

# The Role of Judicial Audit in Reducing Tax Evasion Methods by Implementation of Supply Chain Management: A Field Study in the Iraqi Environment

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**Abstract**— In the light of modern trends of financial concepts and financial developments that occurred in Iraq after 2003 and the emergence of competition between Iraqi companies listed in the Iraqi Stock Exchange for the purpose of increasing financial profits for investors and owners have led to the use of tax evasion methods by using the supply chain management systems for the purpose of increasing profits and evasion of the tax. Therefore, the focus has begun to concentrate on judicial audit role and supply chain management systems to limit the practices of tax evasion of some listed companies in the Iraqi Stock Exchange. The article has reached to a number of results, the most important of which is that there is a crucial need to apply supply chain management system in companies due to widespread phenomenon of tax evasion in Iraqi companies. Based on the study results analysis and conclusions, the researchers recommend that the General Commission for Taxes in Iraq should build a rigorous regulatory system based on judicial audit services while preserving the rights of the taxpayer, companies and the financial authority.

**Keywords**— General Commission for Taxes (GCT), judicial audit, Supply Chain Management, Iraqi Stock Exchange (IXA), Tax Evasion Methods

## 1. Introduction

The tax system in Iraq is the formulation and translation of the process of tax policy applied in Iraq for the purpose of achieving its financial, economic and social goals as well as to increase revenues to finance the general budget of the state in addition to raising the level of economic efficiency in the exploitation of economic resources available as the tax is the most important financial source of the state. The tax is a burden on the taxpayer, therefore the taxpayer attempts by all means to get a rid of paying tax legally or illegally. These attempts led to the emergence of a dangerous phenomenon among the taxpayers and companies

known as ‘tax evasion’. Tax evasion is actually a resorting to cheating, fraud and, avoidance in various legal and illegal methods. This phenomenon is a widespread all over Iraq as well as to developing countries. Tax evasion is considered a barrier to the state as well as it is one of the types of financial corruption treated in this study. The researchers will work on the proposed framework for the application of judicial audit as a tool for reducing tax evasion method in Iraq and highlighting the need for judicial audit to emerge in many world countries for encountering such serious issue. Basically, juridical audit appeared to the economic domain in 1900 due to tax evasion, leading to the claim (judicial auditor) for the purpose of tax evasion cases. In 1986, the American Institute of Certified Public Auditor issued a manual that included Practice No. 7, which defined six areas of judicial audit (value determination, process of damage, prevention of audit monopolies, valuation, public investments, and analysis). For the purpose of combating and confronting cases of tax evasion and financial fraud in companies. It is worth mentioning that multiple professional organizations concerned with judicial audit and its purpose. These organizations also explained what the auditor has to do with the qualifications and skills that must be provided so that the auditor can perform his work efficiently. The researchers have tackled that the phenomenon of tax evasion is one of the financial crimes. Also, the researchers have asserted the development of a proposed framework for the application of judicial audit in Iraq is an optimal tool to reduce the methods of tax evasion in Iraqi companies.

## 2. Research Methodology

### Research Problem

The problem of the study concentrates on the role the judicial audit it can play for limiting and reducing tax evasion practices in Iraqi companies by providing incorrect financial statements. This affects the making of important

decisions within the company because shareholders seek to obtain correct financial data free from fraud, which requires attention and focus on the use of judicial audit that in return helps employers and auditor to submit lists and financial reports free of any manipulation in their data to the Board of Directors on time until appropriate decisions are made. Moreover; the expansion of the companies in Iraq right after 2003 and the imposition of various taxes types in the country led to the emergence of the serious dangerous phenomenon of tax evasion, which is actually a tool of fraud that threatens the economy of the state.

### Research Significance

It is hoped that this research helps in reducing the spread of the phenomenon of fraud and manipulation in the audit records of companies, reducing the proportion of financial corruption, and supporting the judicial proceedings for tax evaders. Economically, the importance of research is reflected in the role played by taxes as a political revenue of the state, an important financial source, and an effective tool in financing the state budget. Thus, tax evasion leads to a reduction in tax revenues which implies depriving the state budget of an important source of financial funding.

### Research Objectives

The basic objective of the research is an attempt to propose a framework for the application of judicial audit in Iraq to reduce tax evasion in Iraqi companies. The study also provides some important subsidiary objective such as realizing the relationship between judicial audit and the discovery of tax evasion of companies, clarifying the purpose of judicial audit and the role of the judicial auditor in determining tax evasion methods, and finally identifying the fields of application of judicial audit in the General Commission for Tax (GCT).

