A Model of the Factors Determining the Selection of Independent Auditors in Companies Listed on the Iraq Stock Exchange

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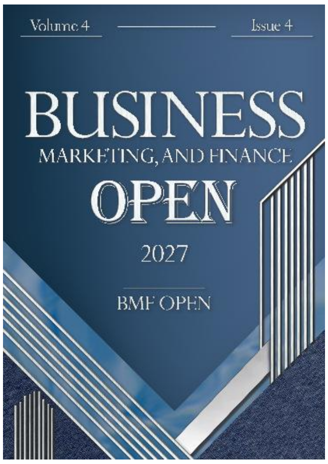

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Abstract: The selection of an independent auditor is one of the most important corporate governance decisions and can influence the quality of financial reporting, investor confidence, and capital market efficiency. Accordingly, the present study aimed to develop a comprehensive model of the factors determining the selection of independent auditors in companies listed on the Iraq Stock Exchange. In terms of purpose, this research was applied, and in terms of methodological approach, it was qualitative. The participant population consisted of financial managers of companies listed on the Iraq Stock Exchange. Using purposive sampling and continuing until theoretical saturation was achieved, 15 participants were selected. Data were collected through semi-structured interviews and analyzed using Colaizzi's seven-step method. To enhance the trustworthiness of the findings, Guba and Lincoln's criteria of credibility, confirmability, transferability, and dependability were applied. The data analysis resulted in the identification of 11 main dimensions: the regulatory and legal framework, professional credibility and standing, technical and specialist competence, performance and reporting quality, economic considerations, governance of the selection process, behavioral and relational factors, technological capabilities, risk management, the market and competitive environment, and the sustainability of professional relationships. These dimensions were organized into four fundamental clusters: legal and professional factors, quality and performance factors, behavioral and relational factors, and technological and environmental factors. The findings indicated that compliance with legal requirements, professional independence and credibility, technical expertise, audit service quality, risk management, the use of emerging technologies, and the development of sustainable professional relationships were the most important components influencing the selection of independent auditors in the Iraqi capital market. The proposed model demonstrates that independent auditor selection is a multidimensional and strategic process that is not based solely on financial and cost-related criteria; rather, it incorporates a combination of legal requirements, professional capabilities, service quality, corporate governance, technology, competitive market conditions, and professional trust.

Keywords: independent auditor, auditor selection, corporate governance, audit quality

1. Introduction

Independent auditing is a central institutional mechanism for enhancing the credibility of corporate financial reporting, reducing information asymmetry, and strengthening confidence among investors, creditors, regulators, and other stakeholders. In modern capital markets, the appointment of an external auditor is not merely an administrative or contractual decision; rather, it is a strategic corporate governance choice that can influence the perceived reliability of financial statements, the quality of disclosure, the effectiveness of internal controls, and the legitimacy of the reporting entity. Evidence from emerging markets indicates that audit quality contributes to greater user confidence in financial reports and helps reinforce the accountability of listed companies [1]. Similarly, auditor choice can function as a commitment mechanism through which a company signals its willingness to submit its financial reporting processes to independent scrutiny [2]. Consequently, the selection of an independent auditor has implications that extend beyond statutory compliance and directly affect organizational reputation, market confidence, and the quality of corporate governance.

The importance of auditor selection is particularly pronounced in emerging and transitional economies, where institutional structures, enforcement mechanisms, and capital market practices may still be developing. In such settings, the external auditor often plays a broader legitimizing role by helping companies demonstrate conformity with accepted financial reporting and governance norms. The selection of a reputable auditor may therefore serve as a means of strengthening corporate legitimacy and reducing uncertainty among external stakeholders [3]. In transitional economies, auditor appointment is also associated with the need to establish confidence in organizations operating under changing legal, political, and economic conditions [4]. The importance of this legitimizing function is amplified when ownership structures are concentrated, regulatory institutions are evolving, and users of financial statements have limited access to alternative sources of reliable corporate information.

Auditor selection is inherently multidimensional because companies must evaluate several competing criteria simultaneously. These criteria may include audit quality, professional reputation, technical expertise, industry specialization, auditor independence, service responsiveness, technological capacity, fee levels, prior experience, risk-management capability, and the sustainability of the auditor–client relationship. Recent research has therefore moved beyond single-factor explanations and has conceptualized auditor selection as a multi-criteria decision problem [5]. This perspective recognizes that the most appropriate auditor is not necessarily the firm offering the lowest fee or possessing the largest market share. Instead, auditor selection requires a structured assessment of how well an audit firm's capabilities, values, resources, and professional characteristics correspond to the needs and risk profile of the client organization.

The regulatory and legal framework constitutes one of the most fundamental dimensions of auditor selection. Listed companies are expected to appoint auditors who comply with applicable auditing standards, professional ethics, stock-exchange regulations, and legal requirements. Best-practice guidance emphasizes that the selection process should be transparent, documented, objective, and based on clear evaluation criteria rather than informal preferences or personal influence [6]. Institutional conditions also shape the relationship between audit quality and auditor choice, because the effectiveness of auditor appointment depends partly on the strength of political, economic, and regulatory institutions [7]. Where institutions are weak or inconsistently enforced, the formal independence of the auditor may not be sufficient to ensure substantive independence, particularly when management or political actors can influence appointment decisions.

Political interference represents a particularly important concern in the Iraqi context. Auditor appointment may be affected by institutional pressures, political relationships, or informal influence that weakens the objectivity of the selection process [8]. Such interference can undermine the credibility of the audit function and create the perception that the auditor is accountable to powerful organizational or political actors rather than to shareholders and the public interest. Management influence can similarly impair auditor independence when executives exert excessive control over the appointment, retention, or compensation of the external auditor [9]. These risks highlight the necessity of a governance framework in which the board of directors and audit committee assume clearly defined responsibilities for the selection process and protect the auditor from inappropriate managerial influence.

Corporate governance structures are therefore central to the quality of auditor appointment decisions. The composition and effectiveness of the board can influence how selection criteria are established, how candidate firms are evaluated, and how conflicts of interest are managed [10]. Audit committees are especially important because they can provide specialized oversight and reduce the direct influence of executive management over the appointment process [11]. The accounting expertise of audit committee members can also improve audit quality by enhancing their ability to assess internal control deficiencies, auditor performance, and the technical adequacy of audit procedures [12]. Moreover, independent commissioners, audit committees, and organizational size have been associated with the integrity of financial statements, demonstrating the broader connection between governance mechanisms and credible financial reporting [13].

The quality of corporate governance also affects the quality of audit outcomes and corporate disclosure. Strong governance structures can support more rigorous auditor monitoring, improve transparency, and enhance the quality of information provided to market participants [14]. Evidence from capital markets further indicates that corporate governance and audit quality contribute to improved disclosure quality [15]. Accordingly, the governance of auditor selection should not be understood as a procedural formality. It is a critical component of the broader reporting architecture through which companies establish accountability, transparency, and control over financial reporting risks.

Professional credibility and audit firm reputation constitute another major determinant of auditor selection. A reputable audit firm can provide external assurance that the company's financial statements have been examined according to recognized professional standards. In emerging economies, the relationship between firm reputation and client characteristics suggests that companies may select more reputable auditors when they face greater scrutiny, complexity, or demand for credibility [16]. Reputation functions as a signal of prior performance, technical capability, ethical conduct, and the audit firm's ability to protect its professional standing. For listed companies, appointing a reputable auditor may therefore reduce perceived information risk and increase stakeholder confidence.

Professional standing, however, cannot be evaluated solely on the basis of brand recognition. The competence of the audit team, its experience in the client's industry, its knowledge of financial reporting requirements, and its capacity to address complex transactions are equally important. Continuous professional development improves auditor performance by enabling practitioners to update their technical knowledge, professional judgment, and familiarity with emerging audit challenges [17]. Similarly, ongoing education and professional development have been linked to improved audit quality because they strengthen auditors' ability to respond to regulatory changes, technological developments, and increasingly complex business environments [18]. Thus, a professionally credible audit firm should combine institutional reputation with demonstrable technical competence at the engagement-team level.

Technical and specialist competence becomes particularly important when client firms operate in complex industries, use sophisticated financial instruments, or face significant operational and reporting risks. The auditor must be capable of understanding the client's business model, evaluating internal controls, identifying material misstatement risks, and communicating practical recommendations to management and those charged with governance. Financial and operational risk can directly influence auditor choice because companies facing higher levels of uncertainty may require auditors with stronger expertise, broader resources, and more advanced risk-assessment capabilities [19]. Consequently, auditor selection should reflect the specific complexity and risk characteristics of the client rather than relying on standardized criteria applied uniformly across all companies.

