

The Applicability of Management Auditing for Iraqi Establishments to Assist Decision Making and Performance Efficiency

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Abstract. Current research aims to clarify the extent to which Management Auditing (MA) is applied in Iraqi industrial establishments and the role it can play in supporting decision-making and performance efficiency in these establishments. The research discusses the difference between (MA) and management consultancies. The research assumes that adopting (MA) assists managements in decision making, also assumes that Iraqi establishments have no experience in adopting this kind of audit. The research used the questionnaire method to obtain the information needed to prove its hypotheses. Two types of questionnaires were designed, one for a sample of government and private enterprises' officials, and the other for a sample of auditors selected randomly from government and private sectors' offices. Statistical methods are used to analyze the information gathered, i.e. weighted averages, simple percentages, and standard deviations. The research indicates that most of the Iraqi establishments do not use (MA), however, accountants and the internal auditors perform partially this role which is insufficient to support decision making and assist performance processes. In addition, the external audit reports in private and public offices are still unable to provide the required consultations to meet the necessary need of this audit in these establishments.

Key Words: Management Auditing, Management Consultancy, Performance Efficiency, Decision Making

Introduction

Audit essentially appeared as an instrument used by various countries throughout the ages to control the collection of government revenues and expenditures that were spent in the name of kings, princes, and heads of states since the dawn of civilizations. Audit practice continued for long periods of time entirely directed to financial and accounting aspects only, and continued so for a long periods until the advent of the industrial revolution and the evolution of audit function. This function evolved as a result of the expansion of projects and emergence of public enterprises associated with the emergence of the concept of separation between ownership and control. Thus, audit continued with its philosophy and theories that govern its activity or its applications in public and private sector companies directed to purely financial aspects.

On the other hand, the practice of public audit continued until the beginning of the twentieth century directed to achieve the goal of shareholders as an urgent need, to know how efficient are the managements charged with their enterprises responsibility.

However, the development in business enterprises and the extension in their productions and responsibilities has invited to more development in auditing and control devices, thus one of these developments has been the emergence of management auditing which has taken place in most of the developed countries. This sort of audit is aimed to provide managements with advices and consultations to assist decision making and support performance efficiency and to direct these management for more skills for resources utilization. Many studies discussed the benefits, objectives, and dimensions of the (MA) and explained its advantages and requirements (Kadhim, 2017; Kazim, 2008; Abdul-Baqi, 1997; Zerelli, 2015).

Research Structure

In order to achieve its objectives, the research will include the following aspects:

First Part: Research Methodology;

Second Part: Theoretical Framework of the Research and Previous Studies;

Third Part: Empirical Work and Data Analysis;

Fourth Part: Conclusions and Recommendations.

Research Methodology

Research Problem and Aims

Based on the above discussion, the research problems can be summarized as follows:

1. To what extent the (MA) is benefited by Iraqi establishments to support decision-making and performance efficiency aspects.
2. To what extent the (MA) functions are clearly defined and targeted in a manner that can be distinguished and benefited from Iraqi entities.
3. To what extent that Iraqi entities are prepared to apply this sort of audit.

For this, the research aims to achieve:

1. Explaining the role the (MA) can play in supporting decision-making and activating performance efficiency in various Iraqi entities.
2. Explaining the extent to which (MA) is applied in Iraqi establishments, and the framework within which it operates.
3. Explaining audit development in general and (MA) in particular, the recent trends it has adopted and the techniques it uses to achieve its various goals.

Research Hypotheses

To achieve its goals, the research assumes the following hypotheses:

First Nil Hypothesis (HO1): “The application of (MA) and the attempt to benefit from its contribution is an urgent need for Iraqi entities to assist the decision-making process and performance efficiency.

Second Nil Hypothesis (HO2): “The majority of Iraqi establishments in government and private sectors lack regular practices of (MA) and lack the necessary skills to adopt it”.

Third Nil Hypothesis (HO3): “There is an obvious lack of adequate support neither by the legislation and regulations nor by professional bodies in government and private sector to apply (MA)”.

These assumptions provide the rationale basis for the ideas presented in the research and the importance given to each side of them in the discussion and determined the nature of the directions necessary to benefit from the auditing process provided by auditors to develop the administrative process in Iraq, particularly for decision-making and the development of administrative efficiency towards achieving the desired economic goals.

Research Instruments

The research used the questionnaire method to gather the information needed. Two types of questionnaires are designed, the first is directed to officials in selected randomly economic entities in private and government sectors in Iraq, and the second is directed to the auditors in the state's Financial Control Bureaus and auditors in the private audit offices. (34) governmental and private sector's entities were selected, (2) officials of each were selected, i.e. a total of (68) forms, (60) of them are gathered, i.e. (88%) of the total. The second type of questionnaire is directed to government and private sectors auditors. (15) auditors were selected to answer the questions, all of them were gathered. Thus, the total number of questionnaires collected are (75) forms.