### Research Hypotheses

- H1 Under current circumstances, the legal auditor in Iraq cannot find ways of tax evasion for companies.*
- H2 It is hypothesized that judicial audit is an important system pillar of discovering tax evasion methods in Iraqi companies, because the companies' methods are different from the ones used by the external Auditor.*
- H3 Proposing a framework for the application of judicial audit on the detection of tax evasion methods of Iraqi companies leads*

*to an increase and effectiveness of the control process in the Iraqi environment.*

## 3. Literature Review

Al-Jaleeli conducted a study entitled 'The Study of the Judicial Audit and the Possibility of its Application in Iraq' which aims to shed the light on the basic concepts of judicial audit and its importance, objectives, characteristics, and the difference between judicial audit and the external Audit for fraud Audit through the objective of judicial audit, the role of the judicial auditor and the personal characteristics that characterizes that auditor in sense they are the basis of the benefit of judicial audit [4]. This study has reached to a number of recommendations, among which is the need to achieve cooperation and integration between the external Auditor and the judicial auditor to activate the role in supporting the judicial proceedings related to financial and audit funds and the need for legislation to determine the duties of the judicial auditor in both the courts and committees of recognition of tax departments and to develop the work of the judicial expert in accordance with the requirements of judicial audit.

Al-Jabouri and Al-Khalidi conducted a study entitled 'The Role of Judicial Audit in the Detection of Financial Fraud' [3]. The problem of this study is the widespread spread of financial fraud in many companies in a way that cost companies huge amounts of money, as the fraud is created by multiple parties such as employees, officials and external suppliers and customers. This study aims to highlight the judicial audit in terms of its branches And the nature of the services it provides, as well as the concept of financial fraud and the importance of the role of judicial audit in the detection of fraud. The study has reached a number of recommendations, the most important of which are the need to pay attention to the profession of judicial auditor and work on developing it, especially in the local Iraqi environment in the field of fraud investigation, and the need to develop Audit methods to include the concept of fraud and forms and conditions that help to commit it in an attempt to develop plans and programs to ensure the purpose of non-occurrence.

Atif conducted study entitled 'The Role of Judicial Audit in the Development of Audit Mechanisms to Combat Financial and Administrative Corruption: An Application on Egyptian Companies Listed in the Egyptian Stock Exchange' aimed to highlight the intrinsic role of the judicial audit in halting and reducing administrative and financial corruption in Egyptian companies by showing the possible code of conducts of applying the rules of judicial audit [10]. The study aimed at activating the mechanisms of judicial audit that help companies discover

financial and administrative corruption cases in an attempt to bridge the gaps in traditional audit thought. This study reached to a number of recommendations, including the amendment and development of audit programs in the faculties of commerce through the addition of new courses covering the skills and knowledge of judicial audit. The study also recommended conducting research on judicial audit for the purpose of taking a larger sample of academics and students of the last stages in Egyptian universities to determine the effects of the mechanisms of judicial audit to combat cases of fraud and corruption.

Zareer implemented a study entitled 'The Impact of Judicial Audit Application in Reducing the Methods of Tax Evasion in Jordanian Industrial Joint Stock Companies : Field Study' The problem of this study illustrates that companies follow different methods of tax evasion leading to incorrect financial statements, which is very dangerous because it leads to making important decisions within the company [15]. This study aims to know the extent to which judicial audit can be applied to limit tax evasion methods in joint stock companies and the extent to which external Auditors can be assisted in providing means to prevent tax manipulation. This study has reached to a number of recommendations, the most important of which are: there should be an increased attention to judicial audit due to its essential role in combating tax evasion, and the need for tax administration to build an effective regulator system based on judicial audit services which protect the rights of both the taxpayer and the financial authority.

Fatihya study entitled 'The Role of Judicial Audit in Limiting Creative Audit Practices' aims to examine the role of judicial audit and its impact on creative audit practices, and to explain the motives behind the emergence of judicial audit, its dimensions and the most important regulators [12]. This study instigates to raise awareness of judicial audit, its importance, its methods and its role in resolving disputes, commercial litigation, and the need for legislation or a binding body to develop the skills and expertise of the judicial auditor, and to facilitate the scientific and practical qualification necessary for practicing the profession of judicial audit. So that it is a basis for judicial audit practices in the field of practical application.

