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Revista de Antropología, Ciencias de la Comunicación y de la Información, Filosofía,
Linguística y Semiótica, Problemas del Desarrollo, la Ciencia y la Tecnología

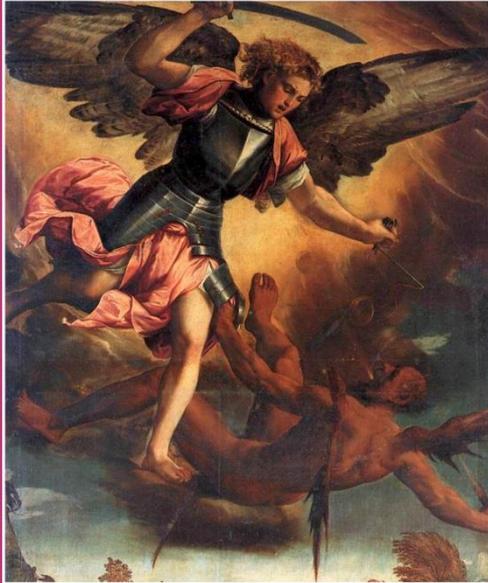
Año 35, 2019, Especial N°

20

Revista de Ciencias Humanas y Sociales

ISSN 1012-1587/ ISSNe: 2477-9385

Depósito Legal pp 198402ZU45



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The Role of the External Auditor's Report in Supply Chain Management

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Abstract

The subject of the research is to evaluate the effect of the external auditor's report as the main supply chain management on the performance of organizations via comparative qualitative research methods. The results indicate that the external auditor's report has a direct and positive effect on the performance of the organization if it is considered reliable by the users of accounting information. In conclusion, investing only on information technology is not enough, but fundamental changes in the physical aspects of the supply chain may be necessary.

Keywords: External, Auditor, Supply Chain, Management, Information.

El papel del informe del auditor externo en la gestión de la cadena de suministro

Resumen

El objeto de la investigación es evaluar el efecto del informe del auditor externo como la principal gestión de la cadena de suministro en el desempeño de las organizaciones a través de métodos de investigación cualitativa comparativa. Los resultados indican que el informe del auditor externo tiene un efecto directo y positivo en el desempeño de la organización si los usuarios de la información contable lo consideran confiable. En conclusión, invertir solo en tecnología de la información no es suficiente, pero pueden ser necesarios cambios fundamentales en los aspectos físicos de la cadena de suministro.

Palabras clave: Externo, Auditor, Cadena de Suministro, Gestión, Información.

1. INTRODUCTION

An audit is the backbone of the quality and credibility of financial reporting and, therefore, the failure to provide high-quality audit reports can also be a source of unfortunate consequences for many individuals and groups. In February 2014, the Audit and Assurance International Standards Board published a new statement entitled Framework for Audit Quality. Our simple but important goals for publishing this statement are as follows: Raising awareness of the

key elements of audit quality; encouraging stakeholders to think about ways to improve audit quality; and facilitating more stakeholder dialogue on this problem. Figure 1 illustrates the main chart of this framework. This framework analyzes the factors associated with each key element. Inputs include anything that the auditor believes to be in the process of auditing: ethics, training and standards of expertise, quality control, experience, teamwork, judgment, etc. (Aptel & Pourjalali, 2001).



Figure 1: A framework for audit quality by considering supply chain management

The effective performance of external auditing can ensure quality control of the company by helping the management to improve its internal controls. The main responsibilities of internal auditors are to review, evaluate and monitor the adequacy and effectiveness of internal control objectives in relation to processes, reports and adjustments. While many internal control researches are considered higher than financial reporting, but information constraints have ensured so far, relatively little empirical researches have been

conducted on the evaluation of internal control over operations and implementation of operations. Our researches evaluate the relationship between external audit characteristics and the effectiveness of internal control over operations and compliance of operations.

Understanding this vital relationship, because achieving operational goals and adapting operations may reflect the power of corporate governance and adaptation culture, which has an effect on the performance of the organization in two ways and ultimately leads to overall success. External Audit Control is a process designed to help management to achieve three organizational goals: 1- Effectiveness and Operational efficiency 2- Reporting reliability and 3- Compliance with applicable laws and regulations. An evaluation of the research background shows that in external auditing the most important point in ensuring information security for users. By increasing the description and not counting on numerical information we can improve the system's efficiency as a circle of financing chain management.

