

## To Study the Relationship Between Audit Firms, Fraud Prevention and Fraud Detection with Special Reference to Erbil Holding Companies

<sup>1</sup>Waqar Ahmad, <sup>2</sup>Kadhim Saeed Awla

<sup>1,2</sup>Business and Management Department, Tishk International University, Kurdistan Region, Iraq

Correspondence: [kazm.saheed@tiu.edu.iq](mailto:kazm.saheed@tiu.edu.iq)

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## 1. Introduction

The research paper talk audit firm and audit firm characteristics, as well as the other one is fraud control and divided for two section which are fraud prevention and fraud detection. There was openness to more than a few classes of research about the relationship between both of them, but not in case of the Erbil holding companies. Behalf of this reason the study try to research about relationship between audit firm, fraud prevention and fraud detection in Erbil holding companies.

Audit is all in all key examiner word which states to as inspection of commercial and assessment for monetary records. Its purpose was the guarantee appropriate budgetary data are equitably in line of debit and credit. Audit can assessment financial records, practical stocking review, and ensure of relevant sections have been adhering with particular defined method for documenting. Auditing typically performed inspection ensure overall correctness for any entity's economic accounts (Kotb, Elbardan, & Halabi, 2020).

Each expertise has monetary evidence which in daily routine must assessment. In this manner, professional audit firm service can do all things in proper way for any expertise in any field of work. Audit firm review firm seems as be actual evaluation and scrutiny for dissimilar monetary records even though on professional assessor, as well as audit firm has ability for enterprise to verify correctness of commercial accounts (Oyerogba. 2021).

### 1.1 Significance of the Study

The research approach offers guidance to shareholders on qualified long-term treatments to troubles with poor audit efficiency along with estimate strong rate of fraud management in Erbil holding companies. The investigation offers personal details that can enable enterprises and general managers in Erbil, as well as the global society, strengthen their knowledge of the appropriateness of audit firm abilities as a basis for the modality of smart judgement and solid fraud protection. The investigation was carried out in order to answer the question, "What is the validity of audit firm characteristics as a basis for the evaluation of decision and robust fraud control?"

In addition, the findings of the study may assist enterprises strengthen the capacity of auditors to interact with monetary system in a way that is simpler and more productive than in the past, as well as to use auditing abilities in a way that is both competent and efficient.

## 1.2 Statement of Problems

Enterprises as well as organizations throughout that planet face numerous amounts of economic issues which links with, errors in monetary, scammers, as well as fraud that can entail direct negative influence effect on brand image and buyer trust for any firm or commercial field. Away beyond these, fraud risk could extremely harmful for commerce because which can reduce such commercial profit, buyer attractiveness, and ability in performance of revenue which can connect among rivals and perhaps adjacent corporations (Prasad, Hay & Chen 2021).

Furthermore, companies encounter a list of difficulties and troubles for the purpose of fraud control. These complexities and limitations include a lack of familiarity about auditing tactics, a lack of training sessions, an unavailability of audit technicians, a lack of entire assistance from the independent auditor, and a variety of other troubles. For fact, more industries in Kurdistan than in any other nation are experiencing trouble with auditing systems. Therefore, the purpose of this research is to get a knowledge of the relationship between the characteristics of audit firms and the prevention and detection of fraud in holding companies located in Erbil.

## 2. Literature Review

In this empirical investigation of the appropriate literature review, the major focus is given on the accompanying three elements of marketing perception: the first is connected to the audit firm, and it enables us to discover in which way the audit firm characteristics may acquire access to the conceptual goals of Erbil holding firms. As well as, the second and third dimensions of commerce sensitivity are interrelated with each other which provide an explanation on the detection and prevention of fraud for Erbil holding companies.