What makes the present paper is different from the previous studies tacked is its inclusion to a proposed framework for the application of the laws of judicial audit in Iraqi companies for the purpose of reducing the methods of tax evasion to increase the tax revenues and reduce the chances of evasion practices.

## 4. An Overview of the Judicial Audit

### The Concept of Judicial Audit

Al-Jabouri and Al-Khalidi defined judicial audit as 'an application process for the skills of auditor and Auditors for the purpose of applying audit skills, Audit, financing, quantitative methods, specific fields of law and investigative skills in collecting, analyzing and evaluating evidence for the purpose of reaching results' [3]. Zareer defined judicial audit as a scientific basis for the purpose of detecting, solving and analyzing fraud issues in an acceptable manner in courtrooms [15].

The researchers conclude from the above concepts that judicial audit is a profession that combines financial expertise and legal skill in investigation within a legal framework. It provides sufficient evidence for the purpose of detecting fraud in the financial statements and relies on experts in the field of audit and law to achieve justice in the light of general criteria that the legal auditor must possess.

Al-Jaleeli (2012, p.16) points out that there is a set of qualification the legal account must have. Some of them are:

1. Various experience in audit, Audit and business experience.
2. Experience in audit and Audit
3. Dealing with auditor, Auditors and investigators.
4. The skill of communication with the community and flexibility in dealing.
5. Adequate knowledge of laws and regulations.

### Judicial Audit Objectives

Scholars stated there are many objectives the judicial audit attempt to achieve. Some of them are:

- Providing error-free calculation information for legal purposes to resolve and strengths
- Providing adequate numbers of judicial auditor to be specialists in the field of audit, Audit and investigation skills in the light of the law for the purpose of resolving judicial proceedings.
- Detecting fraud and cheating practices.
- Analyzing and investigation of the validity of calculating the amount of compensation claimed in the courts if required and is done through the use of the judicial auditor for the purpose of resolving issues in those companies to lawsuits.

### Areas of Judicial Audit Use

There are several areas for the use of judicial audit, including:

- Provision of consultation for dispute resolution by the judicial auditor.
- Certificate of experience of the auditor in the fields of audit and finance or in the field of tax analysis.
- Investigating and reducing fraud and fraud by assigning judicial auditor their task of evaluating financial operations, including imposing an assessment of commodity inventory.
- Support existing or potential litigation of contract tendencies.

### Judicial Audit Methods and Procedures for Reducing Tax Evasion

Al-Seesi assume, that the Auditor's responsibility is to detect fraud and manipulation from the controversial issues facing the Audit profession, as there are many responsibilities of the external Auditor through the detection of fraud and manipulation of financial statements prepared by companies and to provide an impartial technical opinion of the results of the activity and view the list of financial position of the company [9]. According to Al-Seesi, the Auditor's responsibilities read as follow [9]:

1. Audit after the completion of financial operations of companies on compliance with government instructions in the field of supervision and Audit.
2. Conducting examinations to identify risks arising from fraud in the financial statements.
3. Conducting interviews with officials in the meant companies.
4. Searching for the truth of illegal and doubtful activities.

As far as the personal researchers' view point is concerned, they believe that following these responsibilities reduces the chances of tax evasion of various types and is reflected in the application of judicial audit in various ways to reduce the methods of tax evasion in Iraqi companies.

### Tax Evasion Definitions, Sources, and Types

#### Tax Evasion Definition

Al-Jijawy and Al-Anbaki (2015) defined tax evasion as the phenomenon of the individual resorting to the use of fraud and fraud to get rid of the tax and reduce the amount to reduce the income subject. Bashoor also defined tax evasion as the attempt of the taxpayer to dispose wholly or

partially of the tax in various legal and illegal means [11]. Also, Mashkoor et al defined that phenomenon as the process of resorting to fraud and fraud to get rid of the tax or reduce the amount of it is done either by trying to deny the existence of the individual tax container or disclose the real amount of the tax base [13]. Additionally, Al-Janabi defined tax evasion as the taxpayer's attempt not to pay the tax in whole or in part, by circumventing the law by hiding part or all of the tax [5].

Tax evasion is different from financial fraud because the latter achieves private goals in exchange for harming others and is cancer, reducing the efficiency and effectiveness of the economy and losing individuals and companies.

#### Tax Evasion Sources

Aish points out that the existence of the problem of tax evasion in Iraq is due to a number of reasons [2], as follows:

1. Administrative Reasons
2. Economic Reasons
3. Social Reasons
4. Financial Reasons

According to Al-Jijawy and Al-Anbakithe financial reasons are related to some factors ,the most important of which are 'tax rate rise, the state's policy convention, economic circumstances, lack of awareness of taxation, sanctions for tax evasions' [6].