Audit quality is also closely connected to the quality, timeliness, and usefulness of audit reporting. Managers and boards expect the auditor not only to issue an opinion but also to provide accurate, understandable, and decision-relevant insights concerning internal control weaknesses, financial reporting risks, and opportunities for process improvement. User confidence increases when external audits are perceived as rigorous, independent, and capable of enhancing the reliability of reported information [1]. Audit quality and auditor choice are therefore mutually reinforcing: companies seek auditors capable of producing credible assurance, while the quality of the selected auditor influences the market's evaluation of corporate reports [7].

Economic considerations nevertheless remain unavoidable. Audit fees, budget constraints, project complexity, and the expected benefits of higher-quality auditing all influence appointment decisions. Transaction-cost considerations are particularly relevant because companies must evaluate the direct costs of engaging an auditor, the costs of switching firms, the costs of developing knowledge about the client, and the potential costs arising from audit failure [20]. Auditor switching is often a two-stage decision in which a company first decides whether to replace its existing auditor and then evaluates alternative candidates [21]. This process may involve substantial search, negotiation, transition, and learning costs, particularly when the outgoing auditor has accumulated significant firm-specific knowledge.

A low-fee proposal may appear economically attractive, but excessive emphasis on price may reduce the time, expertise, and technological resources devoted to the engagement. For this reason, companies must evaluate audit fees in relation to service quality, engagement risk, industry expertise, and the complexity of the audit. The objective is not simply to minimize cost but to obtain appropriate value from the audit engagement. Multi-criteria models are useful in this respect because they allow decision makers to balance economic factors against qualitative dimensions such as professional reputation, independence, reporting quality, and risk-management capacity [5].

The dynamics of the audit market also influence auditor choice. Competition can improve service quality, responsiveness, and fee efficiency, but excessive concentration or aggressive price competition may restrict meaningful choice or place pressure on audit quality. Research in developing countries suggests that market competition has significant implications for audit quality [22]. Audit market competition can also affect financial reporting transparency by shaping the incentives of audit firms and their willingness to differentiate themselves through service quality and professional credibility [23]. Companies must therefore evaluate not only individual audit firms but also the broader competitive environment, including the availability of qualified providers, market concentration, peer-company practices, and changes in economic conditions.

The Iraqi capital market presents a distinctive environment in which auditor selection is influenced by institutional development, disclosure practices, economic uncertainty, and the need to strengthen investor confidence. The level of corporate disclosure has been linked to auditor appointment among Iraqi listed firms, suggesting that companies' transparency practices and auditor choices are interconnected [24]. Iraq's broader economic profile also reflects structural and institutional challenges that can affect corporate activity, investment conditions, market development, and the implementation of governance mechanisms [25]. Under such conditions, the selection of a competent and independent auditor can help compensate for weaknesses in other monitoring mechanisms and provide external stakeholders with greater assurance regarding the credibility of financial information.

The relationship between auditors and clients adds another layer of complexity. Audit firms depend on clients for revenue, while clients depend on auditors for statutory assurance, technical knowledge, and market credibility. Resource dependence can therefore shape auditor–client relationships, particularly in Middle Eastern markets where organizational networks and institutional relationships may play a substantial role in business decisions [26]. Power imbalances may emerge when one party possesses greater control over fees, information, appointment decisions, or specialized knowledge [27]. These power dynamics can affect auditor independence, negotiation processes, and the willingness of auditors to challenge management.

At the same time, a productive long-term relationship can improve audit efficiency because the auditor develops a deeper understanding of the client's operations, systems, controls, and risk profile. The challenge is to preserve the benefits of continuity without allowing familiarity to compromise professional skepticism or independence. Maintaining an appropriate balance between auditor independence and client relationships is therefore essential [28]. Chief executive officers may also interpret auditor selection through a combination of professional, relational, strategic, and organizational considerations, indicating that managerial perceptions can influence how formal selection criteria are applied [29]. The selection process must consequently distinguish legitimate relationship quality—such as effective communication and responsiveness—from personal dependence or familiarity that may weaken objectivity.

Technological transformation has further expanded the criteria relevant to auditor selection. Digital reporting systems, enterprise resource planning platforms, data analytics, artificial intelligence, and automated controls require auditors to possess advanced technological capabilities. The digital transformation of external auditing has changed audit procedures and has important implications for corporate governance because technology enables more extensive data analysis, continuous monitoring, and improved identification of anomalies [30]. Audit firms that lack adequate digital infrastructure may be unable to audit complex information systems efficiently or provide timely assurance in technology-intensive environments.

Artificial intelligence introduces additional issues related to trust, transparency, and professional responsibility. Auditing professionals increasingly evaluate whether AI-based tools constitute merely inexpensive and rapid technical solutions or whether they form a core component of trustworthy assurance systems [31]. Accordingly, companies selecting auditors must assess not only whether a firm uses technology but also whether it applies technological tools responsibly, validates algorithmic outputs, protects confidential data, and preserves human professional judgment. Technological capability should therefore be evaluated alongside ethical standards, professional competence, and the capacity to explain and defend audit conclusions.

Auditor selection may also be affected by organizational characteristics such as company size, ownership structure, business-group membership, board composition, and the nature of internal governance. Auditor appointment within business groups can reflect group-level coordination, reputation concerns, and the desire for consistency across affiliated companies [32]. Gender diversity and the presence of female independent directors in audit leadership roles may also influence financial oversight and the incidence of reporting irregularities [33]. These findings demonstrate that auditor selection is embedded within the broader institutional and organizational structure of the client firm rather than being an isolated procurement decision.

Emerging-market evidence further confirms that auditor choice is shaped by an interaction among company characteristics, governance mechanisms, institutional conditions, and audit firm attributes. Research from Egypt has identified multiple determinants of auditor choice, reinforcing the view that emerging markets require context-sensitive models rather than frameworks imported uncritically from developed economies [34]. The professional and political characteristics of individual markets can significantly alter the relative importance of factors such as reputation, independence, cost, personal trust, and regulatory compliance. For Iraq, this means that a valid explanatory model must incorporate both internationally recognized audit-selection principles and the institutional realities of the Iraqi Stock Exchange.

The existing literature provides substantial evidence regarding individual determinants of auditor choice, including governance, reputation, independence, fees, expertise, competition, risk, technology, and relationships. Nevertheless, these factors are frequently examined separately, and quantitative studies often test predetermined variables without fully capturing how decision makers interpret and prioritize them in practice. Such approaches may overlook the interaction among formal regulations, professional judgments, organizational relationships, economic constraints, market pressures, and technological requirements. A qualitative investigation can address this limitation by examining the lived experiences of financial managers, accounting managers, audit committee members, and capital-market experts who participate directly in auditor selection decisions.

A comprehensive model is particularly necessary because the selection process involves both objective and subjective considerations. Objective considerations include legal compliance, professional certification, industry expertise, technological infrastructure, audit fees, and prior performance. Subjective considerations include trust, perceived responsiveness, professional reputation, communication quality, and confidence in the audit partner. The interaction between these two groups of criteria determines whether the selected auditor can provide high-quality assurance while maintaining independence, legitimacy, and a sustainable professional relationship. By identifying the principal dimensions and organizing them into an integrated framework, research can provide practical guidance for boards, audit committees, regulators, and listed companies seeking to improve the transparency and effectiveness of auditor appointment.

Accordingly, the aim of the present study was to develop a comprehensive model of the factors determining the selection of independent auditors in companies listed on the Iraq Stock Exchange.

2. Methodology

This study aimed to develop a model of the factors determining the selection of independent auditors in companies listed on the Iraq Stock Exchange. It employed a qualitative approach based on descriptive phenomenology and used Colaizzi’s method for data analysis. The research population consisted of financial managers, accounting managers, audit committee members, and experts in auditing and the Iraqi capital market who had direct experience with the independent auditor selection process. Participants were selected purposively based on professional expertise, work experience, and familiarity with the requirements of the Iraq Stock Exchange. Data collection continued until theoretical saturation was reached, resulting in the analysis of 15 in-depth semi-structured interviews. Data were collected through face-to-face and online interviews, which were recorded, transcribed, and documented verbatim. Data analysis was conducted in accordance with the seven stages of Colaizzi’s method: familiarization with the data, extraction of significant statements, formulation of meanings, clustering of meanings, development of an exhaustive description, identification of the fundamental structure of the phenomenon, and validation of the findings. MAXQDA software was used to manage, organize, and code the qualitative data, facilitating code extraction, category development, conceptual network mapping, and word-cloud generation. During the analytical process, initial codes were first extracted from the interview transcripts and subsequently classified into conceptually related meanings and main categories to develop the final model of the factors determining independent auditor selection. To ensure the scientific rigor of the findings, Guba and Lincoln’s trustworthiness criteria—credibility, transferability, confirmability, and dependability—were applied. Strategies such as continuous data review, member checking, external auditing by expert faculty members, comprehensive documentation of the research process, and prolonged engagement of the researcher in the field were employed. Ultimately, data analysis identified four fundamental clusters and 11 principal components: the regulatory and legal framework, professional credibility and standing, technical and specialist competence, performance and reporting quality, economic considerations, governance of the selection process, behavioral and relational factors, technological capabilities, risk management, the market and competitive environment, and the sustainability of professional relationships. Based on these findings, the final research model was developed.