### 2.1 Audit Firm

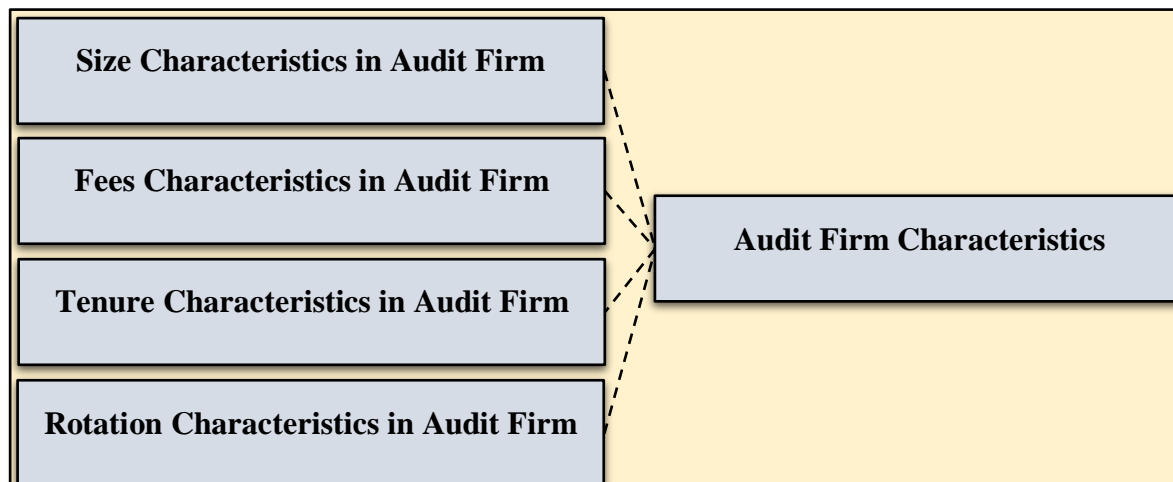
An audit firm comprises fundamentally by investigation and assessment for several statements on monetary evidence then with budgetary reports executed through the auditor duty for organization, frequently has become typically guided with a physical of registers to confirm the dissimilar sections were keeping with a defined technique for registering activities. Moreover, this was performed audit examine once the budgetary notes they have been given for that enterprise were valuable (Rose et al. 2017). The audit firm can determine with the facts on investors or directorial divisions of this approaches under where funds has been made earned during the period of that

budgetary season. Moreover, audit firm might take something between a several years to a whole season (Dodgson, Agoglia, Bennett, & Cohen, 2020). According to the nature of the enterprise of been tested. After these results of every audit, an auditor would offer their expert judgment concerning firm quality and actual budgetary reports which had performed out (Ernstberger, Koch, Schreiber, & Trompeter, 2020).

Audit could even either be worked out directly with professional staff members or by the administrators of work units, or it could have followed out generally through any planning for audit firm and any independently reviewer. Moreover, investigating or revision the dissimilar documents of reports, reported strategic process techniques as well as policy decisions (Vandenhoute, Hardies, & Breesch, 2020).

Audit firm characteristics are tools for commerce to safeguard monetary records is free of faults or deception before making choices. Moreover, audit firm characteristics are separated into four dissimilar sections, which consist of audit firm size, audit firm fees, and audit firm tenure, as well as audit firm rotation. Without any of them, the decision maker is unable to complete their purposes, as illustrated in figure 2.1 (Chen et al., 2019).

**Figure 2.1 Audit Firm Attributes**



Source: (Chen et al., 2019)

### 2.1.1 Size Characteristics in Audit Firm

Substantial enterprises are often assumed to have elevated amounts of audit accomplishment owing to the greater resources provided to them to conduct greater examinations, whilst tiny

organizations are assumed to have a lower level of audit excellence solely because they operate, generally bigger size of audit is valuable than smaller (Rose et al. 2017).

Moreover, greater audit enterprises may withstand the expectations of the company carrier's agency without sacrificing effectiveness since they are financially powerful. Nevertheless, smaller organizations in any country are more likely to give up effectiveness once they are financially challenged owing to their size. Furthermore, because larger corporations are less dependent on the revenues generated by their clients (Rahman et al., 2019).