#### Tax Evasion Types in Iraq

Al-Samawaey and Al-Obeidy point out that tax evasion in Iraq can take the following types [8]:

#### Tax Avoidance

Tax avoidance is also known as 'legal evasion'. It refers to the taxpayer's failure to pay the tax by several means, including cheating and circumvention of the law in order to reach a non-payment of tax which is a violation punishable by law as a result of the taxpayer's obligation to pay the tax is on the one hand tax evasion and on the other hand a felony of forgery punishable by law [7].

#### Customs Evasion

This is done by reducing the value of goods bills at rates up to below the price regulations approved by the Customs. The importers resort to this for the purpose of evasion and use corrupt methods or clearance of the goods under the item as a last resort other than the real

item so that the alternative fee items are lower or be calculated at a lower exchange rate.

### **Tax Evasion and Tax Smuggling**

Nashid referred to the similarity and difference between tax evasion and tax smuggling. According to him, the similarity between them is that they both lead to a reduction in the tax revenue of the state. Whereas, the difference is that tax smuggling cannot be imagined except within the scope of the Customs Law is contrary to the provisions of this law with the aim of not paying the customs tax or reduction of the payment, whereas tax evasion is the most extensive act and has several images that may be a total or partial evasion, whether legitimate or illegal, which circumvents the law in order to achieve a reduction or cancellation of the tax [14].

### **Methods of Combating Tax Evasion in Iraq**

Abdullah and Aliwie suggested some methods to follow for reducing the methods of tax evasion practices in Iraq [1]. Some of them are:

1. Reviewing the tax laws in a way that leaves no room for interpretation or diligence.
2. Expanding the collection of data relating to taxpayers by applying scientific means so that the GCT has a database of taxpayers.
3. Expand cooperation between the Tax Authority, the Financial Control Bureau (FCB) and the offices of the Inspectors General (IG).
4. Reducing the phenomenon of estimation method.
5. Hastening for keeping the commercial records for the largest number of taxpayers.
6. International agreements between states reduce tax evasion through the exchange of information that helps in the collection and collection of taxes and prevents evasion.

## **5. Proposed Framework for Applying Judicial Audit in Iraq**

In Iraq, no attempt has been shown yet to apply judicial audit, especially in the GCT, despite the essential need of the country for it mainly with the regard of tax audit for companies and the need to express an opinion in the tax disputes in the objections committees when the amount of corporate tax (tax benefit) is not paid in due period. This increases the opportunities for companies to resort to tax evasion. The researchers considered the application of a proposed framework for the application of judicial audit in Iraq through the use of scientific contributions to previous studies and analysis of the relevant laws in the Iraqi environment on the need to apply judicial audit in

the GCT through scientific rehabilitation between the judicial auditor and the Auditor and the internal and external Auditors.

There researchers propose a set of intrinsic requirements for applying the juridical audit in Iraq, as follows:

1. Establishing formal and independent audit associations for the judicial auditor in Iraq, similar to those in Europe and the United States of America.
2. Establishing the coordination between the Iraqi Auditor and Auditors Association and the proposed professional associations formed by granting licenses to practice the profession so that an Auditor is only allowed to practice this profession under professional legal conditions.
3. Making use of experts registered with the Iraqi courts who have financial, expertise, or making use of competent and integrate tax estimators placing them within the tax estimation and objections committees.
4. Consulting the academic professors who have a master's degree and doctorate in audit and in cooperation with the Iraqi Lawyers Syndicate and Auditors Association to provide their views on the issues that are presented in the Iraqi courts related to financial and audit disputes.
5. Issuing legislative laws that define the duties of the judicial auditor in the GCT and the Iraqi courts to guarantee the decision of the legal auditor a right of decision in the tax committees of the objection, and to develop the work of the judicial and financial expert in line with the requirements of judicial audit.
6. The coordination between the GCT and professional associations proposed to establish binding the Association of Auditor and Audit Societies in Iraq by adding judicial audit services to take its role in combating administrative and financial corruption in Iraqi companies.
7. The need for audit departments in the Iraqi universities and technical institutes to teach the subject of judicial audit in the stage of bachelor's and diploma and open higher studies (diploma judicial audit) to get judicial auditor in coordination with the Iraqi courts to reduce cases of financial and administrative corruption in Iraq.
8. The need for the Iraqi Council of Representatives to issue a law that requires the implementation of judicial audit procedures and the provision of guiding and supporting standards for the Auditor.
9. The need for the Association of Auditor and Audit Societies to raise awareness among local and foreign shareholders and investors by highlighting the role of judicial audit in combating tax evasion and financial and

administrative corruption within Iraqi financial companies and institutions.

