

THE ROLE OF SOCIAL AUDIT IN REDUCING TAX EVASION

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Abstract

Social auditing complements financial and accounting auditing, contributing to integrating individuals' and society's economic, social, and human needs. It is an ongoing process of examining, analyzing, evaluating, studying, and strategically determining the social status of economic units. This process helps these units oversee and direct their performance while allowing the public to influence the performance, behavior, and future policies of the economic unit. Additionally, social auditing plays a role in reducing or limiting tax evasion in social expenditures. The study's problem revolves around the expected impact of social auditing on the phenomenon of tax evasion in social activities. The hypothesis suggests that social auditing has a significant correlation and statistical significance in reducing tax evasion. Various scientific methodologies were adopted to conduct the study, including the descriptive and deductive methods for the theoretical part and the inductive and analytical methods for the practical part, using programs such as Amos, SPSS, and Smart PLS. The primary aim of the study is to demonstrate the role of social auditing in reducing tax evasion in social expenditures, highlighting the importance of social auditing for Iraqi economic units, emphasizing its role in obliging these units to comply with the laws, regulations, and instructions issued by relevant authorities, including the General Tax Authority, and examining the extent to which these units use legal and illegal means to partially or completely evade taxes.

Keywords: Social Auditing, Social Responsibility, Tax Evasion.

Introduction

The significant development witnessed by economic units has led to the evolution of the auditing process, which now extends beyond merely expressing an opinion on financial statements. It has evolved to conclude not only about the present and future of the unit but also about the interrelationships between these units, the environment, and the society in which they operate, communicating these findings to stakeholders. The emergence of what is known as social responsibility and the resulting development of a new type of accounting, Social Responsibility Accounting, has led to the advent of Social Auditing. This represents

a modern concept and a new field of auditing and control, aimed at supporting and verifying the accuracy and reliability of data, information, and reports, reassuring various stakeholders, including the General Tax Authority, about the credibility and significance of financial statements and other reports, and disclosing this information to various groups to reveal the social performance of the unit (Al-Tamimi, 2014, p.42).

It is known that some economic units employ various methods when engaging in social activities, measuring, and reporting these activities according to Social Responsibility Accounting to evade taxes, such as inflating costs to reduce profits, thereby decreasing the tax amount due to the relevant tax collection authorities. This pertains to the amounts spent by the units in fulfilling their social responsibilities towards the environment and society. The attempt by units to partially or fully evade taxes when fulfilling their social responsibilities has highlighted the need to rely on Social Auditing in auditing financial reports prepared according to Social Responsibility Accounting to reduce tax evasion (Al-Kaabi, 2008, p.12).

This research will address the role of Social Auditing in enhancing the accuracy of financial data related to the unit's social activities and in reducing or limiting tax evasion in social expenditures that the units are responsible for in meeting their societal obligations. Accordingly, the study problem can be summarized as follows: A. To what extent is Social Auditing adopted in Iraqi economic units? B. What role does Social Auditing play in enhancing the accuracy of financial data related to the unit's social activities? C. What is the expected impact on the phenomenon of tax evasion in social activities resulting from the use of Social Auditing?

Study Hypothesis: The research seeks to test the following hypothesis: Social Auditing contributes to reducing tax evasion. This hypothesis branches into the following:

Social Auditing has a significant correlation and statistical significance in reducing tax evasion.

Social Auditing has a significant and statistical impact on tax evasion.

The study aims to achieve several objectives, most notably:

Studying modern developments in accounting, particularly Social Responsibility Accounting, and clarifying its role as a tool for measuring and communicating the information resulting from Iraqi economic units fulfilling their social responsibilities to various stakeholders.

Determining the extent to which Iraqi economic units are interested in adopting Social Auditing as a tool to verify the accuracy and reliability of financial statements and reports prepared according to Social Responsibility Accounting.

Disclosing the extent to which Iraqi economic units contribute to societal welfare by adhering to their social responsibilities.

Clarifying the nature of tax evasion, including its definition, types, forms, causes, and the mechanisms through which tax evasion occurs in social contributions.

Explaining the expected impact of using Social Auditing as a tool to support the financial data included in Social Responsibility Accounting on reducing tax evasion in social activities.