### **2.1.2 Fees Characteristics in Audit Firm**

Audit fees have been a level of funds which examiners are earned for their own skilled systems. Moreover, all those charges were being analyses by a quantity of variables in the expertise, along with a danger of this same subject, a difficulty of the programs made available (Cho, Kwon, & Krishnan, 2021).

However. the measure of competence necessary to transport out the functions at a specific basic skills stage in expertise, the benefit context of the firm associated, or rather some architecture concerns. Furthermore, audit fees are sometimes defined to as "audit rates." which most organizations around the globe take their attention for it (Hegazy, Hegazy, & Eldeeb, 2022).

### **2.1.3 Tenure Characteristics in Audit Firm**

The term "audit tenure" recounts to its amount the durations of time that audit enterprise have practice in commerce, each examiner, either any number of months an enterprise hires same accountant projects on the user's account (Ege, Kim, & Wang, 2020).

Moreover, auditor times or particular auditing durations have already successfully formed apart or analyzed. Furthermore, there was a concern of the auditor's tenure would avoid that examiner's objectivity as well as ethical attention (Garcia-Blandon, Argilés-Bosch, & Ravenda, 2020).

### **2.1.4 Rotation Characteristics in Audit Firm**

The individuality for auditors was professional basic object to rotating audit firms. On the other hand we can say, strategy could simply guide the difficulty on individuality becoming resolved through performance of expertise. As well as, while auditors in any organization or firm might have more self-reliant reputation which should allowed auditor to move tasks after five years of experience, these would never quite guarantee any member of personnel whatever more flexibility.

Furthermore, auditing teams were those individuals required with their physical attributes and objectivity (Kalanjati et al., 2019).

However, professional examiner in audit firm has usually one who stands simply responsible of actuality that they indeed objective which related to audit of monetary evidence or budgetary reports (Rashid et al., 2022).

## **2.2 Fraud Prevention**

As a response, budgetary firms have a dramatic chance of becoming targeted or stolen by individuals. Moreover, they have many such psychological intentions for falsify those documents; accordingly, audit function would be necessary for verifying the nothing of this documentation their assumes contain errors (Elad Fotoh, & Lorentzon, 2022).

At direct practical matter to increases with preparation abilities (high-performance analysis), system to learning, other types of external skills, fraud preventative in organization measures technologies had taken major developments during last several months. As well as, fraud reflects many elements in daily life, once boosts up the value for all items that products they use spends many funds that provide it revenue (Rashid et al., 2022).

## **2.3 Fraud Detection**

The approach of monitoring fraud movement as well as blocking those who would steal wealth for goods by dishonest approach is referred to as fraud detection. As well as, fraud detection applies for any recording all actions that are performed regularly in attempts prevent identify and avoid the projects of self - serving individuals to achieve income and capital value via illegal approach (Mui, 2018).

Fraud prevention became simply permitted for actively terms of inter or outer records which organizations using software or sometimes manually for prevention of fraud in their duty, therefore examiners in expertise were unable even physically check payments for doings within actual environments. Consequently, authorities were necessary do this before the reality. Moreover, it became less of a subject of "paying and chasing" whenever that associated to avoiding fraudulent within that insurance package sector once besides that moment fraud were made the individual would already take (Wang, Ferreira, & Chang, 2022).

### 3. Research Methodology

It is noteworthy to mention this part of the research provides the investigation design, the technique of evidence collection, the investigation population and sample size, the quantitative equipment for data analysis, and the methodology of the study.

#### 3.1 Research Design

The strategy of research procedures and operations that a researcher decides to use to carry out a research project is referenced to as the research design. The design enables the academics with the opportunity to zoom down on the investigation techniques that are appropriate for the topic matter and provide a foundation for the achievement of their investigations. Quantitative approaches will be employed into the methodology of the research once it is carried out. This study will involve the design of a survey questions to explore the relationship between audit firm, fraud prevention, and fraud detection in Erbil holding business entities.