10. Conducting analytical studies on the use of judicial audit for the acquisition of tax evasion in Iraq.

## 6. Empirical Analysis

### Sample and Data Collection

#### The extended supply chain and challenges for internal audit

Supply chain management has become increasingly global and more complex, making risk management more challenging. This guide explains some of the key concepts around value and supply chains and looks at internal audit's established role in the procurement cycle. We examine the challenges facing internal audit in a volatile and uncertain set of circumstances.

Internal audit's established role in relation to supply chains remains valid but internal auditors in every organisation must now face up to the challenges of increased complexity. It's not a question of whether complexity exists it's about helping the organisation to understand just how complicated it is, to understand whether risks are being identified and to prioritise assurance where it is most needed. The Chief Executive of the Institute in the UK & Ireland, Dr Ian Peters underlined the importance of this subject in May 2013 when he said in his blog "If effective supply chains are increasingly a key element of competitive advantage, then internal audit teams

**Table 1.** RESPONSES STATISTICAL CODES

1	Weighing	Term
		I don't completely agree
2	Weighing	Don't agree
3	Weighing	Neutral
4	Weighing	Agree
5	Weighing	Totally agree

**Assumed Mean =**

$$Total\ Weights = 1 + 2 + 3 + 4 + 5 = 3$$

The purpose of calculating the assumed mean is to compare it with the actual mean of the term. If the actual mean of the expression exceeds the assumed mean, this means that the respondents agree to the statement. Whereas, if the assumed mean of the expression exceeds the actual mean, the respondents disagree.

highly engaged in this aspect of the business are also critical to an organisation's competitive edge."

The research sample is composed of (68) employees randomly selected from Iraqi companies listed in the Iraqi Stock Exchange. They are all specialists in the field of accounts and Audit. (68) Questionnaires were distributed. A total of (68) questionnaires were distributed, (13) were retrieved. Thus, (55) questionnaires were analyzed that means 80% of the study population were enrolled in the test which is relatively large in statistical terms leading to the acceptance of the results of the study. In order to produce accurate results, the researchers were keen on the diversity of the sample of respondents. This diversity in the characteristics of the respondents is related to their views on the proposed framework for the application of judicial audit in the discovery of methods of tax evasion of Iraqi companies listed in the Iraqi Stock Exchange.

### Statistical Method

The researcher has emptied and analyzed the questionnaire through the statistical program SPSS V.20, calculating the arithmetic averages, percentages, and standard deviations of each item and for each field.

### Data Analysis

The responses of the study population were given codes for easy statistical processing purposes, as shown in Table1 below:

The assumed mean were calculated using the following equation:

$$(1)$$

### Distribution of the Sample of the Study

The sample of the study were distributed according to the scientific qualification and specialization, and years of experience as illustrated in Tables (2) , (3) and (4) below:

**Table 2.** Distribution of the study sample according to the scientific qualification

Scientific Qualification	Frequency	Percentage %
High School	12	0.22
Bachelors	23	0.42
High Diploma	14	0.25
Master	5	0.09
Doctorate	1	0.02
Total	55	100%

**Table 3.** Distribution the sample of the study according to specialty

Specialization	Frequency	Percentage %
Auditor	25	0.45
Business management	14	0.26
Economy	11	0.20
Statistics	5	0.09
Total	55	100%

**Table 4.** Distribution the sample of the study according to the years of experience

Years of Experience	Frequency	Percentage %
Less than 5 years	7	0.13
From 5 – 10 years	20	0.36
From 15-less than 20 years	12	0.22
From 20 years and above	16	0.29
Total	55	100%

**Testing the Hypotheses of Research****Testing the First Hypothesis**

The first hypothesis to be tested reads as follow:

*H1 Under current circumstances, the legal auditor in Iraq cannot find ways of tax evasion for companies.*

