypothesis of the research, which stated: “There is a significant relationship between ethical culture and the opinion of the auditor”. Table 9 shows the calculated value of (F) of the model to be 31.612 which is greater than the value of (F) of the scale (4.19) at 0.05 level of significance, and accordingly the hypothesis is accepted as moral culture at a significant level (5%), with a confidence level of (95%) for the opinion of the auditor. The mean coefficient (R<sup>2</sup>) is 0.42 which implies that the ethical culture variable accounted for 42% of the changes in the approved variable. The remaining 58% that are not included in the regression model were not addressed by the researchers. As shown by the slope coefficient with the value  $\beta$  (0.58) , any increase in the level of the moral culture variable in one unit will increase the level of the variable adopted in the opinion of the auditor by 58%. The value of the parameter (0.000) indicates the significance of the regression model and confirms the result of estimating the regression coefficient, which was statistically significant for being less than the moral level (0.05) This indicates the effect of the dimension of moral culture in the approved variable.

## 5. CONCLUSION

This study focuses on the impact of ethical culture on the opinion of an auditor. From the above results, the basic hypothesis of the research as stated below was accepted: “There is a significant relationship between moral culture and the opinion of an auditor”. The following sub-assumptions are accepted:

- i. There is a significant correlation between moral culture and the opinion of an auditor.
- ii. There is a significant relationship and effect between the ethical culture and the opinion of an auditor.

The need to spread cultural awareness in order to reduce the negative effects of deviant behavior as a result of abandonment of the profession of auditing by some practitioners is important. Similarly, observance and non-observance of the professional ethics by the practitioners in the professional actions need to be guided in order to promote and establish ethical culture specifically governing the profession of accounting and auditing in Iraq. The study also emphasizes on the need to narrow the gap between the local environment and other countries in terms of culture, language and social systems, by adapting to the basic ethical principles of the profession as defined by INTOSAI in accordance with the conditions of work in the local environment.

By establishing and promoting a specific ethical culture that governs the profession of accounting and auditing in Iraq, there should also be a regulatory body to ensure compliance with ethical culture and the ethics of accounting and auditing. In addition, there must be curricula to teach ethical culture in the academic stages of the accounting departments and to prepare courses and workshops that will introduce the ethical culture of the accounting and auditing profession. The auditors in the local environment must refrain from performing professional services in the event of a bias relationship that may result in a change in the professional standard regarding the application of ethical culture and the rules and ethics of the profession of accounting and auditing. Finally, in the absence of rules, standards and guidelines, auditors should be responsible by their actions and decisions to the extent that they comply with the principle of integrity. This is one of the rules of accounting ethics and auditing, which at the short or long run enhances the ethical culture of the profession and supports the auditor's opinion on the validity of financial statements.

#### Ethical Culture:

1. The purpose of applying the principles and rules of ethics is to establish and promote a specific ethical culture governing the profession of accounting and auditing in Iraq.
2. There is ambiguity about the moral culture and the rules of accounting ethics in Iraq.
3. The ethical culture of auditors shall not be affected when conflicts of interest arise, whether the conflict is motivated by personal, functional or financial motives.
4. There should be some regulatory bodies to ensure compliance with ethical culture and the ethics of accounting and auditing.
5. There should be curricula to teach ethical culture in the academic stages of accounting departments.
6. There is a need for special rules to adhere to ethical culture in accordance with the working conditions in the local environment.
7. Courses and workshops should be developed to promote the ethical culture of accounting and auditing.
8. In the local environment, auditors shall refrain from performing professional services in the event of a bias relationship which may result in a change in professional judgment concerning the application of ethical culture and the rules or ethics of the accounting and auditing profession.
9. The fees of the auditors may reflect in the ethical culture of the accounting and auditing profession.
10. The integrity of the auditors should establish the moral culture and the rules and ethics of the profession of accounting and auditing as those are the values that constitute the basis of the adoption of their opinions and verdicts.
11. Respect auditors and contribute to the ethical goals of the companies of the local environment where they work.
12. In the absence of rules, standards and guidelines, auditors shall subject their actions and decisions to the examination with conformity to the principle of integrity, which is one of the rules of ethics of the accounting and auditing profession, which in turn enhances the moral culture of the profession.

#### The Opinion of the Auditor

1. The adoption and application of ethical culture rules support the auditor's opinion on the validity of the financial statements.
2. The professional attention of auditors contributes to the consolidation of ethical culture.
3. The auditors shall avoid performing professional services in the event of a relationship or bias action that may result in a change in the professional judgment on the ethical culture.