Study Importance:

Formulating a conceptual framework for Social Auditing, covering its definition, importance, characteristics, and objectives.

Clarifying the importance of Social Auditing for Iraqi economic units.

Highlighting the role of Social Auditing in obliging units to comply with laws, regulations, and instructions issued by relevant authorities.

Focusing on key concepts of tax evasion, including its definition, types, forms, causes, and ways of addressing it.

Explaining the expected impact of Social Auditing on reducing tax evasion in social activities.

Study Scope:

Spatial Scope: The study will be limited to the Iraqi environment, relying on a sample of experts and specialists in Iraq.

Temporal Scope: The study will be based on data and information provided by the study sample for the year 2024, as well as the latest available data thereafter.

Study Population and Sample:

Study Population: Includes university professors, auditors, accountants, tax assessors, and specialists in accounting, business administration, and economics.

Study Sample: Consists of selected university professors, auditors, accountants, tax assessors, and relevant specialists.

Study Methodology: Several scientific methods were adopted, including the descriptive and deductive methods for the theoretical part, and the inductive and analytical methods for the practical part.

Previous Studies:

A study by Al-Tamimi (2002): "Social Control and Its Role in Evaluating the Performance of Economic Units - A Field Study in the Federal Board of Supreme Audit," submitted to the College of Administration and Economics, Al-Mustansiriya University, for a Ph.D. in Accounting. This study focused on defining the dimensions of social control responsibility, identifying social responsibility activities, and determining the essential requirements for successful social control. The study highlighted the lack of clear conceptual dimensions for social control within the theoretical framework of financial control and identified shortcomings in the application of social control in Iraq. It recommended enhancing the role of Social Responsibility Accounting and raising social awareness among economic unit managers.

A study by Mohsen and Hassan Salem (2016): "Tax Enumeration and Its Contribution to Reducing Tax Evasion," applied research at the General Tax Authority, submitted to the Higher Institute for Accounting and Financial Studies, University of Baghdad. The study identified the problem of tax enumeration procedures still facing significant challenges and gaps despite numerous tax legislations. The research aimed to assess the reality of tax evasion in Iraq and the potential of tax enumeration in reducing tax evasion, concluding that tax enumeration contributes to reducing tax evasion and increasing tax revenue. The study

recommended planning for field survey committees and enhancing their members' expertise and capabilities.

Objectives of Social Auditing:

First: Examining social performance and evaluating the effectiveness of programs or social activities that economic units aim to implement to achieve the social goals of information users and assist them in decision-making (Al-Quraishi, 2010: 448). Mabrouk believes that conducting a technical and neutral examination of reports, programs, and activities related to social performance requires a set of quantitative, qualitative, and value-based indicators that reflect the effectiveness and efficiency of these units in achieving their social goals toward their employees. These indicators also include external indicators related to evaluating social performance concerning human resources, in addition to indicators for evaluating the performance of these units concerning the products and services they provide to society.(1)

Second: Ensuring the adequacy and suitability of disclosures in social reports in expressing the extent of the economic unit's fulfillment of its social responsibility (Al-Quraishi, previous source: 448). To achieve this goal, Mabrouk believes the following are necessary:(1)

A. The existence of a social responsibility accounting subsystem within the applied accounting system in the unit, aimed at measuring and conveying information about the social activities of these units to various stakeholders interested in these activities. Social measurement of these activities should be monetary whenever possible because descriptive reports only describe social activity without specifying the costs and benefits of these activities.

B. The presence of a set of evidence and proof allows the auditor to provide an impartial technical opinion on the extent to which financial reports disclose the social responsibility activities of the economic unit. This evidence must be efficient, valid, effective, and suitable for the objectives of social auditing.(1)

For more details, visit the following site: (1) www.infotechaccountants.com/topic/19565

Third: Preparing a comprehensive report on the results of social activity, including accurate data that can be trusted by community stakeholders.

Fourth: Social auditing increases reliance on social reports as they are examined and monitored by an impartial auditor, thereby gaining a level of trust higher than that enjoyed by financial statements that are not examined or audited (Al-Quraishi, 2011: 449).

- Importance of Social Auditing:

The importance of social auditing is highlighted through the following (Al-Moussawi, 2004: 104):

First: Effective supervision and adjustment of the implementation of plans based on the results achieved promptly.