**Table 5.** Testing the first hypothesis

Term	Arithmetic Mean	Standard Deviation	Squared Value K	Degrees of Freedom	robability Value
Can the legal auditor in Iraq give a neutral technical opinion when preparing the financial statements of Iraqi companies and show cases of tax evasion by detecting cases of fraud and manipulation of records?	4.20	1.01	85.90	4	0.00
Can the legal auditor in Iraqi companies use a judicial auditor when reviewing the final accounts of Iraqi companies?	4.06	0.93	63.30	4	0.00
The lack of binding audit standards supported by the legal auditor in light of the current situation in Iraq, the discovery of cases of tax evasion of companies.	4.17	0.87	83.00	4	0.00
Can the judicial auditor discover cases of tax evasion in Iraqi companies?	4.24	0.77	37.04	3	0.00

Lack of judicial accountability applied in Iraqi companies is due to the lack of conviction of stakeholders in Iraqi companies because of their reliance on the Auditor.	4.18	0.74	65.84	3	0.00
Can the legal auditor support a judicial company and conduct judicial audit to discover ways of tax evasion for Iraqi companies?	4.14	0.61	60.48	3	0.00

It is clear from the above table that the arithmetic mean of the expressions in the tables is larger than the mean arithmetic mean (3). This indicates that the sample members agreed on the terms. It also shows that the standard deviation of the terms in the table is (0.61-1.01) and the difference between the deviations is less than integer number one. This is evidence of the homogeneity and similarity in the responses of the study sample members towards the terms.

Moreover, the probability value of the key box test for the terms referred is less than a significant level of 0.05. This indicates significant differences between the answers in favor of approving that the legal auditor in Iraq cannot detect the methods of tax evasion For Iraqi companies listed in the Iraqi Stock Exchange.

**Table 6.** Testing the second hypothesis

Term	Arithmetic Mean	Standard Deviation	Squared Value K	Degrees of Freedom	Probability Value
Do you agree that judicial audit will work to add value to the company by improving the efficiency of the system of corporate control to reduce the method of tax evasion?	4.25	0.72	13.58	2	0.00
Do you agree that judicial audit has a role to protect corporate stakeholders by discovering tax evasion methods?	4.35	0.77	121.70	4	0.00
Can judicial audit support the capabilities of Iraqi companies in competition and raise tax revenues by strengthening tax audit mechanisms and reducing tax evasion methods?	4.14	0.79	55.28	3	0.00
Is there a need for judicial audit to be applied in Iraqi companies to reduce the ways of tax evasion in Iraq?	4.42	0.64	78.08	3	0.00
Does the presence of the judicial auditor and the external Auditor have the ability to assist Iraqi companies in the process of preparing their reports in accordance with the law and indicating cases of tax evasion?	4.37	0.85	111.10	4	0.00
Is judicial audit and when applied in Iraq is one of the systems to detect cases of domestic and international tax evasion?	4.43	0.78	75.60	3	0.00

It is clear from the table above that the arithmetic mean of the expressions in the tables is greater than the mean arithmetic mean (3). It also shows that the standard deviation of the terms in

the table (0.64-0.85) and the difference between the deviations is less than the integer number one. This is evidence of the homogeneity and similarity in the responses of the study sample members towards the



terms. Moreover, the probability value of the key box test for the terms referred is less than a significant level of 0.05. This indicates that there are statistical significant differences between the answers in favor of the approval of the view that judicial audit is an important pillar of the system of

discovery methods of tax evasion of Iraqi companies listed in the Iraqi market for securities because of their methods are different from the methods used by the external Auditor.

**Table 7.** Testing the third hypothesis

Term	Arithmetic Mean	Standard Deviation	Squared Value K	Degrees of Freedom	Probability Value
Is it possible for the legislative authority in Iraq to issue the law on the responsibility of Iraqi joint stock companies registered in the Iraqi securities market, based on US law, in order to activate the system of control of companies and diagnose cases of tax evasion and reduce them?	4.20	0.71	12.44	2	0.00
Can the General Authority for Taxation in Iraq tighten penalties and fines on companies evading paying the tax?	4.23	0.73	119.60	4	0.00
Is it possible for the legislative authorities in Iraq to issue a law obliging Iraqi companies to implement judicial audit procedures and provide sufficient standards for the external Auditor and to activate the issue of negligence in the important performance of the discovery of methods of tax evasion?	4.10	0.70	39.17	3	0.00
Is it possible for Iraqi universities, especially audit departments in colleges and institutes, to introduce judicial audit to deal with cases of administrative and financial corruption and tax evasion?	4.44	0.67	68.11	3	0.00
Is it possible to coordinate with the Association of Iraqi Auditor and Auditors and Audit Societies to establish a framework for professional profiling and appropriate standards for the purpose of applying judicial audit in the Iraqi environment for the purpose of discovering ways of tax evasion in Iraq?	4.48	0.88	88.10	4	0.00
Is it possible to rely on judicial audit and its application in Iraq as an advanced profession within the fields of work of the auditor, especially that there are professional certificates granted by Iraqi universities and through this can be obtained the address of a judicial auditor?	4.52	0.79	77.31	3	0.00