#### 3.2 Data Collection Technique

Data collection can be grasped as the planning phase of organizing and analyzing findings on influential factors in a predetermined and methodical sort of way in order to correspond directly to aspects of context research questions, test hypotheses, and evaluate results. This is done in arrange to determine the impact of the factors on the investigation. The main data acquired was done so via the use of the questionnaire approach. The survey was developed to be fast and simple to fulfill, and it was intended to be filled out by employees that work at the Erbil holding companies.

#### 3.3 Research Population, Sampling Technique, and Sample Size

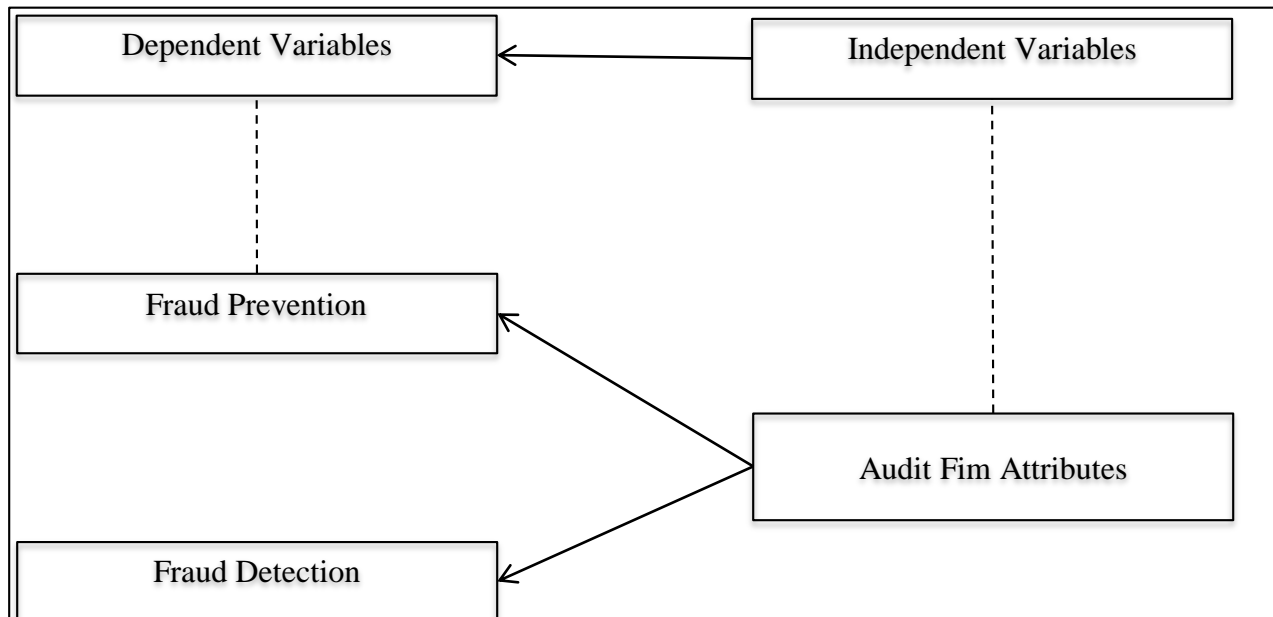
The populations of the study cover the administrative staff, accounting, as well as auditing staff of Erbil holding companies. Total of 200 employees contains of population of the study in selected four different companies such as (Darin group, Falcon Group, EY Company, Deloitte Company). The study chooses Erbil holding companies that use external audit services, also known as audit firms in their operations and have relevant knowledge about audit firm attributes. The study's sampling size is calculated by calculating the employee population of holding companies in Erbil, which, the study understands that it needs to achieve more than 100 samples for the entire population. In 200 hard copies of questionnaire, 104 respondents reply. The study distributed 200

hard copies of questionnaire; 104 respondents reply. The rate of respondents is (52%) for participating. Besides, who is not participated is (48%). Furthermore, the study uses convenience technique to distribute questionnaires between employees.