It states that the most common way for users to access reliable information (information risk reduction) is to conduct independent audits. An audit of the bills is made to increase the level of assurance of users in the financial statements. Decision makers use audit information that this hypothesis is completely consistent, accurate, and impartial. Based on the audit, an audit report will be issued. The audit report indicates the auditor's communication from the findings to the users of the financial statement. The audit report contains audit information, including its scope and opinion on the fair presentation of financial statements. Regarding the content of information and the

effectiveness of auditors' communication, several studies have already been studied. A variety of flaws in the audit report are assumed, and several solutions have been proposed to address perceived shortcomings throughout all years.

Auditor Reporting

Audit output for users and engagement with stakeholders to achieve high-quality auditing and, therefore, correct formation of stakeholder perceptions are of great importance. Of course, challenges arise from investors; they tend to hear more from auditors. There are also challenges from the regulators who want to see and audit the audit process more and better. This subject informs us about the importance of related and high-quality audit reporting. The Audit and Assurance International Standards Board has come up with a wealth of information after many years of research that has been underway since 2006, and many public discussions and consultancies over the years (Xu et al., 2009; Jurenoks et al., 2017).

As a result of all this, we have come to believe that we should now establish the foundations for global audit reporting and improved audit information for the future. To maintain the relevance of auditing and trust in the audit profession, there is a need for improved audit reporting throughout the world. As stated earlier, the beginning of this discussion is positive: the opinion of the short-term audit is valuable, but many believe that the audit report can be more informed. Users and in particular, investors are demanding more useful and relevant information for deciding about the profit unit, their financial

statements, and their audit (Yang et al., 2019; Soo et al., 2019; Jenaabadi & Khosropour, 2014).

Supply chain management

Logistics is a subset of supply chain management and therefore, electronic logistics is also a subset of the electronic supply chain management. Electronic logistics is a subset of a large foreign logistics market. Electronic logistics can mean the transfer of goods and services via Internet communication technology such as electronic data transmission, e-mail, and the World Wide Web. Electronic logistics as a part of electronic business also uses logistics concepts as electronically to conduct business through the Internet. It is very difficult to fully define logistics, because the potential of being faced with electronic business with logistics and supply chain is not yet completely understood.

One possible definition is that electronic logistics simply means the steps needed to transfer goods sold on the Internet to customers. In 2002, agreed on the definition of electronic logistics, meaning activity and virtual architecture of business logistics for companies based on Internet technology. Also, the electronic logistics framework is as a development of the traditional logistics framework with the possibility of business integration in separate information systems.

Logistics management is part of the supply chain management, whose main task is to plan, execute and control the direct and reverse flow of materials, goods and related information, and store them efficiently between the point of origin and the point of consumption in order to meet the requirements of the customer. Logistics management

activities typically include inward and outward transportation management, carriage fleet management, warehousing, material and goods handling, order execution, logistics network design, inventory management, supply and demand planning, and third-party logistics services provider.

Logistics function includes provision and purchase, scheduling and production scheduling, assembling, packaging and customer service. Logistics has an active presence at all levels of planning and implementation: strategic, operational or tactical. Logistics management is an integration operation that coordinates and optimizes all logistics activities. Obviously, under this management, logistics activities should integrate with all other activities such as marketing, sale, manufacturing, finance, and information technology. Today, the Internet has been able to provide a base for large savings in supply chain costs and also increasing customer service efficiency. Electronic logistics is mainly aimed at companies that want to use e-commerce to improve their supply chain. Also, it should not be forgotten that electronic logistics is not limited to transport, but has largely entered the domain of strategic management.

Reports and outputs system

The system of reports and outputs in the main components of logistics information is the last step that follows goals reporting, such as scheduling, operation, and control. According to a study, there are three types of reports. Planning Reports: This report includes information such as sales and forecasting trends, other market information, and economic projections of past and future cost and

information factors. Operational reports: For example, these reports provide real-time accessible information for managers they provide information such as storeroom current inventory, purchase and sale orders, scheduling and product and transportation control.

Control reports: These reports summarize cost and operational information at the relevant time, and compare actual budget and expenditure and make direct transportation costs available. These basic reports provide again guidance as strategic for operational approaches and tactics. In 1994, the Logistics Information System included two types of flow of cooperation Integration and Closs activities in accordance with the operational report. The activities of each flow have been shown in the figure below. They are the coordinating process that include those who are related to the scheduling and planning of the company's needs.

Perception of audit quality

Perception of the conceptual quality of audit and actual quality of audit have also two different meanings. However, considering the actual quality of auditing rather than the perception of the quality of the audit is more important, but one should not forget that measuring the actual quality of the audit is simply not feasible, because the actual quality of the audit is invisible, and it can only be after Audit performance evaluated. For example, uses a legal claim against auditors to measure the actual quality of an audit. In, the actual audit quality measurement scale has reported by non-observance of the accepted accounting principles in the audited financial statements of the auditors. Some studies also used the amount of remuneration as

audit quality. In his research, has achieved to the positive correlation between audit fees and audit quality (Camerinelli & Cantu, 2006; Zare & Zade, 2014).