Theoretical Framework and Previous Studies

Development of Audit Function

In broad, economic development over the years has reflected its impact on the economic entities and, consequently, on audit function, its objectives, techniques, and the goals it seeks to achieve. Under joint ownership, the auditor adopted the principle of detailed review and the method of checking accounts and records to discover fraud and errors. With the emergence of industrial revolution, characterized by the separation of ownership from management, the concept of accounting unity has arisen. Accompanying with this development, the strengthening of internal audit function evolved as a means for internal control, and the increasing reliance of external auditor on its procedures has increased. Thus the external audit process has moved from detailed review to optional review by selecting samples of accounts and changing the purpose of external audit to be the expression of opinion about the degree of reliance on final accounts of a company.

After the Second World War, business projects have developed greatly, diversified its business and multiplied its objectives in a way that is compatible with the changes in the surrounding environment. As a result, specialized technical methods have also emerged such as research operations and operating data electronically etc. This made it difficult for project management to have the ability to absorb these developments. This has necessitated the need to external assistance in this area. This motivated professional auditing organizations to strive to help management solve its problems.

This development has led internal auditor to explore the operational areas and processes as well as submitting proposals and studies on the obstacles of face production process in business projects. This has become one of the basic duties of internal audit departments today (Moeller & Witt, 1999; Staats, 1987).

At the same time, professional external auditing organizations in government and private offices encouraged auditors to leave the circle of expressing opinion on the financial statements to a broader field to provide services to the management. As a result, a committee was formed in 1953 by the American Institute of Certified Public Accountants (AICPA) called the Advisory Services Committee. This committee made its recommendations in the form of a study published in 1956 by the aforementioned institute. These advisory services include two types of services (GAO 1981):

1. Services whose roots extend to accounting knowledge, such as designing accounting systems, internal reports and analyzing financial statements.
2. Services that fall outside the framework of experience and accounting knowledge, such as studies of developing existing and potential markets and providing advice regarding material handling and so on (Audit, 2020).

There is no doubt that these services require expertise in various fields that auditing offices are supposed to provide. However, the consulting services raised an important question about the impact of performing these services on the auditor's impartiality and independence.

With the development of management science in the last decades of the twentieth century and the twenty-first century, and the development of administrative methods used in planning and controlling the production process, opinions emerged that advocate the need for increased audit approach to management, which resulted in the concept of management audit. However, we would like to warn that the concept of management auditing should not be confused with the concept of advisory services. We see, which was shown by many writers in this field (Metwally, 1970), that management auditing is a new branch of auditing imposed by recent developments in accounting and management and it differs from consulting services in the primary goal. While the (MA) process directs its activities to identify problems first, then direct the efforts towards solutions and take recommendations developed by the advisory services.

However, if we view this point from a legal point of view, the management audit if it is done from an external party, then its objectives are for the purpose of verifying the efficiency of management as regards its efficiency in exploiting material and human resources entrusted to it and its ability to manage and direct its activities effectively, while management consultancies are in all cases directed to be merely a service to help management.

However, the most important thing that distinguishes (MA) from financial audit is the extension of the former to areas outside the framework of accounting and financial system. A study conducted within this framework showed that 40% of the sample considers that the (MA) is an extension of the financial audit and that 40% of the sample considers (MA) as a type of consulting services, while 20% of the sample consider that (MA) is a new branch of audit (Ibrahim & Al-Hady, 1975).

The lack of clarity about what is (MA) has led to its multiple names, and therefore some would like to call it operational audit and the other call it functional audit or effectiveness audit or performance audit and so on. We believe that the term (MA) can be more comprehensive, given that it clearly indicates that this type of audit mainly relates to management as a group of jobs, operations, individuals, goals, or a community grouping (Mohammad, 1987).

Management Consulting

Managements, in private and public sectors, have increasing interests in consultancy services. Many of managements have sought advices from specialized agencies, persons or institutions to provide them with solutions of the problems they face. So, what we mean by management consulting?. There are several concepts for this.

For example, it came in a definition developed by the American Management Consulting Engineers Society as an organized attempt performed by experienced people to assist management to face its problems and improve its operations by applying objective solutions based on specialized information, skills, and systematic analysis of facts (Baaij, 2013; Banton, 2021). Whereas the Institute of Management Consultants came in Britain with another definition that counseling is a service provided by a qualified person or persons in order to diagnose and identify problems related to an organization (whether it is about its policies, organizational structure, procedures, or methods of work) and recommendation by taking appropriate measures and actions (Vicky, 2021; Asfour, 1974).

From another point of view, management consulting means the professional work carried out by trained and qualified persons to provide assistance through the systematic analysis of existing facts and the application of substantive provisions with specialist knowledge (Vicky, 2021).