### 3.4 Measuring Research Variables

The study related to relationship between audit firm and fraud control in Erbil holding companies. The first variable related to audit firm attributes measures independent variable. Besides other one is fraud control measures to the dependent variable which divided to two different part such as fraud detection and fraud prevention. In following figure 3.1 indicate that the research model for both variables.

**Figure 3.1 Research Framework**



### 3.5 Statistical Tool for Data Analysis

This paper offers consumption of a statistical software that was developed specifically for the social sciences, with the intention of accomplishing the quantification primary data interpretation. The majority of the time, individuals will reference to this software by its nickname, which is SPSS. The Alpha Cronbach approach is employed by the system to analyze the replies that were given by respondents who took part in the questionnaire in order to assess the reliability of those responses. In addition to this, the application creates a pie chart that illustrates the data that is



pertinent to each person who responded to the questionnaire. In addition to that, hypotheses are examined by using techniques such as Pearson correlations.

#### 4. Data Analysis

##### 4.1 Descriptive Statistics

Table 4.67 Items of Audit Firm Characteristics

No.	Items of Audit Firm Characteristics	Valid	Mean	Mode	Min	Max
1	Integrity of audit firm for our organization.	104	4.36	5	1	5
2	Technical competence of audit firm for our organization.	104	4.54	5	1	5
3	Quality of working relationship with audit partner(s) for our organization.	104	4.63	5	1	5
4	Good reputation of audit firm for our company.	104	4.57	5	1	5
5	Technical competence of audit partner(s) for our organization.	104	4.56	5	1	5
6	Value for money of audit service for our organization.	104	4.49	3	1	5
7	Ethical standards of audit partner(s) for our organization.	104	4.51	5	1	5
8	Technical competence of audit engagement staff for our organization.	104	4.54	4	1	5
9	Quality of working relationships with audit engagement staff for our organization.	104	4.49	5	1	5
10	Audit quality (i.e. ability to detect problems) for our company.	104	4.36	3	1	5
11	Willingness to offer guidance on financing principles for our organization.	104	4.66	5	1	5
12	Quality of advice to management, including management letters for our organization.	104	4.20	3	1	5
13	Ability to provide additional tax offers for our organization.	104	4.44	3	1	5
14	Acceptability to company's major shareholders for our organization.	104	4.60	4	1	5
15	Same audit firm as other group companies for our firm.	104	4.36	3	1	5
16	Willingness to provide detailed cost information	104	4.62	5	1	5
17	Acceptability to company's day-to-day dealings for our organization.	104	4.26	4	1	5
18	Acceptability to company's merchant dealings for our organization.	104	4.38	5	1	5
19	Acceptability to company's lenders for our organization.	104	4.65	5	1	5
20	Big Six audit firm for our organization.	104	4.62	5	1	5

21	Acceptability to company's regulators for our organization.	104	4.71	5	1	5
22	Low absolute level of audit fee for our organization.	104	4.67	5	1	5
23	Specialist knowledge of audit firm industry for our firm.	104	4.39	4	1	5
24	Existence of offices located close to principal accounting functions for our organization.	104	4.90	5	1	5
25	Ability to provide additional consultancy services for our organization.	104	4.44	3	1	5
26	Ability to provide additional accounting services for our organization.	104	4.56	5	1	5
27	A non-Big Six international or national audit firm for our organization.	104	4.63	4	1	5
28	A regional audit firm for our organization.	104	4.66	5	1	5
29	A local audit firm for our organization.	104	4.70	5	1	5

Valid = The study has 104 Valid Respondents.

Mean = The mean measure between minimum 1 to maximum 5.

Mode = The highest range.

Min = The min is minimum number in 5-point Likert scale which is 1= Not Important at All.

Max = The max is maximum number in 5-point Likert scale which is 5=Very Important.