3. Findings and Results

Stage One

In the first stage of the analysis under Colaizzi's seven-step method, the researcher repeatedly listened to the participants' recorded interviews to develop an overall understanding of and familiarity with their accounts. All descriptions provided by the participants, conventionally referred to as protocols, were transcribed verbatim. Accordingly, the complete interview of each participant was documented and subsequently analyzed and reviewed. Table 1 presents examples of the interview transcripts.

Table 1. Examples of Interview Transcripts

Interview No.	Dimension	Interview Transcript
1	Regulatory and legal framework	In response to questions concerning the regulatory and legal framework, the financial manager of the first company stated that compliance with auditing laws and guidelines was vital to the company and that the audit firm should be selected in accordance with national and international standards. The participant emphasized that a transparent and well-documented regulatory process reduced legal risk and protected the company's reputation, and that audit firms were evaluated based on their compliance with the legal framework and transparent reporting. It was also noted that continuous training of the audit team and effective internal controls played a key role in compliance with legal requirements.
2	Professional credibility and standing	The financial manager of the second company stated that the credibility and professional standing of the audit firm played a decisive role in the selection process. The firm's experience and reputation, membership in professional associations, and adherence to professional ethics enhanced the confidence of management and investors. The participant emphasized that reputable firms, in addition to complying with professional standards, were capable of providing practical recommendations and risk-reduction solutions. The firm's professional credibility helped management make more reliable strategic decisions and ensured transparency and confidence in financial reports.
3	Technical and specialist competence	The financial manager of the third company highlighted the importance of technical and specialist competence and stated that the selection of an audit firm should be based on the team's ability to analyze financial data, its detailed knowledge of accounting standards, and its capacity to provide practical advice. The participant added that experience in similar projects and familiarity with the company's internal processes increased accuracy and reduced operational risks. The team's ability to analyze financial complexities and provide analytical and practical reports was also regarded as a principal selection criterion.
4	Performance and reporting quality	The financial manager of the fourth company stated that performance quality and the accuracy of audit reports were highly important and that comprehensive risk coverage and accurate documentation were essential for management decision-making. The participant explained that reports should be comprehensive and analytical and should include practical recommendations to create genuine added value for the company. Continuous evaluation of report quality, review of audit procedures, and assurance of compliance with professional standards were identified as key factors in enhancing the audit firm's performance quality.
5	Economic considerations	The financial manager of the fifth company stated that a balance was always maintained between service quality and the fees paid. The participant explained that the audit firm should be selected through a cost–benefit assessment and in accordance with the company's budget, and that the

		payment of an appropriate audit fee was necessary to ensure service quality. The participant also emphasized that firms with international experience and specialized expertise represented worthwhile investments, even if their fees were higher, because they reduced risk and improved reporting quality.
6	Governance of the selection process	The financial manager of the sixth company stated that corporate governance structures played a central role in selecting an audit firm. By establishing transparent and documented criteria, the board of directors ensured independent and standards-based decision-making. The participant added that adherence to governance and risk-management principles strengthened accountability and transparency in auditor selection, while a transparent decision-making framework reduced selection-related risks. It was also emphasized that compliance with professional and legal principles was mandatory at every stage of the decision-making process.
7	Behavioral and relational factors	The financial manager of the seventh company stated that personal trust in the audit partner played a complementary role in decision-making. Previous collaborative experience and professional interaction increased trust and facilitated the exchange of information. The participant emphasized that personal trust, combined with the technical competence of the audit team, shaped the final selection decision and that selecting a firm characterized by effective interaction and high responsiveness improved service quality.
8	Technological capabilities	The financial manager of the eighth company stated that the company's technological needs constituted a principal criterion in selecting an audit firm. The firm should be capable of adapting to digital systems, using data-analysis tools, and producing accurate digital reports. The participant added that the audit firm's level of technology and software capabilities directly influenced audit accuracy, speed, and quality and that compatibility with the company's internal processes was a selection priority.
9	Risk management	The financial manager of the ninth company stated that selecting an independent and professional auditor helped reduce reputational risk. The participant explained that a comprehensive review of financial records, evaluation of internal controls, and analysis of risks reduced legal, operational, and reputational risks. Selecting an experienced and reputable firm, ensuring compliance with standards, and receiving preventive recommendations increased investor confidence and strengthened process transparency.
10	Market and competitive environment	The financial manager of the tenth company stated that the activities of competing companies constituted an important comparative criterion in selecting an audit firm. Understanding competitors' practices and analyzing the market improved internal standards and increased decision-making transparency. Selection criteria should also remain flexible and be updated in response to economic changes and market fluctuations so that the company could manage economic risks and select an auditor based on actual market conditions.
11	Sustainability of professional relationships	The financial manager of the eleventh company stated that the company's principal strategy was to maintain continuous communication with reputable firms and ensure the quality of the services provided. The participant added that developing a long-term relationship with experienced auditors ensured continuity in professional cooperation and improved reporting quality.
12	Sustainability of professional relationships	The financial manager of the twelfth company stated that continued cooperation with professional firms enhanced compliance and transparency. The participant emphasized that maintaining stability and trust in professional relationships with selected auditors played an important role in improving decision-making and reducing risks.
13	Sustainability of professional relationships	The financial manager of the thirteenth company stated that continuous communication and periodic review to ensure service quality constituted one of the company's principal strategies. A focus on long-term cooperation with reputable and professional firms ensured the provision of accurate and reliable audit services.
14	Sustainability of professional relationships	The financial manager of the fourteenth company stated that developing continuous professional communication, improving report quality, and maintaining a close relationship with selected auditors helped preserve stability and transparency in audit engagements. The participant added that building a long-term relationship was a key strategy for ensuring audit quality.
15	Sustainability of professional relationships	The financial manager of the fifteenth company stated that maintaining relationship stability and mutual trust with selected auditors was a primary priority. Continuous cooperation with professional and reputable firms played an important role in improving service quality and reducing risks associated with the selection of an audit firm.

The analysis of the findings demonstrates that the audit firm selection process is influenced by a combination of legal, professional, technical, economic, behavioral, and technological factors. Financial managers emphasized the importance of the regulatory and legal framework and stated that compliance with legal and professional requirements formed the basis of decision-making and reduced legal risks. The credibility and professional standing of audit firms constituted another key criterion that strengthened the confidence of investors and stakeholders and played an important role in reducing financial risks. Furthermore, the technical and specialist competence of auditors and their ability to analyze data and provide practical recommendations were viewed as essential to ensuring performance and reporting quality. Managers emphasized the accuracy, comprehensiveness, and analytical quality of reports and highlighted the importance of documentation and internal controls in covering operational risks. From an economic perspective, maintaining a balance between service quality and cost, as well as determining fees proportionate to project complexity and the audit firm's expertise, emerged as important considerations. In addition, sound governance of the selection process and preservation of auditor independence and objectivity enhanced transparency and reduced decision-making risks. Within the domain of behavioral and relational factors, trust in and personal interaction with the audit partner complemented the professional assessment of the audit team and positively influenced the final decision. Audit firms' technological capabilities, including their ability to use digital tools and analytical software, constituted an important selection criterion that enhanced audit speed and accuracy. Managers also emphasized that selecting a reputable and professional auditor played a fundamental role in managing reputational risk, reducing the likelihood of errors, and increasing market confidence. The market environment and competitors' behavior were also identified as comparative criteria that could improve decision-making and strengthen internal standards. Finally, the sustainability and continuity of professional relationships with selected audit firms improved reporting quality, reduced risks, and fostered mutual trust, thereby constituting an important part of companies' long-term strategies. Overall, the findings indicate that a combination of the legal framework, professional credibility, technical competence, reporting quality, economic considerations, governance, behavioral factors, technology, risk management, market competition, and stability of professional relationships influences financial managers' decisions concerning the selection of an audit firm. Each dimension plays a complementary role in ensuring quality and reducing risk.