The conducted research has provided various recommendations for measuring the quality of the audit. The quality of the audit has been measured using the recommendations of the auditors in improving net profit. Some other studies have also directly evaluated the quality of the audit. For example (Indriastuti, 2019), supervision of work and applying quality control standards during work execution have been evaluated as a difference in the quality of the audit. Up to now numerous attempts have been made to define quality in auditing, however, none of which has led to the definition of acceptable or accepted by professional associations and the community of accountants or not recognized by the international community. Because, based on the quality of the audit, it is not essentially a one-dimensional concept but an integrated and multifaceted concept, and several factors, whether directly or indirectly, have an effect on the quality of the audit.

This is while a group may have more emphasis on factors that directly have an effect on the quality of the audit. But this view only serves to answer the question of whether the quality of the audit can be achieved in a broader framework (Dubey & Chakrabarty, 2011). The perception of audit quality varies among stakeholders, since the amount of direct involvement in the audit process has an effect on the level of each of them that through which the quality of the audit can be evaluated. The difference in the view of the stakeholders from the

concept of quality audit shows that no element alone as assuming full influence and mastery of it is a factor in the quality of auditing, and this implies, however, that a broader and deeper understanding of existing complexities and the identification of the existence of subtle differences between these views and the demands of stakeholders requires the development of concepts through the study of the concept of comprehensive audit quality (Ebben & Johnson, 2011).

The concept of audit quality

An important point about defining the quality of the audit is the attention of the stakeholder group so that in the possible view of the two groups of stakeholders regarding the quality of the audit, the following points are made :

- 1- The concept of quality from the perspective of investors
- 2- The concept of quality from the perspective of the audit committee

Attention to the type of stakeholder view (in the first view) suggests that a person should be more careful about the shareholders in order to determine whether their actions have been approved and implemented by the company because of the most important harmful effects on the other's view about the quality of the audit is attention to the same problems. Therefore, understanding each other's points of view and thinking and applying specific points of view may have an effect on the perception and opinion of others, because the perception of the concept of a quality audit is a critical problem for attempting to increase the quality of the audit. Conceptually, quality audits can be

viewed in three distinct formats that its essential aspects include the (data) inputs, outputs, and background factors.

That in this connection, there are many inputs apart from the standard auditing process. One of the factors of the inputs set is the auditor himself, which this input includes the skills, experience of the auditor, ethics and values, and their attitudes, and one of these important inputs is to conduct up to date and online audits and Performing an audit with the desirable and proper process related to matters such as the accuracy of the audit method that results from the use of audit tools and also the problem of the availability of technical support sufficiently, that all of which are in support of achieving the goal of auditing quality (Wisner, 2011).

Outputs provided by the audit process also play an important role in the quality of the audit. Most outputs are measured as qualitative measurement criteria by shareholders and other stakeholders. For example, seeing an audit report on financial statements as the final product of an audit is likely to have a positive effect on the quality of the audit as it is clearly a result of the outcome of an appropriate audit process is just as much as the communication and audit engagement with the opposing groups on disputed problems (including those relating to the quality aspects of the financial reporting of the audit unit), the operational procedures and defects in internal control will be more and more transparent because these problems essentially have effect on quality of audit.

At the wider level, there are wider factors that are also influenced by the quality of the audit. For example, how to manage

corporate affairs is another important aspect of facilitating the quality of the audit, especially when it has an effect on environmental conditions and transparency level and ethical behaviors within the organization. Positive and strong rules and regulations are among the factors that can have an effect on the quality of the audit, especially when the rules and regulations create a well-defined framework and become effectively institutionalized within the audit process. On the other hand, laws and regulations can serve as supervisory agents and supervisory process on the quality of work of auditors (Woei, 2008).

Discussion and effective dialogue between auditors and financial and executive directors are also other problems that can have effect on the quality of financial reports and have effect on the quality of the audit as well as, for example, the proper use of the financial reporting framework. In promoting and exposing false financial information can have an effect on the quality of the audit, as well as the level of external audit institutions' perceived quality of audit. Of course, these effects are not unilateral. Obviously, each of the factors has its own effects that directly or indirectly have an effect on the quality of the audit.