Table 4.68 Items of Fraud Prevention

No.	Items of Fraud Prevention	Valid	Mean	Mode	Min	Max
1	I expect fraud to enhance in our company in the future.	104	4.33	5	1	5
2	Our organization has been a victim of fraud.	104	4.46	5	1	5
3	In the event of fraud, I will report to the responsible party of our organization.	104	4.59	5	1	5
4	All personnel including the top management are responsible to detect fraud.	104	4.47	5	1	5
5	Internal auditors play a vital role in detecting fraud.	104	4.72	5	1	5
6	Fraud is usually detected from an audit process.	104	4.50	5	1	5
7	Public sector personnel are constantly under pressure to fulfil certain demands that are beyond his or her authority.	104	4.62	5	1	5
8	In the past three years, fraud detection mechanism in our organization makes better than before.	104	4.51	4	1	5

9	In the past three years, we have regularly attended training to advance our skills on fraud prevention.	104	4.55	5	1	5
10	Audit committee meetings are held twice a year in our organization.	104	4.31	3	1	5

Valid = The study has 104 Valid Respondents.

Mean = The mean measure between minimum 1 to maximum 5.

Mode = The highest range.

Min = The min is minimum number in 5-point Likert scale which is 1= Strongly Disagree.

Max = The max is maximum number in 5-point Likert scale which is 5=Strongly Agree.

Table 4.69 Items of Fraud Prevention

No.	Items of Audit Fraud Detection	Valid	Mean	Mode	Min	Max
1	Corporate code of conduct/ethics policy available in our organization.	104	4.44	5	1	5
2	Internal control review and improvement available in our organization.	104	4.38	3	1	5
3	Reference checks on employees available in our organization.	104	4.45	4	1	5
4	Employment contracts available in our organization.	104	4.51	5	1	5
5	Fraud auditing available in our organization.	104	4.33	5	1	5
6	Fraud reporting policy available in our organization.	104	4.62	4	1	5
7	Fraud hotlines available in our organization.	104	4.48	5	1	5
8	Whistleblowing policy available in our organization.	104	4.62	5	1	5
9	Operational audits available in our organization.	104	4.64	5	1	5
10	Our organization used of forensic accountants.	104	4.52	5	1	5
11	Fraud prevention and detection training available in our organization.	104	4.63	5	1	5
12	Ethics training available in our organization.	104	4.50	5	1	5
13	Surveillance equipment available in our organization.	104	4.41	4	1	5
14	Increased attention of senior management available in our organization.	104	4.72	5	1	5
15	Code of sanctions against suppliers/ contractors available in our organization.	104	4.53	5	1	5
16	Increased role of audit committees available in our organization.	104	4.72	5	1	5

17	Surveillance of electronics correspondence available in our organization.	104	4.60	5	1	5
18	Staff rotation policy available in our organization.	104	4.45	5	1	5
19	Security department available in our organization.	104	4.60	5	1	5
20	Personnel counselling programmed available in our organization.	104	4.65	5	1	5
21	Cash reviews available in our organization.	104	4.53	5	1	5
22	Inventory observation available in our organization.	104	4.73	5	1	5
23	Bank reconciliations available in our organization.	104	4.53	5	1	5
24	Ethics officer available in our organization.	104	4.55	5	1	5

Valid = The study has 104 Valid Respondents.

Mean = The mean measure between minimum 1 to maximum 5.

Mode = The highest range.

Min = The min is minimum number in 5-point Likert scale which is 1= Strongly Disagree.

Max = The max is maximum number in 5-point Likert scale which is 5=Strongly Agree.

#### 4.5 Hypothesis Test

Table 4.70 Pearson Correlations

		Audit Firm Characteristics	Audit Prevention	Fraud Detection
Audit Firm Characteristics	Pearson Correlation	1	.611**	.696**
	Sig. (2-tailed)		.000	.000
	N	104	104	104
Audit Prevention	Pearson Correlation	.611**	1	.932**
	Sig. (2-tailed)	.000		.000
	N	104	104	104
Fraud Detection	Pearson Correlation	.696**	.932**	1
	Sig. (2-tailed)	.000	.000	
	N	104	104	104

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

The above outcome demonstrates Pearson Correlation analysis which indicate for hypothesis one there is a significant relationship between audit firm attributes and fraud prevention because  $r = 0.611$  and significant  $0.000$  which is less than value  $0.01$ . According to analysis, the study rejects null hypothesis then, the study alternative hypothesis. Moreover, Pearson Correlation analysis which indicate for hypothesis two there is a significant relationship between audit firm attributes and fraud detection. because  $r = 0.696$  and significant  $0.000$  which is less than value  $0.01$ . According to analysis, the study rejects null hypothesis then, the study alternative hypothesis.