It is clear from the above table that the arithmetic mean of the expressions in the tables is larger than the mean arithmetic mean (3). This indicates that the sample members agreed on the terms. It also shows that the standard deviation of

the terms in the table is (0.67-0.88) and the difference between the deviations is less than the integer number one. This is evidence of the homogeneity and similarity in the responses of the study sample members towards the terms. Moreover, the probability value of the key box test

for the terms referred is less than a significant level of 0.05. This indicates the existence of significant differences and statistical significance between the responses in favor of approving the proposed framework for the use of judicial audit in the discovery of methods and methods of tax evasion of Iraqi companies and this leads to increased effectiveness of controls.

**Testing Correlations of Study Variables**

The variables of the study refer to the three hypotheses on which this research is built  
**Table 8.** Correlations of the Study Variables

Study Variables	Correlation Coefficient (R)	Coefficient Of Determination (R2)	Consistency Value (A)	Beta Value (B)	T-Value	Sig.	Status
Hypothesis 1	0.875	0.76	0.929	0.80	4.5	0.000	Approved

The data shown in the table above indicate the strength of the correlation and the effect between the variables after reaching the (R) value to 0.875 which indicates the strength of the correlations. At the same time, it was found that the coefficient of determination (R2) reached to 76%, i.e., 76% of the variation is due to the inability of the auditor in Iraq to discover ways of tax evasion. The remaining 24% are due to other factors. This is confirmed by the value of (B) of 0.80 and positively reflected to the value of (T) of 4.5, which is greater than 2 that indicates a homogeneity between the variables of the study, which

**Table 9.** Correlations of the Study Variables

Study Variables	Correlation Coefficient (R)	Coefficient Of Determination (R2)	Consistency Value (A)	Beta Value (B)	T-Value	Sig.	Status
Hypothesis 2	0.457	0.84	2.962	0.63	5.8	0.000	Approved

The data shown in the table above indicate the strength of the correlation and the effect between the variables after reaching the (R) value to 0.457 which indicates the strength of the correlations. At the same time, it was found that the coefficient of determination (R2) reached to 0.84, i.e., 84% of the variation implies that the judicial audit is an important tool to discover the methods of tax evasion of Iraqi companies. The remaining 16% are due to other factors. This is confirmed by the value of (B) of 63% which means that there are no obstacles to the application of judicial audit in the Iraqi companies. This reflected to the value of (T), 5.8., which is greater than 2 that indicates homogeneity between the variables of the study, which demonstrated the value of (Sig) of 0.000 that is less than (0.05). This shows the value of the fixed limit of the regression coefficient of 0.929 and is therefore different from zero. This indicates

theoretically and empirically. Table (8) below presents a major basis for the study in general and the current research in particular. It also illustrates the final result through testing whether the hypotheses are verified or not. The table also provides a set of results that illuminate the way for Iraqi companies and the statement of strengths and weaknesses. The researchers provided a detailed explanation about hypotheses status in the following table:

demonstrated the value of (Sig) of 0.000 which is less than (0.05). This shows the value of the fixed limit of the regression coefficient of 0.929 and is therefore different from zero. This indicates that the legal auditor can find ways of tax evasion in Iraqi companies.

As far as the role of the judicial audit is concerned, Table (9) below illustrate that judicial audit is an important part of the system of discovering methods of tax evasion for Iraqi companies because they have different methods than those used by the external Auditor:

that the legal auditor can find ways. This is shown by the fixed limit value of the regression coefficient of 2.962, and this is different from zero. This also confirms that there are no obstacles and it is possible to apply the judicial audit in the Iraqi companies for the purpose of discovering methods of tax evasion.