In addition, the attitude of opposition groups and their importance in the context of the creation of transparent and constructive discussions with auditors can be effective in auditing quality and. In order to improve the quality of this service and facilitate its part, it can be effective by creating a constant attitude among stakeholders such as professional institutions and standards makers and creating a quick understanding and response to environmental

changes in facilitating the quality of audit. In addition, the improvement and transparency of the ISA auditing standards have essentially led to a revision of half of the international standards (IAASB). In a more general view, these efforts have led to improvements in ISA standards in the following areas:

1. Attention to the general approach of auditing as an integrated audit: the induction of focus on objectives, the promotion of thoughtful audits, the emphasis on the importance of doubt.

2. Consider aspects of financial statements that are generally exposed to more risks from professional misconduct by the auditor, for example: about estimating estimates and estimating fair values associated with transactions (Wuttke et al., 2013).

3. Paying attention to the quality of audit evidence, especially in emphasizing on outsourced information and documentation, and evaluation and review of documentation.

4. Using the services provided by other units, in particular with regard to the audit team, it should be ensured that the auditors, using the basis of the topics, have achieved that satisfaction that they have done the best possible work during their audit.

5. Communication and audit engagement have achieved with the emphasis on the importance of open and constructive dialogue between auditors, management, to help and ensure that important and relevant problems are gained from the results of the surveys, and will focus the attention of users on a clear and meaningful path (Xu et al., 2009).

The important effect of IAASB standards on the quality standards of ISA's audit standards will play a pivotal role in contributing to the quality of the audit through the provision of a well-recognized and accepted worldwide standard. In the first phase, the consultation (negotiations) of this unit is accompanied by independent monitoring and international standards (IAASB) to achieve the process set up by the General Board of Supervisors (PLOB), which at this stage ensures that standards have high quality.

In March 2009 IAASB, in particular, this project included a comprehensive review of all 36ISA and 12ISQC cases, which in practice led to increased understanding and improvement of stakeholder understanding and, as a result, facilitated an understanding of the quality of the audit. Application of adaptability request and compatibility in a wider field, 220ISA and 1ISQC was the creation of a framework for quality control in two specific dimensions at the level of engagement and audit at the company level. In a wider scope, the Association of International Auditors in the 220ISA and 1ISQC have established a framework for quality control in two specific dimensions, including the level of audit engagement and audit engagement at the company level.

2. CONCLUSION

Usually, investing only on information technology is not enough, but fundamental changes in the physical aspects of the supply

chain may be necessary, in order to fully exploit the potential benefits of electronic logistics. Consequently, electronic competition logic improvements can create threats to other competitors who are not willing or able to achieve such improvements. As a result, supply chain changes (facilitated by electronic logistics) cannot be taken into consideration in some companies, or, conversely, in some other companies, bring about fundamental and costly changes in production practices. Due to the reasons mentioned above, logistics can no longer have a particular function and subject, but it needs to be considered and managed as the pivotal factor for getting the success of the entire company. In this way, internal and external changes in supply chain activities may be a sufficient reason for the fundamental revision of some companies in the overall corporate strategy.

Research conducted in the field of audit quality shows that factors such as: (a) reasonable audit fees; (b) periodic revision of auditors; (c) formation of an audit committee in companies; (d) prohibition of long-term relationship with owners; (e) merger smaller institutions and the creation of larger audit firms; and (ii) Creating a mechanism for accountability of auditors; (e) Specialization of auditors-audit of specific industries; (c) Emphasizing the review of co-sponsors; (h) The annual ranking of audit firms; (i) The rules protecting the rights of auditors (especially non-compromise in reporting of violations), and ... are items that enhance the quality of the audit.

In this regard, considering recent developments in the audit profession in Iran and the establishment of auditing institutions in Iran

and the establishment of audit institutions of the member of the official community of Iranian accountants.

3. SUGGESTIONS

1- It is suggested to the company managers to set up ERP systems using information technology in order to smooth the flow of financial supply chain and eliminate unnecessary time intervals. By integrating the supply chain process from procurement of raw materials to collecting claims, these systems lead to the right decisions at the best of time and thus improve performance.

2- It is suggested to the company managers to re-engineer all supply chain activities. This method is one of the most important ways to reduce all forms of inventory (20 to 50 percent or more), reduce storage costs and perform faster activities (cycles). As a result, re-engineering leads to an improved financial flow of the supply chain and, as a result, receiving more profit.

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**UNIVERSIDAD
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Revista de Ciencias Humanas y Sociales

Año 35, N° 20, (2019)

Esta revista fue editada en formato digital por el personal de la Oficina de Publicaciones Científicas de la Facultad Experimental de Ciencias, Universidad del Zulia.

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