#### 4.2 Findings

The study find that audit firm characteristics are tools for commerce to safeguard monetary records is free of faults or deception before making choices. Moreover, audit firm characteristics are separated into four dissimilar sections, which consist of audit firm size, audit firm fees, and audit firm tenure, as well as audit firm rotation. Without any of them, the decision maker is unable to complete their purposes (Chen et al., 2019).

The study finds that size characteristics in audit firm related to amounts of audit accomplishment owing to the greater resources provided to them to conduct greater examinations, whilst tiny organizations are assumed to have a lower level of audit excellence solely (Rose et al. 2017). Fees characteristics in audit firm have been a level of funds which examiners are earned for their own skilled systems (Cho, Kwon, & Krishnan, 2021). Audit tenure characteristics in audit firm recounts to its amount the durations of time that audit enterprise have practice in commerce, each examiner, either any number of months an enterprise hires same accountant projects on the user's account (Ege, Kim, & Wang, 2020). Rotation characteristics in audit firm related to strategy could simply guide the difficulty on individuality becoming resolved through performance of expertise. While auditors in any firm might have more self-reliant reputation (Kalanjati et al., 2019).

The study finds that enterprises as well as organizations throughout that planet face numerous amounts of economic issues which links with, errors in monetary, scammers, as well as fraud that can entail direct negative influence effect on brand image and buyer trust for any firm or commercial field. Away beyond these, fraud risk could extremely harmful for commerce because which can reduce such commercial profit, buyer attractiveness, and ability in performance of revenue which can connect among rivals and perhaps adjacent corporations (Prasad, Hay & Chen

2021). Fraud can be divided for two parts for control consist of fraud detection and fraud prevention (Rashid et al., 2022)

The study finds that fraud prevention related to budgetary firms have a dramatic chance of becoming targeted or stolen by individuals. Moreover, they have many such psychological intentions for falsify those documents; accordingly, audit function would be necessary for verifying the nothing of this documentation their assumes contain errors (Elad Fotoh, & Lorentzon, 2022). Fraud detection related to the approach of monitoring fraud movement as well as blocking those who would steal wealth for goods by dishonest approach is referred to as fraud detection. (Mui, 2018).

The study finds that the Pearson Correlation analysis which indicate for hypothesis one there is a significant relationship between audit firm attributes and fraud prevention because  $r = 0.611$  and significant 0.000 which is less than value 0.01. According to analysis, the study rejects null hypothesis then, the study alternative hypothesis. Moreover, Pearson Correlation analysis which indicate for hypothesis two there is a significant relationship between audit firm attributes and fraud detection. because  $r = 0.696$  and significant 0.000 which is less than value 0.01. According to analysis, the study rejects null hypothesis then, the study alternative hypothesis.

## 5. Conclusion and Recommendation

### 5.1 Conclusion

The study in this part based on findings conclude that for objective that link to understand the relationship between audit firm, fraud prevention, and fraud detection. Specifically, the objectives related to identify the elements of audit firm characteristics for Erbil holding companies, to indicate the relationship between the audit firm characteristics and fraud prevention in Erbil holding companies, to examine the relationship between the audit firm characteristics and fraud detection in Erbil holding companies.

An audit firm comprises fundamentally by investigation and assessment for several statements on monetary evidence then with budgetary reports executed through the auditor duty for organization (Rose et al. 2017). The audit firm can determine with the facts on investors or directorial divisions of this approaches under where funds has been made earned during the period of that budgetary season (Dodgson, Agoglia, Bennett, & Cohen, 2020).

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