Examining the dimensions of the above definition, that counseling is characterized by the following:

1. Of an optional nature, not compulsory.
2. It includes providing technical information and skills related to realistic administrative problems.
3. Independence and impartiality.
4. Not to provide magic solutions to complex administrative problems.
5. To correct mistakes and achieve effectiveness in the field of work.

However, the aforementioned definitions did not refer to the post-consultancy process and what is the role of the consultant in the future.

We believe that the advisor's role should not end there. Rather, the follow-up process for the implementation of the contents of the report or advice provided by the consultant should become part of his responsibility to bring his service to a better level in dealing with the problems that occur when converting the theoretical side of that advice to an applied reality (Hollis, 2004).

Information Needed by Economic Units

Information or data can be defined as a set of facts and symbols that include words, numbers, and figures that express specific administrative actions and positions (Abdel-Mo'ti, 1974). Through preparing and processing business data, it can reach meaningful management information that helps stakeholders in the decision-making process. It can also be inferred from the availability of business information in that it helps to create an increase in the knowledge of the decision-maker, which leads to good judgment on the phenomena and problems that may face management

The Economic Function of Auditing

As we mentioned in the previous pages, the expansion of business projects and the diversity of their activities have helped in pushing audit process far in its development, both in its philosophy and practical methods.

The expansion and complexity of projects made it difficult to control their activities, so the task of management and leadership was entrusted to a group of people doing this duty, and thus the management and control of projects may really separated from the founding party, which necessitates the presence of a third party that checks and verifies the appropriateness of the management procedures and the efficiency of its investment for the resources deposited with it, accordingly the auditors took the responsibility for this. Thus, the role of audit has been necessitated for this reason and because of the nature of control skills owned by auditors. His observations in a non-hesitant manner (Zureikat et al., 2011).

The change in the degree of responsibility, as well as the development in the concept of efficiency and the concept of performance called for a greater degree of development in audit field to provide the necessary information to economic units. Thus, this development in the audit process provided an opportunity for business departments to obtain more accurate and specialized data on aspects that had long been lost in the production process. The concept of auditing, its definition, and its practical scope has been based in a way to absorb the following areas of specialization (Al-Doory, 2014): financial and compliance audit; economic audit; effectiveness audit; efficiency audit.

The last three types referred to above may be called (MA) because of their relevance to the various management functions of planning, organizing and controlling. As for the first type, which is financial audit and compliance audit, it is sometimes referred to as conventional auditing and the four types mentioned are expressed in its entirety by performance auditing (Swanger & Chewning, 2001).

Figure 1 shows the nature of (MA), which shows the types of audits that take place within the framework of the (MA).

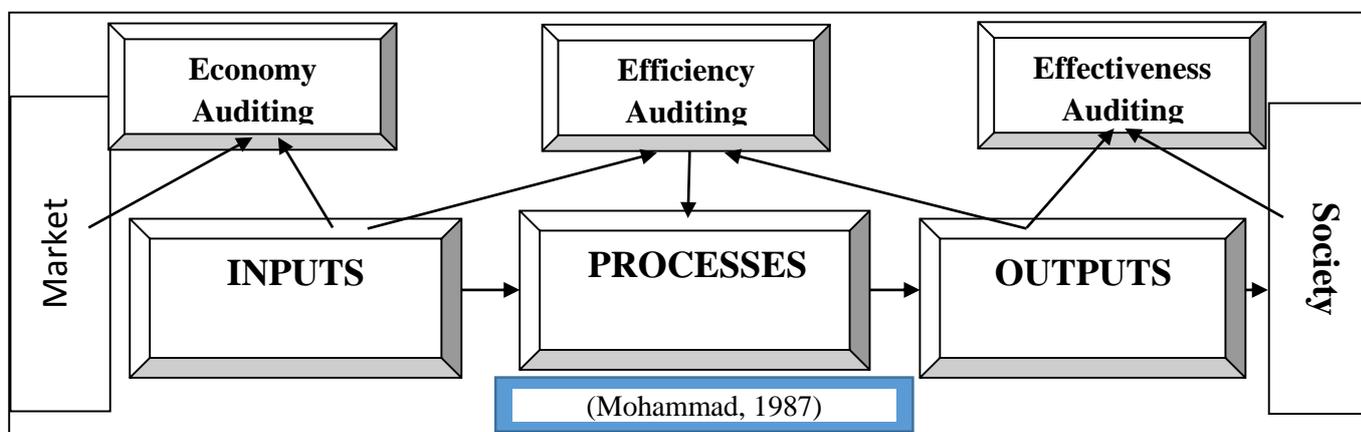


Figure 1. Steps of Efficiency Auditing (Management Auditing (Economic))

In addition to the traditional financial audit that does not appear in the figure, the (MA), or as it is called operational or economic audit, includes the following types:

1. Economy Auditing

The examination conducted on the basis of this type of audit is mainly directed to the production process inputs in the project under audit. Its purpose is to ensure that the resources used in production, represented by raw material, human resources, machinery, and equipment, were obtained by management with the best quality and quantity possible and at the lowest possible cost (GAO, 1981).