Stage Two

In the second stage, after all interviews had been read, information that was meaningful and relevant to the phenomenon under investigation was identified. Significant statements concerning the factors determining the selection of independent auditors in companies listed on the Iraq Stock Exchange were subsequently extracted from the interview transcripts. Table 2 presents examples of the extracted statements together with their corresponding interview numbers.

Table 2. Examples of Extracted Statements

Statement Code	Formulated Meaning	Interview No.
A1	Compliance with regulatory frameworks and legal standards in auditor selection	1
A2	Emphasis on compliance with stock-exchange regulations and auditing laws	1
A3	Transparency and accountability in the selection process	1
A4	Importance of the audit firm's professional standing and credibility	2
A5	Professional experience and background of the audit team in the selection process	2
A6	Technical expertise and the ability to conduct financial analysis and accurate reporting	3
A7	Performance quality and the provision of transparent reports	4
A8	Balance between service quality and the fees paid	5
A9	Cost–benefit analysis and comparison with similar firms	5
A10	Transparency and accountability of the board of directors in firm selection	6
A11	Ensuring independence and objectivity in auditor selection	6
A12	Personal trust and previous collaborative experience with the audit partner	7

A13	The role of interaction and professional background in developing trust	7
A14	Alignment of the firm's technology with internal needs and digital tools	8
A15	Ability to use software and analyze financial data	8
A16	Reduction of reputational risk through independent and accurate auditing	9
A17	Selection of a reputable firm to increase investor confidence	9
A18	Internal analysis and control for risk management	9
A19	Influence of competitors' activities and market conditions on selection criteria	10
A20	Flexibility of criteria to adapt to economic conditions	10
A21	Maintenance of a long-term professional relationship with selected auditors	11
A22	Periodic review to ensure quality and reduce risk	11
A23	Consideration of conflicts of interest and termination of the relationship if quality declines	11
A24	Prioritization of audit service quality over cost	5
A25	Selection of firms with international experience and specialized expertise	3
A26	Provision of practical and valuable recommendations by the auditor	3
A27	Assurance of compliance with professional and legal standards	6
A28	Comprehensive review of financial and internal records to reduce risk	9
A29	Competitor analysis to support sound decision-making and fair competition	10
A30	Compatibility with digital systems and internal processes	8
A31	Ability to provide accurate digital reports	8
A32	Consideration of project complexity and the need for advanced expertise	3
A33	Payment of fair audit fees to ensure quality	2
A34	Simultaneous evaluation of quality and cost	5
A35	Risk analysis and provision of preventive solutions	9
A36	Independence of the firm and members of the audit team	6
A37	Prioritization of cost and service quality based on the company's financial position	4
A38	Ability of the firm to provide professional and reliable services	3
A39	Previous experience and personal trust as principal selection criteria	7
A40	Analysis of economic conditions in the audit firm selection decision	10
A41	Continuous communication with reputable firms to ensure quality	11
A42	Continued cooperation with professional firms to enhance transparency	11
A43	Maintenance of stability and trust in professional relationships with selected auditors	11
A44	Development of a long-term relationship with reputable and reliable firms	11
A45	Consideration of market standards when comparing cost and quality	5
A46	Assurance of accurate reporting and effective internal control	9
A47	Data analysis by the firm to reduce risk	9
A48	Influence of competitors' activities on comparative selection criteria	10
A49	Periodic review and market-based adjustment of criteria	10
A50	Ability of the firm to use data-analysis tools	8
A51	Personal trust and technical competence for appropriate selection	7
A52	Assurance of compliance with professional ethics and legal requirements	6
A53	Evaluation of whether audit fees are proportionate to project complexity	2
A54	Facilitation of positive interactions with the audit firm	2
A55	Provision of superior services and reduction of operational risks	3
A56	Improvement of transparency and the quality of internal processes	3
A57	Use of comparative market criteria for selection	5
A58	Flexibility of criteria to adapt to economic changes	10
A59	Assurance of audit service quality subject to cost constraints	5
A60	Detailed analysis of costs and service quality	5

An examination of the statements extracted from the 15 interviews demonstrates that the selection of independent auditors in companies listed on the Iraq Stock Exchange is simultaneously influenced by several factors. The regulatory framework and compliance with laws form the basis of decision-making and are associated with professional credibility and transparency. Technical competence and professional expertise, performance quality and accurate reporting, and economic considerations such as balancing quality and cost constitute important criteria for financial managers. Auditor independence and objectivity, personal trust and previous collaborative experience, and the technological capabilities of audit firms also play key roles in reducing risk and enhancing audit quality. Risk analysis, the selection of reputable firms, and the assessment of competitors contribute not only to the management of reputational risk but also to improved decision-making and adaptation to market conditions. Finally, maintaining a sustainable professional relationship with selected auditors and periodically reviewing service quality ensure continuity in service quality and reduce operational risks. These findings indicate that auditor selection integrates legal, professional, technical, economic, behavioral, technological, and market dimensions, each of which directly or indirectly contributes to identifying the most appropriate audit firm.

Stage Three

In the third stage, meanings were formulated from the significant statements. More specifically, an attempt was made to extract from each statement a concept representing its meaning and the essential element of the participant's thinking. At this stage, the researcher sought to understand the meaning of each important statement. This stage, known as the formulation of meanings, is presented in Table 3.

Table 3. Examples of Formulated Meanings

Initial Concept	Related Concept Code—Initial Substitute	Overarching Concept—Main Category
Compliance with regulatory frameworks and legal standards	Compliance with auditing regulations	Regulatory and legal framework
Emphasis on compliance with stock-exchange regulations and auditing laws	Compliance with legal guidelines	Regulatory and legal framework
Transparency and accountability in the selection process	Clarity of criteria and decisions	Regulatory and legal framework
Importance of the firm's professional standing and credibility	Professional credibility and organizational background	Professional credibility and standing
Experience and professional background of the audit team	Previous collaboration and performance history	Professional credibility and standing
Technical expertise and ability to conduct financial analysis and accurate reporting	Technical and professional skills	Technical and specialist competence
Performance quality and provision of transparent reports	Accuracy and transparency of reports	Performance and reporting quality
Balance between service quality and fees paid	Optimization of quality and cost	Economic considerations
Cost–benefit analysis and comparison with similar firms	Comparison of performance and cost	Economic considerations
Transparency and accountability of the board of directors in selecting the firm	Documented and independent decision-making	Governance of the selection process
Ensuring independence and objectivity in auditor selection	Objectivity and absence of conflicts of interest	Governance of the selection process
Personal trust and previous collaborative experience with the audit partner	Positive experience and interaction	Behavioral and relational factors
Role of interaction and professional background in developing trust	Professional communication and interaction	Behavioral and relational factors
Alignment of the firm's technology with internal needs and digital tools	Compatibility with systems and software	Technological capabilities
Ability to use software and analyze financial data	Competence in digital tools	Technological capabilities
Reduction of reputational risk through independent and accurate auditing	Reputational risk management	Risk management