4. The auditors conduct ongoing evaluations of their relationships with customers as well as an assessment of their commitment to the ethical culture.
5. The auditors maintain professional knowledge and skill at the level required to ensure that customers and employers receive highly professional services.
6. There are reasonable steps to ensure that people working in offices and audit firms are professional, with high skills and abilities to strengthen the ethical culture.
7. The auditors shall provide their professional services quickly and accurately, taking into account the applicable technical and ethical standards.
8. Auditors shall not observe regulations and laws relating to the profession and avoid any act that may harm the reputation of the profession.
9. Auditors shall refrain from accepting a new customer relationship if such customer is involved in illegal activities such as money laundering, dishonesty or questionable financial reporting practices.
10. The auditors shall take reasonable steps to determine the circumstances that could lead to a conflict of interest and thereby avoid performing the functions leading to it.

#### REFERENCES

- Abdelal, M. B. K., (2015), Extent of Auditors' Compliance with Professional Ethics and Code of Professional Conduct, Master's Thesis, Accounting and Finance Department, Islamic University, Gaza.
- Al Hosban, A. A. (2014), The role of regulations and ethics auditing to cope with information technology governance from point view internal auditors, *International Journal of Economics and Finance*, 7(1), pp. 167.
- Al Qtaish, H. F., Baker, A. A. R. M., & Othman, O. H. (2014), The Ethical Rules of Auditing and the Impact of Compliance with the Ethical Rules on Auditing Quality, *International Journal of Research and Reviews in Applied Sciences*, 18(3), pp. 1-8.
- Al-Ameri, S. and Al-Ghalebi, T., (2008), Administration and Business, Second Edition, Amman, Dar Wael Publishing and Distribution.
- Al-Mutairi, A. M., (2012), Code of Conduct and Ethics of the Auditing Profession and its Impact on the Quality of Auditing in Kuwaiti Industrial Companies, unpublished Master Thesis, Middle East University, Amman, Jordan.
- Al-Rawi, S. M. S. (2007), The Role of Ethical Obligations of the Accounting Profession in Achieving Accounting Creativity: A Survey Study, Master Thesis, Faculty of Management and Economics, University of Mosul.
- Al-Tanibat, A. A. (2010), Auditing in the Light of International Standards: Theory and Practice, Third Edition, Amman: Dar Wael Publishing and Distribution.
- Ardini, T. A. H. (2007), Challenges Facing the Application of Accounting Ethics in Iraq - A Study of the Opinions of a Group of Accountants in the City of Mosul, *Journal of Development of Rafidain*, 85 (29).
- Bishop, W. H. (2013), The role of ethics in 21st century organizations. *Journal of Business Ethics*, 118(3), pp. 635-637.
- Jelic, M. (2012), The Impact of Ethics on Quality Audit Results, *International Journal for Quality Research*, 6(4).
- Tamimi, K. G. (2006), Availability of Code of Conduct Ethics for Cost Accounting and Activation Requirements, 6th Annual Scientific Conference, Faculty of Economics, Science and Administration, Al-Zaytoonah University.

William, L. (2000), *Introduction to Ethics*, second ed., Translation of Ali Abd al-Muti Muhammad, Alexandria, Dar al-Ma'aref.

**APPENDIX**

**Table 6. Results of Descriptive Statistical Analysis of the First Variable**

Panel:1	measurement	Frequency	Percent%	Mean	Std. Deviation
1. The purpose of applying the principles and rules of ethics is to establish and promote a specific ethical culture governing the profession of accounting and auditing in Iraq.	Strongly Disagree	0	0	4.4	0.66
	Disagree	0	0		
	Neutral	4	8.9		
	Agree	16	35.6		
	Strongly Agree	25	55.6		
2. There is ambiguity about the moral culture and the rules of accounting ethics in Iraq.	Strongly Disagree	2	4.4	3.5	1.05
	Disagree	7	15.6		
	Neutral	7	15.6		
	Agree	23	51.1		
	Strongly Agree	6	13.3		
3. The ethical culture of auditors shall not be affected when conflicts of interest arise, whether the conflict is motivated by personal, functional or financial motives.	Strongly Disagree	5	11.1	2.7	1.10
	Disagree	17	37.8		
	Neutral	12	26.7		
	Agree	8	17.8		
	Strongly Agree	3	6.7		
4. There should be some regulatory bodies to ensure compliance with ethical culture and the ethics of accounting and auditing.	Strongly Disagree	0	0	4.4	0.72
	Disagree	2	4.4		
	Neutral				
	Agree	18	40.0		
	Strongly Agree	25	55.6		
5. There should be curricula to teach ethical culture in the academic stages of accounting departments.	Strongly Disagree			4.5	0.58
	Disagree				
	Neutral	2	4.4		
	Agree	16	35.6		
	Strongly Agree	27	60.0		
6. There is a need for special rules to adhere to ethical culture in accordance with the working conditions in the local environment.	Strongly Disagree	0	0	4.4	0.54
	Disagree	0	0		
	Neutral	1	2.2		
	Agree	21	46.7		
	Strongly Agree	23	51.1		
7. Courses and workshops should be developed to promote the ethical culture of accounting and auditing.	Strongly Disagree	0	0	4.5	0.54
	Disagree	0	0		
	Neutral	1	2.2		
	Agree	18	40.0		
	Strongly Agree	26	57.8		
8. In the local environment, auditors shall refrain from performing professional services in the event of a bias relationship which may result in a change in professional judgment concerning the application of ethical culture and the rules or ethics of the accounting and auditing profession.	Strongly Disagree	0	0	3.7	0.96
	Disagree	5	11.1		
	Neutral	14	31.1		
	Agree	15	33.3		
	Strongly Agree	11	24.4		
9. The fees of the auditors may reflect in the ethical culture of the accounting and auditing profession.	Strongly Disagree	1	2.2	3.8	1.05
	Disagree	6	13.3		
	Neutral	5	11.1		
	Agree	21	46.7		
	Strongly Agree	12	26.7		
	Strongly Disagree	2	4.4	4.4	0.58