2. Efficiency Auditing

It is a type of audit concerned with measuring and evaluating the relationship between the production inputs and outputs. The main purpose is to ensure that the economic unit concerned has been able to achieve the best possible level of output by using a certain level of available resources.

The best rate of efficiency is the largest rate that can be obtained from the sum of the division of the outputs estimated at the market price by the inputs estimated at the total cost of acquiring it and using it in production, compared to the rate extracted by an economic standard approved by management of the project and agreed with the relevant regulatory bodies (GAO, 1981).

3. Effectiveness Auditing

It is the latest and most important type of audit because it highlights the actual output of the project for which it was established. Effectiveness auditing, called in some countries program results auditing, aims to verify whether the desired results of the project activity, the benefits, and the goals expected of it, which are specified by the legislator or the authorities responsible for managing the project, have been achieved and verify whether the project has taken into consideration other options and alternatives that can produce desirable outcomes at lowest cost (Mohammad, 1987).

Empirical Work

In order to obtain the necessary information to understand the prospects of applying management audit in the different Iraqi establishments, two types of questionnaires were designed, the first is directed to the officials of the establishments and those concerned with benefiting from the applications of management audit and the second is directed to the auditors in the Iraqi Financial Supervision Authority and Private offices to know the views of the entities that are supposed to provide administrative auditing services for Iraqi private and public facilities. The first questionnaire includes (3) axes with a total of (15) questions at the rate of (5) questions for each axis, while the second questionnaire included two axes of questions with a total of (10) questions. (34) establishments were selected from governmental and private sectors, and (2) employees from each establishment were selected, with a total of (68) forms. (60) forms were collected i.e., (88%), and 15 forms were allocated to auditors were collected. The total of forms received are (75) forms. Forms include two parts one for personal information, and the second for empirical information.

Results Analysis: Entities' Questionnaire

First Part of the Questionnaire: Personal Information

(1) Job Position

Table 1 indicates that about 60% of the sample are from the leading administrative positions, which are responsible for defining entities' policies and applications with regard to modern systems and applications, and therefore they can give mature opinions within this

framework because they can determine the extent of need the concerned entity for management audit applications and the results of this application.

Table 1. Sample distribution according to job position

Categories of experience years	No. of Auditors	%	Accumulated %
General Manager	14	23%	23%
Head of Department	22	37%	60%
Senior Officers	24	40%	100%
Total	60	100%	

(2) Academic Qualification

The percentages indicated by Table 2 show that the bachelor's degree is considered at the forefront of the qualifications that most of the sample members possess and it reflects a good level of awareness for the establishment's employees who are able to express an objective opinion in the questionnaire issues. The percentage of holders of higher diploma, which is usually about one year after the bachelor's degree in various fields of specialization, was 30%. The percentage of graduate studies holders came to constitute 10%, so the qualifications of the sample are all levels represent an excellent case and maturity is sufficient to answer the research questions objectively, especially that the majority of the sample are from the accounting or financial specialties or near them as shown in the following table, which gives the answers of the sample the necessary reliability.

Table 2. Sample distribution according to scientific qualification

<i>Scientific Qualification</i>	No.	%	Accumulated %
Bachelor	36	60%	60%
High Diploma	18	30%	90%
High Studies	6	10%	100%
Total	60	100%	

3) Scientific Specialization

Table 3 shows that specializations of the sample are mainly in the administrative and accounting and financial areas come at the forefront where their total represents more than 86%, which makes the majority of the sample representatives from the specializations close to the field of auditing and knowledge of its techniques, which helps to understand the nature of the required answers. The benefits of applying this type of audit, the consequences of its application, and the nature of the skills it needs and therefore the opinions of the sample with specializations close to the subject of the research make the answers close to the required objectivity to make the answers represent the best representation of the required condition. The remaining percentage, which is about 13%, is from the nearby specializations that may have an important knowledge of the subject of the study, and its answers will be an important addition to the answers of the sample from the nearby specializations.

Table 3. Sample distribution according to scientific specialization

Scientific Specialization	No.	%	Accumulated %
Management	28	46.7%	46.7%
Accounting & Finance	24	40%	86.7%
Economic & Law & Other	8	13.3%	100%
Total	60	100%	

(4): Experience Period

Table 4 shows the length of experience's period of the sample's members. The results indicate good ratios of the important periods for the maturity of employees. The table shows that the percentage of those who have more than 5% of their experience (the second and third category) exceeds 73%, as the percentage of their experience between (5-10) years is 43.3%, and the percentage of those whose experience exceeds ten years is 18%. These ratios represent the good condition of the experience required to answer members of the sample about the questionnaire questions, and this experience enables the sample to express a mature opinion on the questions asked.