Selection of a reputable firm to increase investor confidence	Reputable and reliable firms	Risk management
Internal analysis and control for risk management	Internal control and process monitoring	Risk management
Influence of competitors' activities and market conditions on selection criteria	Comparative criteria based on competitors	Market and competitive environment
Flexibility of criteria to adapt to economic conditions	Updating criteria in accordance with financial conditions	Market and competitive environment
Maintenance of a long-term professional relationship with selected auditors	Continuity of cooperation and trust	Sustainability of professional relationships
Periodic review to ensure quality and reduce risk	Continuous service review	Sustainability of professional relationships
Consideration of conflicts of interest and termination of the relationship if quality declines	Criteria for terminating cooperation	Sustainability of professional relationships
Prioritization of audit service quality over cost	Service quality takes precedence over cost	Economic considerations
Selection of firms with international experience and specialized expertise	International expertise and experience	Technical and specialist competence
Provision of practical and valuable recommendations by the auditor	Provision of practical and useful solutions	Technical and specialist competence
Assurance of compliance with professional and legal standards	Compliance with standards and laws	Regulatory and legal framework
Comprehensive review of financial and internal records to reduce risk	Data analysis and validation	Risk management
Competitor analysis to support sound decision-making and fair competition	Comparison with competitors' performance	Market and competitive environment
Compatibility with digital systems and internal processes	Technological compatibility with the company	Technological capabilities
Ability to provide accurate digital reports	Digital and professional reporting	Technological capabilities
Consideration of project complexity and need for advanced expertise	Complex and specialized projects	Technical and specialist competence
Payment of fair audit fees to ensure quality	Fees proportionate to services	Economic considerations
Simultaneous evaluation of quality and cost	Concurrent quality and cost criteria	Economic considerations
Risk analysis and provision of preventive solutions	Risk prevention and management	Risk management
Independence of the firm and members of the audit team	Team objectivity and independence	Governance of the selection process
Prioritization of cost and service quality based on the company's financial position	Budget- and quality-based decision-making	Economic considerations
Ability of the firm to provide professional and reliable services	Professional and credible services	Professional credibility and standing
Previous experience and personal trust as principal selection criteria	Previous experience and individual trust	Behavioral and relational factors
Analysis of economic conditions in selecting the firm	Flexibility and adaptation to the market	Market and competitive environment
Continuous communication with reputable firms to ensure quality	Long-term and sustainable cooperation	Sustainability of professional relationships
Continued cooperation with professional firms to enhance transparency	Continuity of cooperation and quality	Sustainability of professional relationships
Maintenance of stability and trust in professional relationships with selected auditors	Stability and mutual trust	Sustainability of professional relationships
Development of a long-term relationship with reputable and reliable firms	Continuous communication and trust	Sustainability of professional relationships
Consideration of market standards when comparing cost and quality	Comparative criteria	Economic considerations
Assurance of accurate reporting and internal control	Reporting accuracy and monitoring	Performance and reporting quality
Data analysis by the firm to reduce risk	Data review and control	Risk management

Influence of competitors' activities on comparative selection criteria	Attention to competitors and the market	Market and competitive environment
Periodic review and market-based adjustment of criteria	Review and adaptation of criteria	Market and competitive environment
Ability of the firm to use data-analysis tools	Competence in analytical tools	Technological capabilities
Personal trust and technical competence for appropriate selection	Combination of trust and expertise	Behavioral and relational factors
Assurance of compliance with professional ethics and laws	Professional ethics and legal compliance	Regulatory and legal framework
Evaluation of whether audit fees are proportionate to project complexity	Project-proportionate compensation	Economic considerations
Facilitation of positive interactions with the audit firm	Improved cooperation and interaction	Behavioral and relational factors
Provision of superior services and reduction of operational risks	High-quality services and risk reduction	Technical and specialist competence
Improvement of transparency and quality of internal processes	Increased transparency and accuracy	Performance and reporting quality
Use of comparative market criteria for selection	Comparative selection criteria	Economic considerations
Flexibility of criteria to adapt to economic changes	Adjustment of criteria to market conditions	Market and competitive environment
Assurance of audit service quality subject to cost constraints	Quality within budgetary constraints	Economic considerations
Detailed analysis of costs and service quality	Simultaneous evaluation of cost and quality	Economic considerations

The analysis of Table 3 indicates that several key factors simultaneously influence the selection of independent auditors in companies listed on the Iraq Stock Exchange. First, regulatory and legal frameworks constitute the backbone of decision-making by ensuring compliance with standards and transparency in the selection process. At the same time, the credibility and professional standing of audit firms, particularly the experience and professional background of their teams, enhance the confidence of companies and investors and represent important firm-selection criteria.

Technical and specialist competence, together with performance quality and accurate reporting, ensures accuracy, transparency, and the provision of practical recommendations and is directly associated with the reduction of financial and operational risks. Economic considerations also play an influential role in decision-making. A balance between service quality and cost, cost–benefit analysis, and alignment with the company's financial position constitute principal criteria for optimizing organizational resources.

Governance of the selection process and adherence to independence and objectivity ensure autonomous decision-making and reduce conflicts of interest, whereas behavioral and relational factors, such as personal trust and previous collaborative experience, play a complementary role in developing positive interactions and facilitating the appropriate selection of an audit firm. Technological capabilities, including compatibility with digital systems, the use of data-analysis tools, and the provision of digital reports, improve the accuracy and speed of the audit process.

Risk management through internal assessment, data analysis, and rigorous controls reduces reputational and operational risks, and the selection of reputable firms reinforces this objective. In addition, the market and competitive environment, together with attention to competitors' activities, shapes comparative criteria and determines the flexibility required to respond to economic changes. Finally, the sustainability of professional relationships with audit firms, through continued long-term cooperation, mutual trust, and periodic review, ensures service quality and continuity in professional interactions.

Overall, the results indicate that independent auditor selection is a multidimensional decision requiring a balance among regulation, quality, expertise, economics, technology, human relationships, and risk. Each factor plays a complementary and synergistic role in the final decision.

Stage Four

In the fourth stage, after agreement had been reached regarding all formulated meanings, the categorization of these meanings into clusters reflecting a distinctive thematic structure began. Consistent with Colaizzi's method, once formulated meanings had been identified for each significant statement, these meanings were grouped into thematic clusters. Groups of clusters reflecting a specific perspective were then combined to create a distinctive structure of the extracted dimensions. Table 4 presents examples of the extracted dimensions.

Table 4. Examples of Extracted Dimensions

Overarching Concept—Main Category	Substitute Concepts	Initial Codes
Regulatory and legal framework	Legal framework, regulatory requirements, professional standards, compliance with laws and regulations	A1, A2, A3, A8, A22, A31, A32, A39, A40, A43, A50
Professional credibility and standing	Professional experience, firm reputation, international experience, professional prestige, firm capability in the market	A4, A5, A6, A9, A12, A23, A33, A41, A47, A51
Technical and specialist competence	Technical capability, staff skills, audit expertise, professional knowledge, compliance with standards	A7, A10, A11, A14, A25, A34, A42, A48, A52
Performance and reporting quality	Report accuracy, transparency, practical recommendations, performance evaluation, provision of complete and timely reports	A13, A15, A16, A18, A26, A35, A43, A49, A53
Economic considerations	Balance between cost and quality, cost–benefit analysis, budget, fair fees, cost management	A17, A19, A20, A27, A36, A44, A54
Governance of the selection process	Decision-making independence, objectivity, selection transparency, decision-making framework, board accountability	A21, A28, A29, A37, A45, A55
Behavioral and relational factors	Personal trust, collaborative history, interaction, professional competence, long-term relationships	A24, A30, A38, A46, A56, A57
Technological capabilities	Technological compatibility, digital tools, data analysis, digital reporting, software systems	A47, A48, A49, A50, A58
Risk management	Risk assessment, internal control, reputational risk reduction, transparency, preventive recommendations	A51, A52, A53, A54, A59
Market and competitive environment	Competitor analysis, economic conditions, flexibility of criteria, review of competitors' performance, fair competition	A55, A56, A57, A58, A60
Sustainability of professional relationships	Long-term cooperation, mutual trust, stability of interaction, continuity of relationships, continued collaboration	A59, A60, A61, A62, A63

The analysis indicates that 11 main dimensions consistently influence the selection of independent auditors in companies listed on the Iraq Stock Exchange. Dimensions such as the regulatory and legal framework, professional credibility, and technical competence had the greatest recurrence and importance because legal and professional criteria are essential to auditor selection. Performance quality, economic considerations, and risk management were also key dimensions considered by companies when selecting an auditor. Behavioral factors, technological capabilities, and the sustainability of professional relationships reflect the importance of human relationships, trust, and technological compatibility in the selection process. The market and competitive environment also influences companies' decision-making, requiring selection criteria to remain flexible and to be updated in accordance with economic and competitive conditions. Overall, the table reflects the comprehensive and multidimensional approach adopted by companies in selecting independent auditors, incorporating legal, professional, economic, behavioral, technological, and environmental factors.

Stage Five

In the fifth stage, an exhaustive description of the phenomenon was developed. This description incorporated a narrative encompassing all dimensions of the factors determining the selection of independent auditors in companies listed on the Iraq Stock Exchange, as experienced by the interview participants. Based on the preceding stages, tables, and 11 extracted dimensions, the exhaustive description was developed as follows.

Regulatory and legal framework: All financial managers emphasized the importance of compliance with laws, regulatory requirements, and professional standards. They maintained that without adherence to the legal framework and the regulations of stock-exchange and auditing authorities, the auditor selection process could not be transparent or reliable. Transparency in documenting decisions and strict compliance with legal guidelines play a fundamental role in reducing risk and ensuring the quality of the selection process.