10. The integrity of the auditors should establish the moral culture and the rules and ethics of the profession of accounting and auditing as those are the values that constitute the basis of the adoption of their opinions and verdicts.	Disagree	19	42.2		
	Neutral	24	53.3		
	Agree	2	4.4		
	Strongly Agree	19	42.2		
11. Respect auditors and contribute to the ethical goals of the companies of the local environment where they work.	Strongly Disagree	0	0	3.5	0.8
	Disagree	4	8.9		
	Neutral	20	44.4		
	Agree	15	33.3		
	Strongly Agree	6	13.3		
12. In the absence of rules, standards and guidelines, auditors shall subject their actions and decisions to the examination with conformity to the principle of integrity, which is one of the rules of ethics of the accounting and auditing profession, which in turn enhances the moral culture of the profession.	Strongly Disagree	0	0	3.53	0.9

**Table 7. Results of Descriptive Statistical Analysis of the Second Variable**

Panel:2	measurement	Frequency	Percent%	Mean	Std.Deviation
1. The adoption and application of ethical culture rules support the auditor's opinion on the validity of the financial statements.	Strongly Disagree	0	0	4.2	0.8
	Disagree	3	6.7		
	Neutral	4	8.9		
	Agree	17	37.8		
	Strongly Agree	21	46.7		
2. The professional attention of auditors contributes to the consolidation of ethical culture.	Strongly Disagree	0	0	4.3	0.83
	Disagree	3	6.7		
	Neutral	1	2.2		
	Agree	17	37.8		
	Strongly Agree	24	53.3		
3. The auditors shall avoid performing professional services in the event of a relationship or bias action that may result in a change in the professional judgment on the ethical culture.	Strongly Disagree	0	0	3.4	0.99
	Disagree	7	15.6		
	Neutral	18	40.0		
	Agree	11	24.4		
	Strongly Agree	9	20.0		
4. The auditors conduct ongoing evaluations of their relationships with customers as well as an assessment of their commitment to the ethical culture.	Strongly Disagree	3	6.7	3.3	1.12
	Disagree	8	17.8		
	Neutral	11	24.4		
	Agree	17	37.8		
	Strongly Agree	6	13.3		
5. The auditors maintain professional knowledge and skill at the level required to ensure that customers and employers receive highly professional services.	Strongly Disagree	0	0	3.8	0.99
	Disagree	7	15.6		
	Neutral	5	11.1		
	Agree	21	46.7		
	Strongly Agree	12	26.7		
6. There are reasonable steps to ensure that people working in offices and audit firms are professional, with high skills and abilities to strengthen the ethical culture.	Strongly Disagree	1	2.2	3.6	1.0
	Disagree	6	13.3		
	Neutral	9	20.0		
	Agree	21	46.7		
	Strongly Agree	8	17.8		
7. The auditors shall provide their professional services quickly and accurately, taking into account the applicable technical and ethical standards.	Strongly Disagree	1	2.2	3.3	1.0
	Disagree	10	22.2		
	Neutral	13	28.9		
	Agree	15	33.3		
	Strongly Agree	6	13.3		
8. Auditors shall not observe regulations and laws relating to the profession and avoid any act that may harm the reputation of the profession.	Strongly Disagree	0	0	3	0.92
	Disagree	14	31.1		
	Neutral	16	35.6		
	Agree	12	26.7		
	Strongly Agree	3	6.7		
9. Auditors shall refrain from accepting a new customer relationship if such customer is involved in illegal activities such as money laundering, dishonesty or questionable financial reporting practices.	Strongly Disagree	1	2.2	3.6	1.11
	Disagree	7	15.6		
	Neutral	13	28.9		
	Agree	12	26.7		
	Strongly Agree	12	26.7		
	Strongly Disagree	0	0	3.6	1.04



10. The auditors shall take reasonable steps to determine the circumstances that could lead to a conflict of interest and thereby avoid performing the functions leading to it.	Disagree	7	15.6		
	Neutral	12	26.7		
	Agree	14	31.1		
	Strongly Agree	12	26.7		

Reproduced with permission of copyright owner. Further reproduction prohibited without permission.