Table 4. Sample distribution according to experience period

Categories of experience years	No. of Auditors	%	Accumulated %
Less than 5 years	16	26.7%	26.7%
5-10 years	26	43.3%	70%
More than 10 years	18	30%	100%
Total	60	100%	

Second Part: Analysis of the Empirical Information

Second part of the form includes information about the sample's response about management auditing applications. This part includes (3) sections, each of them includes (5) questions closely related to the following topics of the section:

1. Sample's Attitude towards Management Audit.
2. Expected Benefits from Management Audit Applications.
3. Attitude towards Management Consulting.

(1): Sample's Attitude towards Management Audit

The first section of the questionnaire shown in Table (5) includes five questions about the sample's recognition of the importance of (MA) and its objectives as well as the extent to which the establishments concerned are using this type of audit in their normal practice and the ability of Iraqi establishments to implement and benefit from its practice, which are closely related to the first and second research hypothesis.

Table 5 shows the sample's answers. As it is clear, the answer of the first and fourth questions are positive, while the answers of the remaining questions are negative. The first question is about "the sample awareness of the concepts and objectives of management audit". The answers indicated a total percentage of (50%) as positive answers (i.e., the first and second columns) (Table 6), i.e., (20% + 30%), while the total of the negative answers (Disagree) of the last two answers is (38%). This result reflects a good level of awareness among the sample about the importance of management audit and its significance in practice. The same applies to the fourth question that deals with the issue "whether it is necessary to use management audit to support decision-making and improve performance". The answers of this question recorded an approval total rate of (67%) i.e., (32% + 35%) compared with (25%) i.e., (15% + 10%) for the disagreement case. This supports the idea that the majority of the sample considers that there is a need to implement (MA). This state of opinion is given after the researcher clarified the nature of (MA) to the sample and clarified its goals and benefits. The conviction that obtained through the question 1 and 4 supports the first hypothesis of this study. The weighted averages of the first and fourth questions (Table 7) indicate a higher levels than the simple mean of the questions, which is (3) calculated by the weighted sum divided by the five fields as: $((1 + 2 + 3 + 4 + 5) / 5)$.

Table 5. Attitude towards Management Auditing (MA)

Sr	Questions	Quite Agree	Agree	Neutral	Not Agree	Not quite Agree
1	There is sufficient awareness of the concepts and objectives of (MA) and the nature of its applications.	12	18	7	16	7
2	We practice (MA) through our organization's internal audit department.	6	8	10	29	7
3	We ask external auditors to produce (MA) advices.	6	6	12	28	8
4	Do you find it necessary to use (MA) to support decision-making and improve performance in your work?	19	21	5	9	6
5	We often use (MA) advices to solve the problems we face.	5	5	10	31	9

As for the answers of questions (2, 3, 5) (Table 5), there is a negative indication that the concerned departments did not implement (MA) and did not try to use the external or internal auditors to do so. The percentages that express disapproval (Table 6) indicate that attempts in this direction are still weak, as the sum of the rates of disapproval of the second and third questions were (60%), and (67%) for the fifth question. These results also prove the validity of the second hypothesis, which indicates that the majority of Iraqi entities lack the (MA's) applications and lack the necessary skills to adopt it.

Table 6. Answers percentages

Q	%	%	%	%	%
1	20%	30%	12%	27%	11%
2	10%	13%	17%	48%	12%
3	10%	10%	20%	47%	13%
4	32%	35%	8%	15%	10%
5	8%	8%	17%	52%	15%

Table 7. Weighted averages and standard deviation

W 5	W4	W3	W2	W1	T	WA	SD
60	72	21	32	7	192	3.2	1.35045504
30	32	30	58	7	157	2.616667	1.16577871
30	24	36	56	8	154	2.566667	1.1551895
95	84	15	18	6	218	3.633333	1.3399553
25	20	30	62	9	146	2.433333	1.1103008

(2): Expected Benefits from Management Audit Applications

Table 8 indicates the answers of the sample about their opinion regarding the expected benefits of (MA). The results indicated high conviction of the sample about the validity of (MA's) approach in practice and its benefits. The average rate of conviction for all the questions is (69%) (i.e., 1st Question (72%), 2nd Question (71%), 3rd Question (73%), 4th Question (57%), 5th Question (72%). This indicate high agreement of the sample about the merits of (MA), except for the 4th Question about the ability of internal auditing to compensate the benefits of management consultancy produced by outsider people and this also an agreement that the internal audit is not capable to do the same job given by outsider people, either in the form of (MA) people or management consultancy, especially that the internal audit has no adequate impartiality and independence. Tables 9 and 10 show the individual rates of the weighted averages of the answers, and the standard deviation of the answers of the questions.