Professional credibility and standing: The reputation and international experience of an audit firm are key factors in gaining the confidence of financial managers. The firm's professional background and level of credibility assure managers that the reports produced will be reliable and compliant with professional standards. Engaging reputable and experienced firms also reduces risk and enhances investor confidence.

Technical and specialist competence: The technical and specialist capabilities of the firm's employees, experience in similar audits, and up-to-date knowledge constitute indispensable criteria in auditor selection. Financial managers pay particular attention to the firm's ability to address complex financial issues and comply with professional standards, regarding these capabilities as prerequisites for ensuring the quality of audit services.

Performance and reporting quality: Accuracy, transparency, completeness of reports, and the provision of practical recommendations are among the most important indicators used to evaluate audit firms. Financial managers stated that reporting quality influenced not only internal decisions but also the confidence of investors and shareholders. Accurate and understandable reports contribute to reduced operational risk and improved internal performance.

Economic considerations: Cost–benefit analysis, the determination of fair audit fees, and the maintenance of an appropriate balance between quality and cost are determining factors in auditor selection. Financial managers consistently seek to ensure that the amount paid corresponds to the quality of the services delivered and that unnecessary expenses are avoided. Evaluating firm performance in relation to the proposed fee constitutes a useful instrument for rational and economically justified decision-making.

Governance of the selection process: Independence, objectivity, accountability, and transparency in the auditor selection process are regarded as essential principles. Financial managers believe that corporate governance structures reduce conflicts of interest and enhance the credibility of the selection process by establishing a transparent decision-making framework. Compliance with professional ethics and legal requirements contributes to ensuring the quality and validity of the selection decision.

Behavioral and relational factors: Personal and professional trust in the audit partner, previous collaborative experience, and continuous interaction with the firm play a complementary role in auditor selection. Financial managers believe that trust facilitates information exchange and contributes to improved decision-making and more effective interaction. The combination of trust and technical competence constitutes an important factor in the final selection decision.

Technological capabilities: The firm's ability to use digital tools, analyze financial data, provide accurate digital reports, and integrate with the company's internal systems constitutes an important evaluation factor. Companies with modern information technology systems tend to select firms that are compatible with advanced tools and specialized software and can conduct the audit process efficiently and rapidly.

Risk management: The selection of an independent and professional auditor, comprehensive examination of financial records and internal control systems, risk analysis, and the provision of preventive solutions are regarded as mechanisms for reducing the company's reputational and operational risks. Financial managers emphasize that reducing financial and legal risks through professional auditing enhances investor confidence and mitigates threats to the company.

Market and competitive environment: Competitors' activities, market analysis, and economic conditions influence auditor selection criteria. Financial managers stated that understanding competitors' behavior and adapting criteria to economic fluctuations leads to the periodic updating of selection criteria, improves the decision-making process, and enables fair competition and more accurate decisions.

Sustainability of professional relationships: Establishing long-term and sustainable relationships with reputable firms and maintaining trust and stability in collaborative arrangements help ensure service quality, reduce risk, and facilitate future processes. Financial managers emphasized the importance of continued professional interaction and the periodic review of collaborative relationships, maintaining that ongoing relationships provide a foundation for the continuous improvement of audit service quality.

Overall, the exhaustive analysis demonstrates that the selection of independent auditors in the Iraq Stock Exchange is a multidimensional, complex, and balanced process incorporating legal, professional, economic, behavioral, technological, environmental, and managerial factors. In their decision-making processes, financial managers consistently attempt to consider a combination of credibility, technical competence, performance quality, risk management, economic considerations, and technological capabilities. At the same time, they regard long-term relationships and personal trust as reinforcing and complementary factors.

Stage Six

In the sixth stage of Colaizzi's method, the exhaustive description of the factors determining the selection of independent auditors in companies listed on the Iraq Stock Exchange was reduced to a fundamental structure. More specifically, the principal structure underlying the participants' descriptions was identified, and the essential structure of the experienced phenomenon was explained. Table 5 presents this stage, including the extracted dimensions, clusters, and frequencies of codes associated with the themes and clusters.

Table 5. Extracted Themes, Clusters, and Frequencies of Related Codes

Extracted Theme—Dimension	Cluster	Number of Extracted Codes	Brief Description of Cluster and Codes
Regulatory and legal framework	Legal and professional factors	15	Compliance with laws, stock-exchange regulations, and auditing standards, transparency, and conformity with the legal framework constitute the basis of decision-making in independent auditor selection.
Professional credibility and standing	Legal and professional factors	14	Emphasis on the reputation, credibility, and background of audit firms, international experience, and adherence to professional standards.
Technical and specialist competence	Legal and professional factors	13	Technical capabilities of the audit team, financial and accounting expertise, and practical experience in addressing the company's financial complexities.
Governance of the selection process	Legal and professional factors	14	Transparency in decision-making, board independence, compliance with corporate governance principles, and risk management in auditor selection.
Performance and reporting quality	Quality and performance factors	15	Accuracy, correctness, and comprehensiveness of reports, compliance with auditing standards, and quality of recommendations and financial reporting.

Economic considerations	Quality and performance factors	12	Cost–benefit analysis, budget control, optimization of service quality relative to fees paid, and assessment of audit fees and the company's financial resources.
Risk management	Quality and performance factors	13	Identification and reduction of reputational risks, assurance of report accuracy, internal control, prevention of financial errors, and practical recommendations for reducing operational risk.
Sustainability of professional relationships	Quality and performance factors	14	Maintenance of stable relationships with reputable firms, long-term cooperation, periodic review of service quality, increased trust, and reduced risks arising from auditor changes.
Behavioral and relational factors	Behavioral and relational factors	15	Personal and professional trust in firms, previous collaborative experience, long-term interaction and communication with the audit team, and the role of human relationships in auditor selection.
Technological capabilities	Technological and environmental factors	12	The firm's ability to use digital tools and financial software, analyze data, provide accurate and up-to-date reports, and integrate with the company's internal systems.
Market and competitive environment	Technological and environmental factors	11	Analysis of competitors' behavior, economic and market conditions, adaptation of criteria to economic changes, attention to fair competition, and improvement of internal standards.

The data analysis indicates that financial managers of companies listed on the Iraq Stock Exchange pay particular attention to four fundamental clusters when selecting independent auditors.

Legal and professional factors: Dimensions such as the regulatory framework, professional credibility, technical competence, and governance of the selection process had the highest code frequencies, indicating the importance of compliance with laws, standards, and professional expertise. This cluster constitutes the principal foundation of auditor selection decision-making.

Quality and performance factors: This cluster includes performance and reporting quality, risk management, economic considerations, and the sustainability of professional relationships. By focusing on reporting accuracy, cost analysis, and risk management, financial managers seek to ensure the quality of audit services and establish sustainable relationships with audit firms.

Behavioral and relational factors: Personal and professional trust, previous interactions, and long-term relationships play a complementary role in auditor selection. This cluster indicates that human relationships and trust facilitate the decision-making process and increase managers' confidence in their decisions.

Technological and environmental factors: Technological capabilities and market and competitive conditions illustrate the importance of alignment between the audit firm and the company's technology, as well as the need to analyze market conditions. These factors help managers make selections that are current and appropriate to the surrounding environment.

Stage Seven

The seventh and final stage of Colaizzi's method was conducted to validate the study findings. Guba and Lincoln's approach was used to ensure trustworthiness. They introduced four criteria for assessing trustworthiness: credibility, dependability, confirmability, and transferability. Credibility concerns the plausibility or persuasiveness of the research. It encompasses the arguments and processes necessary to establish confidence in the research findings (Abolmaali, 2012). In the present study, credibility was enhanced through external auditing, participant review of the findings, continuous checking, and prolonged engagement.

External auditing: Under the external-audit approach, an individual who oversees the research procedure reviews the methods applied. In the present study, the researcher's supervisor served this function, and the supervisor's expert opinions were incorporated into the research process.

Continuous checking: During the documentation of qualitative data, the researcher attempted to record the research process in detail. Continuous checking was employed to establish the internal validity of the findings.