Table (10) below illustrates the proposed framework for the application of judicial audit in Iraq throughout testing the third hypothesis:

**Table 10.** Correlations of the Study Variables

Study Variables	Correlation Coefficient (R)	Coefficient Of Determination (R <sup>2</sup> )	Consistency Value (A)	Beta Value (B)	T-Value	Sig.	Status
Hypothesis 3	0.929	0.88	2.16	0.53	5.4	0.000	Approved

The data shown in the table above indicate the strength of the correlation and the effect between the variables after reaching the (R) value to 0.929 which indicates the strength of the correlations. At the same time, it was found that the coefficient of determination (R<sup>2</sup>) reached to 0.88, i.e., 88% of the variation implies the application possibility of judicial audit in Iraq. The remaining 12% are due to other factors. This is confirmed by the value of (B) of 53% which means that there are no obstacles to the application of judicial audit in the Iraqi companies. This reflected to the value of (T), 5.4., which is greater than 2 that indicates homogeneity between the variables of the study, which demonstrated the value of (Sig) of 0.000 that is less than (0.05). This shows the value of the fixed limit of the regression coefficient of 0.929 and is therefore different from zero. This is shown by the fixed limit value of the regression coefficient of 0.929, and this is different from zero. This also confirms that there are no obstacles and it is possible to apply the judicial audit in the Iraqi companies for the purpose of discovering methods of tax evasion and that in turns to lead to intensifying Audit role in Iraq.

## 7. Conclusions

While the benefits of extended supply chains provide new and interesting opportunities for organisations they present challenges in terms of governance, risk management and control. Our conclusion are summarized as:

1. There are many factors that help in the application of judicial audit in Iraq due to the spread of the phenomenon of administrative and financial corruption and evasion of domestic and international legal or illegal or legitimate in Iraqi companies because of the weakness of the application of control methods.
2. The results of the descriptive analysis showed that the legal auditor in the Iraqi Audit offices registered in the Association of Auditor and Audit Societies have done some audit practices because of the increased manipulation of financial records and increasing complaints about the mechanisms of tax audit and judicial disputes, which made the Iraqi judiciary use some of them in the Iraqi courts.
3. The profession of judicial audit is one of the modern and advanced professions in America

and Europe. There is also a role for the judicial auditor in discovering ways of tax evasion, which increases the demand for its services.

4. There are many motives to apply in Iraq, due to the widespread phenomenon of tax evasion among taxpayers and the inability of the tax assessor and the external Auditor to discover.
5. The process of combating the tax evasion of Iraqi companies is a difficult and complex matter, which increased the demand for the proposal of a modern method applied in Iraq called judicial audit.
6. The judicial auditor must have many skills for the purpose of performing specialized functions including education and training in audit, Audit, taxation and business.
7. Many of the tax evasion is done through employees in the tax authority to hide important information about the Auditor and this requires the presence of specialized cadres seeking to detect cases of tax evasion of Iraqi companies such as the auditor
8. The study agreed with the theoretical study on the presence of the auditor with the external Auditor leads to the Auditor's responsibility to the direction of the authors of the financial statements to detect cases of tax evasion of companies.
9. The study sample agreed to accept the proposed framework for judicial audit which helps to activate the legal instructions and legislation to control the Iraqi companies for the purpose of finding ways of tax evasion.

## 8. Recommendations

1. The need arose in Iraq for judicial accountability because of their role in the fight against administrative and financial corruption and methods of tax evasion.
2. The need for the General Authority for Taxation in Iraq to build an effective regulatory system depends on judicial audit services while preserving the rights of the taxpayer and companies and the financial authority.
3. The need for Iraqi universities to teach audit in audit departments in the audit departments in colleges and technical institutes within the curriculum and integration of this aspect with audit education to be graduated after graduating graduate.

4. The legislative authority in Iraq should activate the requirements of the proposed framework for judicial accountability through the enactment of a law on judicial accountability that would be a tool to tighten civil and criminal penalties for all violators and tax evaders.
5. There are international and local audit standards in the form of taxes to be observed by companies when submitting financial statements for the year for which tax liability is required free from fraud and manipulation for the purpose of discovering ways of tax evasion.
6. Judicial audit professionals must have the necessary scientific and practical qualifications, such as audit and Audit experience, as well as legal expertise.
7. Overgeneralizing the idea of judicial audit in Iraq to all companies listed in the Iraqi market for securities and lawyers and lawyers so that these companies to provide financial data free of fraud and distortion for the purpose of reducing cases of tax evasion.
8. Recognition of judicial audit in Iraq as a profession independent of the Office of Financial Supervision on the basis that the judicial auditor conducts investigations and investigation of the causes of tax evasion in Iraqi companies.

The legislative authority in Iraq should activate the requirements of the proposed framework for judicial accountability through the enactment of a law on judicial accountability that would be a tool to tighten civil and criminal penalties for all violators and tax evaders.

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