Table 8. Benefits of using Management Auditing (MA)

Sr	Questions	Quite Agree	Agree	Neutral	Not Agree	Not quite Agree
1	(MA) assists improving the decision-making	21	22	5	6	6
2	(MA) assists to develop performance efficiency	19	24	6	7	4
3	(MA) helps to alert management that there are often overlooked points during the administrative and production process	20	24	2	12	2
4	The internal audit application obviates the use of management consulting to improve work	16	18	2	20	4
5	(MA's) services provides the details and experience that the management needs	22	22	1	10	5

Table 9. Answers percentages

Q	%	%	%	%	%
1	35%	37%	8%	10%	10%
2	31%	40%	10%	12%	7%
3	33%	40%	3%	20%	4%
4	27%	30%	3%	33%	7%
5	36%	36%	2%	20%	6%

Table 10. Weighted averages and standard deviation

W 5	W4	W3	W2	W1	T	WA	SD
105	88	15	12	6	226	3.766667	1.30665
95	96	18	14	4	227	3.783333	1.20806
100	96	6	24	2	228	3.8	1.20451
80	72	6	40	4	202	3.366667	1.36501
110	88	3	20	5	226	3.766667	1.33234

(3): The Attitude towards Management Consultancy (MC)

Table (11) indicates the answers about the auditors' opinions towards (MC) to know the extent of awareness about the significance of this job. Such consultancies can be provided by external agencies or by the internal audit departments. The answers showed by Table (11) indicate that answer of (Q1) came in favor that (MC) has to be performed in separation from (MA) practice. Answer of (Q2) and (Q3) indicate the sample conviction that (MC) is preferable to be produced by external agencies, though they believe that internal sources can produce it. The answer to (Q4) came in favor of the opinion that establishments' managements can make efficient decisions and good performance without the need to (MC). In answer of (Q4) the sample believe that obtaining (MC) from internal audit and internal sources would obviate the need to external sources of (MC).

These responses indicated by Table 11 explain that management, in general, don't care about (MC) and the assistance given to management by the agencies prepare it, either internally or externally. They believe that internal sources are sufficient to give the advice needed. If not taken from these sources, the management can do the job efficiently without such consultancies.

Second Part of the Questionnaire: Analyzing Auditors' Responses

(15) forms are distributed on auditors in public and private offices. Forms includes personal information and empirical information.

(1): Analyzing Personal Information

About the research sample, this part includes: (1) job position, (2) period of experience, (3) scientific specialization, (4) educational qualifications.

Table 11. Attitude towards Management Consultancy (MC)

Sr	Questions	Quite Agree	Agree	Neutral	Not Agree	Not quite Agree
1	(MC) can be used in isolation from the (MA).	13	18	9	16	4
2	We prefer to obtain (MC) from external sources.	16	16	8	16	4
3	(MA) can be obtained from our internal sources.	15	15	6	20	4
4	We can make efficient decisions and activate performance without the need for management consultancy.	10	24	10	10	6
5	Obtaining management consultancy from our internal sources obviates external administrative audit services.	8	10	8	22	12

Table 12. Answers percentages

Q	%	%	%	%	%
1	22%	30%	15%	26%	7%
2	26%	27%	13%	27%	7%
3	25%	25%	10%	33%	7%
4	17%	40%	17%	16%	10%
5	13%	17%	13%	37%	20%

Table 13. Weighted averages & standard deviation of answers

W 5	W4	W3	W2	W1	T	WA	SD
65	72	27	32	4	200	3.366667	1.28441329
80	64	24	32	4	204	3.4	1.31741915
75	60	18	40	4	197	3.283333	1.3415289
50	96	30	20	6	202	3.366667	1.2346
40	40	24	44	12	160	2.666667	1.336155206

Auditors selected for the purpose of this study are (15), (6) of them are from the Supreme Audit Bureau of Government, i. e. (40%), and (9) from the Private sector, i. e. (60 %). (8) of the sample hold Diploma in Auditing and Control after bachelor degree, i.e. (53%) of the sample, and the rest hold Diploma in Auditing with a Master's or Ph.D. degree. These are appropriate qualifications for study purposes. As auditors specialization, (12) of them hold accounting out of a total of (15), i.e., (80%) of the sample, and (3) hold Bachelor in finance and economics, as well as a Diploma in Accounts Control. As the period of experience, all the auditors in the sample exceeds (5) years, and (10) of them exceed (10) years experience.

(2): Analyzing Empirical Information

The second part of the form includes a set of questions about the attitude of auditors towards the application of management auditing. The questions are centered on two aspects:

First: The conviction about current state of (MA)'s application.

Second: The responsibility to implement (MA) in economic establishments.