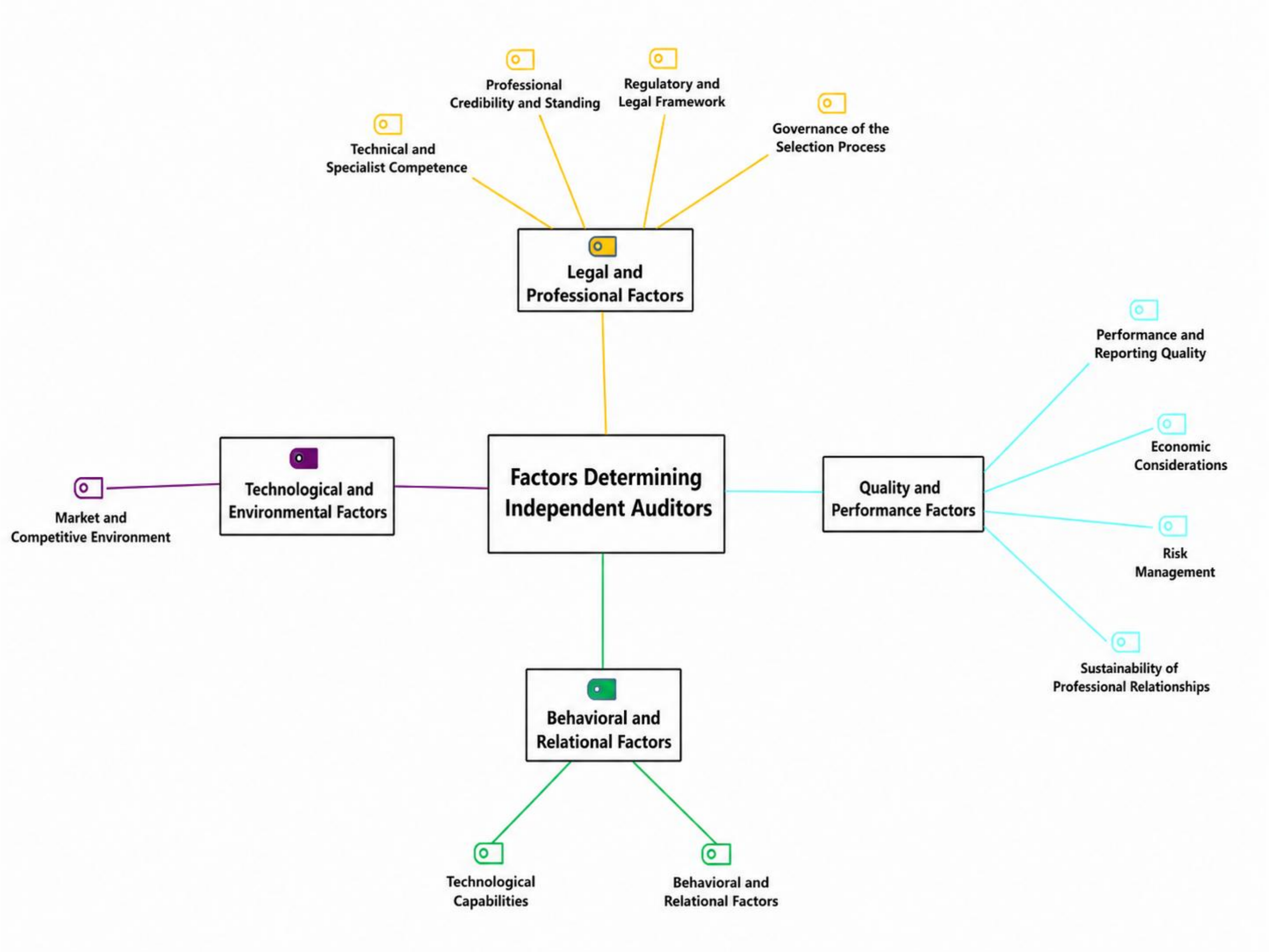

Figure 1. Model of the Factors Determining the Selection of Independent Auditors in Companies Listed on the Iraq Stock Exchange

Review of the findings: To verify the accuracy of the information obtained and prevent researcher misinterpretation, the findings were presented again to the participants and were confirmed by them.

Prolonged engagement: The researcher remained engaged with the research topic for an extended period of approximately 10 months and conducted informal interviews throughout the year with several managers and experts concerning the factors determining the selection of independent auditors in companies listed on the Iraq Stock Exchange. Part of this period was also devoted to direct presence within the participating companies' organizational environments.

Strengthening the professional-quality assessment process for auditors: Given that the findings demonstrated the decisive role of auditors' professional quality and expertise in their selection, companies can develop a standardized framework for evaluating auditors' skills and specialist competence. This framework may include an assessment of technical knowledge, experience in similar industries, risk-analysis capabilities, and compliance with international auditing standards. Establishing such a framework would increase transparency and reduce the risk of selecting an unsuitable auditor.

4. Discussion and Conclusion

The present study aimed to develop a comprehensive model of the factors determining the selection of independent auditors in companies listed on the Iraq Stock Exchange. The findings identified 11 principal dimensions: the regulatory and legal framework, professional credibility and standing, technical and specialist competence, performance and reporting quality, economic considerations, governance of the selection process, behavioral and relational factors, technological capabilities, risk management, the market and competitive environment, and the sustainability of professional relationships. These dimensions were organized into four fundamental clusters: legal and professional factors, quality and performance factors, behavioral and relational factors, and technological and environmental factors. Overall, the results indicate that auditor selection in Iraqi listed companies is a multidimensional strategic decision that cannot be explained solely by audit fees, firm size, or statutory compliance. Rather, the decision emerges from the interaction of regulatory requirements, governance arrangements, professional competence, perceived audit quality, organizational risks, market conditions, technological readiness, and the quality of auditor–client relationships.

The first fundamental cluster comprised legal and professional factors, including the regulatory and legal framework, professional credibility and standing, technical and specialist competence, and governance of the selection process. Participants emphasized that compliance with stock-exchange regulations, auditing standards, professional ethics, and legal requirements constitutes the basic condition for selecting an independent auditor. This result is consistent with best-practice frameworks that regard a transparent, documented, and standards-based appointment process as essential to safeguarding audit quality and auditor independence [6]. It also supports the argument that political and economic institutions influence both auditor choice and the quality of the assurance provided [7]. In the Iraqi context, where institutional arrangements and enforcement mechanisms may be affected by political and administrative pressures, the emphasis placed on formal regulation is particularly important. The finding aligns with evidence that political interference can influence auditor appointments in Iraq and may weaken the objectivity of the selection process [8]. Therefore, the prominence of the regulatory framework in the proposed model reflects not only a concern for legal compliance but also a need to protect the auditor-selection process from informal influence and institutional uncertainty.

The importance assigned to governance of the selection process further demonstrates that auditor appointment should be supervised by independent and accountable corporate bodies. Participants referred to the role of the board of directors, audit committee, documented criteria, impartial evaluation, and the prevention of conflicts of interest. This finding is consistent with research indicating that board structure shapes audit-related decision-making and affects the degree to which auditor selection is independent from executive management [10]. It also corresponds with evidence that audit committees play a significant role in evaluating external auditors and strengthening the quality of appointment decisions in emerging markets [11]. Accounting expertise within the audit committee may further improve the ability of governance bodies to assess audit quality, internal-control weaknesses, and the technical adequacy of the auditor's work [12]. In addition, independent commissioners and effective audit committees contribute to the integrity of financial statements by reinforcing oversight and reducing opportunities for managerial manipulation [13]. Thus, the findings suggest that effective governance transforms auditor selection from a management-controlled purchasing decision into a formal accountability mechanism.

The participants' emphasis on independence and objectivity also supports prior evidence concerning the risk of management influence over auditor appointment. When senior executives possess excessive influence over appointment, retention, or remuneration, auditors may face economic and relational pressures that impair their independence [9]. Power asymmetries within the selection process may similarly enable management to prioritize compliant or accommodating auditors rather than those most capable of conducting rigorous examinations [27]. The present findings therefore reinforce the necessity of separating management preferences from final appointment authority. They also show that independence must be evaluated in substantive rather than merely formal terms, including the absence of conflicts of interest, the capacity to challenge management, and the ability to report material concerns without fear of losing the engagement.

Professional credibility and standing emerged as another major component of the legal and professional cluster. Participants regarded the audit firm's reputation, professional history, ethical standing, experience, and membership in professional bodies as indicators of reliability. This finding is consistent with the view that audit firm reputation operates as an external signal of competence and credibility in emerging economies [16]. Selecting a reputable auditor may help companies enhance their organizational legitimacy and demonstrate to investors that their financial statements have been examined by a credible external party [3]. This function is especially important in transitional economies, where reputable auditors can compensate partly for institutional weaknesses and increase confidence in corporate disclosures [4]. The result also corresponds with evidence from Iraqi listed companies showing that disclosure practices and auditor appointment are interconnected, because firms seeking higher levels of reporting credibility may prefer auditors with stronger professional standing [24].