(2-1): Auditors' attitude towards the application of management auditing:

Reviewing the answers in Table No. (14) related to auditors' satisfaction towards (MA) applications indicated that the answers were positive for questions (1, 3, 4, 5) and negative for second question. As the questions indicate there is auditors wish to apply (MA) but in its simple sense, i. e., audit reports are supported by some recommendations to support management in its main functions. However, when the question ask about their wish and ability to apply (MA) with all its dimensions, i.e., economic and operational auditing, the answers came to be negative. Unfortunately this status is prevailing in all audit offices and departments where the majority of auditors are not satisfied to apply (MA) by its economic dimensions because one major reason that managements in all entities are not willing to apply such audit, the majority of managements believes that such an audit interferes with their responsibilities. Tables No. (15) and (16) summarizes the (WA) and (SD) of the answers.

Table 14. Satisfaction about Management Auditing Application

Sr	Questions	Quite Agree	Agree	Neutral	Not Agree	Never Agree
1	Our staff members strive to apply (MA) away from the economic dimension.	16	24	8	8	2
2	Our staff members strive to apply the (MA) with its economic dimension	8	12	8	8	3
3	There is technical difficulty in practice of (MA) with its economic dimension.	20	28	3	3	1
4	It is difficult to apply (MA) by its economic model due to lack of sufficient awareness of the establishments, as well as an obvious weakness in management information systems.	21	26	5	5	2
5	There is difficulty to apply (MA) by its economic model due to the lack of the necessary regulations official directives as well as the lack of support by the professional bodies.	26	25	3	3	0

Table 15. Answers percentages

Q	%	%	%	%	%
1	27%	40%	13%	17%	3%
2	13%	20%	14%	48%	5%
3	33%	47%	5%	13%	2%
4	35%	43%	8%	10%	4%
5	43%	42%	5%	10%	0%

Table 16. Weighted averages & standard deviation of answers

W 5	W4	W3	W2	W1	T	WA	SD
80	96	24	20	2	222	3.7	1.16880351
40	48	24	58	3	173	2.883333	1.1944788
100	112	9	16	1	238	3.966667	1.0835593
105	104	15	12	2	238	3.966667	1.0730388
130	100	9	12	0	251	4.183333	0.92973479

(2-2): Responsibility to implement (MA)

Table 17 explains the answers that indicate, in general, that the responsibility to implement (MA) rests with external auditing bodies, whether in governmental or private sector. The reason of this belief is that the external auditors have more neutrality and impartiality than the internals as well as the skills they have.

The answers revealed by Table 17 indicate that there is high convictions of auditors that (MA) should be applied by external bodies because of the Neutrality and experience dimensions (Question 1). Also there is high auditors' conviction that external auditors who are required to implement (MA) should benefit from the experience of internal auditors who suffer the deficiency problems every day and can identify managerial and operational problems more clearly (Question 3). Question (4) also indicates high conviction of auditors that (MA) can be applied more efficiently by some departments than other, because of the availability of the historical information or because of the high level of organizing of the activities or because of the availability of rational management.

However, questions No (2) and (5) reveal low level of conviction. Question (2) ask about whether the (MA) can be implemented by internal auditors, and Question (5) asks whether there are restrictions to apply the (MA), where both of the cases didn't have enough conviction by the auditors. Tables (18) and (19) indicate the weighted averages and the standard deviation of the answers as well as the ratios of the answers of each case.

Table 17. The responsibility to implement (MA)

Sr	Questions	Quite Agree	Agree	Neutral	Not Agree	Not quite Agree
1	(MA) should be applied exclusively by government auditing agencies or external auditing offices	28	21	6	4	1
2	(MA) can be applied by internal audit agencies.	10	10	14	20	6
3	(MA) should be applied by the Bureau's auditors or external auditors in full cooperation with internal audits.	26	26	2	6	0
4	(MA) can be applied in some departments and cannot be applied in other departments.	24	25	6	3	2
5	There are binding instructions from official government agencies to apply the economic management audit.	7	8	9	26	10

Table 18. Answers percentages

Q	%	%	%	%	%
1	47%	35%	10%	7%	1%
2	17%	17%	23%	33%	10%
3	43%	44%	3%	10%	0%
4	40%	42%	10%	5%	3%
5	12%	13%	15%	43%	17%

Table 19. Weighted averages & standard deviation of answers

W 5	W4	W3	W2	W1	T	WA	SD
140	84	18	8	1	251	4.1833	1.0249707
50	40	42	40	6	178	2.9667	1.2617806
130	104	6	12	0	252	4.2	0.9168849
120	100	18	6	2	246	4.1	1.0033841
35	32	27	52	10	156	2.6	1.2514398

Hypotheses Test

The advanced discussion and the results of the survey process of state administrations and auditors enable us to reach the stage of testing the hypotheses and examining their reliability.

1. Testing the First Nil Hypothesis (H01)

The first hypothesis indicates that "The application of (MA) and the attempt to benefit from its contribution is an urgent need for Iraqi entities to assist the decision-making process and performance efficiency".

The review of the answers of questions No. (1) and (4) from Table 5 (Section 1) and the answers to questions No. (1-5) from Table 8 (Section 2) indicates the sample's conviction of the content of the first hypothesis as mentioned above and discussed in previous pages.

2. Testing the Second Nil Hypothesis (H02)

The second hypothesis indicates that "the majority of Iraqi establishments in government and private sector lack regular (MA's) applications and lack the skills necessary to adopt it."

The review of questions No. (2), (3) and No. (5) from Table 5 confirms the fact that there is no significant or tangible application of (MA) in Iraqi entities. The answers to questions No. (2) and (Q3) that refer to "We practice (MA) through the internal audit department of our organization, indicates disapproval, which means there is no attempts to benefit from (MA) in any way. For the fifth question which refer "the extent to which the sample use the (MA) to solve the problems they face", the answer indicates disapproval also, indicating the fact that the Iraqi establishments' abilities and (MA's) tools are not used.

These responses indicate clearly that the above mentioned Nil Hypothesis No (2) is approved that the majority of Iraqi establishments lack the regular practice of (MA) and lack the necessary skills for doing that, and that the alternative Hypothesis is rejected.

3. Testing the Third Nil Hypothesis (H03)

Hypothesis (3) refers to: "there is an obvious lack of adequate support either by the legislation bodies or by professional bodies in government and private sector to apply (MA)".

To test this hypothesis (Table 14), answers of questions No. (4) and No. (5) indicate clear satisfaction of the sample that there is weak awareness about the significance of (MA), as well as a clear weakness in management information systems (Q-4). Also, the answer of question (5) indicates the conviction of the sample that there is weak support of legislation bodies or official directives to apply (MA), as well as an obvious lack of professional bodies' support to benefit from such method of auditing.

Based on these results, the Nil Hypothesis No (3), mentioned above, is accepted and the alternative hypothesis is rejected.

Summary, Conclusions, and Recommendations

Summary

The advanced discussion clarified different views of the study's sample from Iraqi entities, as well as a sample of auditors on the availability and validity of (MA's) applications in its economic concept, about their conviction in its application, as well as the ability of Iraqi's entities to benefit from (MA's) support for decision-making and performance efficiency. Although the majority of respondents were interested in the application of this type of audit and acknowledged its benefits, the majority acknowledged the difficulty to practice (MA) because of the absence of the necessary requirements, the weakness in management information systems in Iraqi entities, as well as the shortage of auditors' skills to practice such an audit. Also, most of the sample believe that the absence of legislations and legal obligations to apply this audit forms one of the most important obstacles to apply (MA) in Iraq. This associates with the absence of actual will to apply (MA) because of the political and social pressures to apply it.

Conclusions

The foregoing discussion assists approaching the following conclusions:

1. The application of (MA) in Iraqi entities is considered an urgent necessity to deal with many cases of administrative failure and the weakness of the departments' efficiency in making decisions and achieving better levels of performance efficiency.
2. The majority of Iraqi public and private entities do not exercise (MA) and do not benefit from its suggestions and recommendations.
3. The majority of auditors do not practice (MA) for many reasons, including the lack of technical skills, absence of legal obligation, lack of experience, and the inefficiency of management information systems and databases in the entities.
4. Political and social pressure makes the assessment of the efficient use of national resources an unwanted process.
5. Internal audit in many entities is unable to perform (MA) tasks in the economic sense due to lack of skills and experiences and lack of necessary independence and authority.
6. Administrative consulting is used by some departments, but is unable to provide the benefits that (MA) can provide.

Recommendations

Based on the above discussion and conclusions, the following recommendations can be set up:

1. If Iraq country wants higher level of efficiency and better decision making process for our establishments, there should be an official obligation and regulation to be followed as regards the application of (MA).
2. The official obligation should insist also that the public sector auditors have to follow a set of courses enabling them to apply the (MA) efficiently and there should be frank recommendations to develop the national entities.
3. Internal auditors should also developed so that they can understand what are wide lines of (MA) to be able to develop their entities' information systems so that these entities are prepared for (MA) requirements.
4. Managements have to be prepared and developed properly to be able to understand and accept the results and recommendations of (MA).
5. There should be official regulations which prevent any party from interference in the (MA's) recommendations and results.
6. Other countries' experience with the (MA's) application should be taken into considerations by Iraqi auditors and to attempt to gain more experience in this regard.
7. Working to develop the administrative skills of audit agencies in a manner that enables them to practice modern types of auditing that penetrate more into the administrative process and thus enable them to actually contribute to the development of management consulting and the ability to engage their audit activities and data on their audits on an ongoing basis with various administrative processes.

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