Technical and specialist competence was likewise identified as a decisive selection criterion. Participants emphasized knowledge of accounting and auditing standards, experience with similar industries, the ability to analyze complex financial information, and the capacity to provide useful recommendations. These results align with studies showing that professional development and continuous education improve auditors' technical performance and their ability to respond to emerging risks [18]. Continuous professional development also strengthens professional judgment, regulatory awareness, and the quality of audit execution [17]. The present findings indicate that the reputation of the audit firm alone is insufficient; the actual competence of the engagement team must also be evaluated. This is especially relevant for listed companies with complex operations, because financial and operational risk can influence the type of expertise required from the external auditor [19]. The findings therefore support the use of competency-based selection criteria that consider industry specialization, analytical capability, experience with complex transactions, and familiarity with the client's internal systems.

The second fundamental cluster consisted of quality and performance factors, including performance and reporting quality, economic considerations, risk management, and the sustainability of professional relationships. Participants consistently stated that audit reports should be accurate, comprehensive, transparent, timely, and capable of providing practical value to management and stakeholders. This finding supports evidence that external audit quality strengthens users' confidence in financial reports [1]. It is also consistent with studies indicating that audit quality and corporate governance contribute to improved disclosure quality and greater transparency [15]. The participants' focus on analytical and practical recommendations further indicates that audit quality is judged not only by the formal audit opinion but also by the auditor's contribution to internal control improvement, risk identification, and organizational learning.

The findings also showed that auditor selection is strongly associated with risk management. Participants expected auditors to identify financial, legal, operational, and reputational risks; evaluate internal controls; analyze financial records; and provide preventive recommendations. This result corresponds with evidence that companies facing higher financial and operational risk are likely to consider auditor expertise and reputation more carefully during the selection process [19]. It also supports the concept of auditor choice as a commitment device through which companies demonstrate their willingness to subject internal reporting systems to credible external scrutiny [2]. In this respect, a competent independent auditor reduces not only the risk of material misstatement but also the reputational consequences that may arise from unreliable disclosures. The selected auditor thus becomes part of the company's wider risk-governance system.

Economic considerations were also important, although the participants did not regard low cost as the primary objective. Instead, they emphasized a balance between audit fees, service quality, project complexity, specialized expertise, and the expected reduction in risk. This finding supports the conceptualization of auditor selection as a multi-criteria decision rather than a simple price comparison [5]. It also aligns with transaction-cost explanations of auditor–client contracting, according to which firms must consider search costs, negotiation costs, switching costs, information-transfer costs, and the potential cost of audit failure [20]. Auditor replacement may be particularly costly because switching involves both the decision to terminate the existing relationship and the subsequent evaluation of alternative providers [21]. Accordingly, the participants' preference for evaluating cost and quality simultaneously reflects a rational attempt to maximize audit value rather than merely minimize expenditure.

The sustainability of professional relationships was another important component of the quality and performance cluster. Participants believed that long-term cooperation with a reliable audit firm could improve understanding of the company's systems, increase efficiency, enhance communication, and reduce the risks associated with frequent auditor changes. This finding is compatible with resource-dependence perspectives, which suggest that auditor–client relationships involve reciprocal exchanges of expertise, legitimacy, information, and organizational resources [26]. However, the participants also recognized the need for periodic quality review and the termination of the relationship when quality declines or conflicts of interest emerge. This balance is consistent with research emphasizing that long-term relationships may enhance engagement knowledge but must be managed carefully to prevent familiarity from weakening auditor independence [28]. Thus, the findings do not support relationship continuity under all circumstances; rather, they support conditional continuity based on quality, independence, responsiveness, and professional trust.

The third cluster comprised behavioral and relational factors. Participants emphasized personal trust in the audit partner, prior collaboration, effective communication, responsiveness, and positive professional interaction. This finding demonstrates that formal criteria alone do not fully explain auditor selection. Decision makers also assess whether the audit team can communicate effectively, understand organizational concerns, and maintain constructive professional relationships. This result is consistent with research on chief executive officers' perceptions of external auditor selection, which indicates that managerial judgments are influenced by both technical and relational considerations [29]. It also supports evidence that power dynamics and interpersonal relationships can shape appointment outcomes [27]. However, the present findings suggest that personal trust is considered legitimate only when combined with professional competence and independence. Trust without technical capability may be insufficient, while competence without effective communication may reduce the practical usefulness of the engagement.

The fourth fundamental cluster consisted of technological and environmental factors, including technological capabilities and the market and competitive environment. Participants regarded the audit firm's ability to use digital systems, data-analysis software, automated tools, and digital reporting methods as an increasingly important selection criterion. This finding is consistent with evidence that digital transformation has significantly altered external auditing and its relationship with corporate governance [30]. Technology enables auditors to analyze larger datasets, identify anomalies more efficiently, and improve the speed and scope of audit procedures. The findings also align with professional concerns about the role of artificial intelligence in auditing, particularly the need to ensure that technological tools contribute to genuine trust rather than merely providing faster and cheaper procedures [31]. Accordingly, audit firms must demonstrate not only access to advanced technologies but also the competence to use them responsibly, interpret their outputs, and preserve professional judgment.

The market and competitive environment also influenced selection decisions. Participants referred to competitors' practices, economic fluctuations, market conditions, and the need to update selection criteria periodically. This finding is consistent with studies demonstrating that competition in audit markets affects audit quality in developing countries [22]. Market competition may encourage firms to improve service quality and transparency, although excessive price competition may also create pressure to reduce audit effort. The findings correspond with evidence that audit market competition is associated with financial reporting transparency [23]. They also reflect the broader economic and institutional conditions of Iraq, where structural challenges can affect corporate governance, investment, market development, and organizational decision-making [25]. Therefore, companies should not treat their auditor-selection criteria as permanently fixed; the criteria should be reviewed in response to changes in technology, regulation, market concentration, and economic risk.

Taken together, the findings support the conclusion that auditor selection is embedded within the broader governance and institutional architecture of the company. It is affected by board and audit committee characteristics, internal controls, organizational size, ownership patterns, and business-group relationships. Evidence that auditor selection within business groups may reflect group-wide coordination and reputation concerns supports this broader organizational interpretation [32]. Similarly, the composition of governance bodies, including the presence of female independent directors and audit committee leadership, may influence financial monitoring and irregularity prevention [33]. Studies from other emerging markets also confirm that auditor choice depends on a combination of institutional, organizational, professional, and economic factors [34]. The comprehensive model developed in the present study therefore extends prior findings by integrating these elements into a context-specific framework for Iraqi listed companies.

This study was subject to several limitations. First, the findings were based on 15 qualitative interviews, and although theoretical saturation was achieved, the results may not represent the views of all listed companies, audit firms, regulators, or investors in Iraq. Second, the study relied primarily on participants who had professional involvement in auditor selection, which may have introduced self-reporting and social-desirability biases. Third, the cross-sectional design captured experiences and perceptions during a particular period and may not reflect future regulatory, technological, political, or market changes. Finally, differences across industries, company sizes, ownership structures, and geographic regions were not examined systematically, and the qualitative design does not allow the relative statistical influence of each identified factor to be determined.

Future studies should quantitatively validate the proposed model using a larger and more diverse sample of listed companies, audit committee members, auditors, investors, and regulators. Researchers could develop a measurement instrument based on the 11 identified dimensions and test the model through structural equation modeling, factor analysis, or multi-criteria decision-making techniques. Comparative studies between Iraq and other emerging or Middle Eastern capital markets would help determine which dimensions are context-specific and which are more broadly applicable. Longitudinal research could also examine how regulatory reforms, digital transformation, political conditions, and changes in audit market concentration alter auditor-selection priorities over time. Further studies should investigate whether company size, industry, ownership concentration, board independence, financial distress, and audit committee expertise moderate the relationships proposed in the model.

Companies listed on the Iraq Stock Exchange should establish a formal, transparent, and documented auditor-selection framework based on the 11 dimensions identified in this study. Boards and audit committees should use standardized evaluation forms to assess legal compliance, independence, professional reputation, technical expertise, industry experience, reporting quality, technological capacity, risk-management competence, communication quality, proposed fees, and relationship sustainability. The process should include conflict-of-interest checks, comparative assessment of multiple qualified firms, periodic performance reviews, and clear criteria for auditor retention or replacement. Regulators and professional bodies should also issue detailed appointment guidelines, strengthen audit committee training, promote continuous professional development, and encourage the responsible use of data analytics and artificial intelligence in auditing.

Authors' Contributions

Authors equally contributed to this article.

Ethical Considerations

All procedures performed in this study were under the ethical standards.

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Conflict of Interest

The authors report no conflict of interest.

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