Second: Allowing stakeholders to judge the extent to which the economic unit achieves social, cultural, and environmental added values.

Third: Assisting in strategic planning by finding the necessary balance between economic and social objectives.

Fourth: Evaluating the unit's commitment to its social responsibility, leading to increased commercial transactions for the unit.

Fifth: Publishing audit reports improve transparency, accountability, and the general image of the unit.

Sixth: Announced audit results can help the unit enhance and develop a culture of social responsibility for everyone in the company, such as granting customer rights, which improves the unit's reputation.

Seventh: Social and financial objectives are not necessarily conflicting but can support each other. Social auditing and the resulting social information develop the economic units' ability to manage the varying needs of stakeholders and identify threats and opportunities, providing the units with the necessary information to coordinate financial and social considerations.

Concept for Tax Evasion:

Tax evasion is a fundamental issue faced by the tax system, due to various reasons, including structural flaws in the tax system. Authors have defined tax evasion as (Al-Amin, 2000: 148): "A tax offense resulting from hiding or falsifying information provided to the tax administration to reduce the tax amount or conceal a previous offense by not registering the taxpayer in the income tax system or failing to submit the annual tax declaration." It is also defined as the taxpayer's attempt to avoid paying the due tax wholly or partially, resulting in no tax collection by the tax administration (Ata, 2002: 465). It is further described as using fraud or deceit to escape or reduce tax payments, either by denying the existence of taxable income or declaring a lesser amount (Ismail, 2002: 55). Legally, it refers to any act or omission that contravenes legal rules established to protect the state's economic policy if it is criminalized in the Penal Code or other criminal laws. Economically, it is the deliberate neglect of legal provisions to evade tax obligations, achieved by submitting false information or concealing facts that reveal the taxpayer's true profits (Al-Rawi, 2008: 11). Tax evasion is also an attempt by taxpayers subject to tax to avoid or reduce tax payments unlawfully, which can be either total or partial. This is done by submitting final declarations or incomplete information. Higher taxes increase the tendency to evade them (Al-Kaabi, previous source: 12). It also means an individual's attempt to avoid paying due taxes, either wholly or partially, using illegal methods (Al-Tahan, 2009: 79).

Types of Tax Evasion:

Given its importance and danger, specialists have categorized tax evasion as follows:

First: Tax Evasion Based on Legality:

A. Legal Evasion: The taxpayer avoids tax liability without violating tax laws by steering clear of taxable areas (Al-Fraihat, 2009: 25) or exploiting legal loopholes to avoid or evade taxes, without breaking the law (Al-Hiti and Al-Khashali, 2006: 117). Such loopholes are present in any system but vary in severity and frequency, with taxpayers seeking expert advice to exploit these loopholes (Jum'a, 2005: 84).

B. Illegal Evasion: This involves fraud or deceit by the taxpayer, such as failing to submit a tax return or providing false information about their activities (Al-Ali, 2009: 178). This is known as tax fraud and is punishable by law. Methods include (Abdullah and Aliwi, 2011: 170-171):

Through Accounts: Not keeping records for income tax purposes, forging records to manipulate income and expenses.

Hiding Income Sources: Declaring some income sources while hiding others.

Manipulating Income Ownership: Transferring income sources to tax-exempt entities while retaining control.

Second: Evasion Based on the Extent of Tax Avoidance:

A. Partial Evasion: Reducing the tax owed through illegal methods (Abu Ali, 2004: 58), such as underreporting sales or declaring false information.

B. Total Evasion: Completely avoiding tax payments, which deprive the treasury of revenue, commonly practiced by professionals and small traders not listed in tax records (Abdullah and Aliwi, 2011: 171).

Third: Evasion Based on Regionality:

A. Domestic Evasion: Common in all countries, involving local methods to avoid taxes, such as exploiting loopholes or using fraudulent methods (Atwi, 2003: 28).

B. For more details, visit: (1) http://www.nazaha.iq/%5Cpdf_up%5C1532%5Ccpp-l.pdf

C. International Evasion: Conducted outside the jurisdiction of the taxing state, impacting national revenue by diverting income to foreign countries, where conditions might be more favorable for the taxpayer (Abdullah and Aliwi, 2011: 171-172).

Fourth: Evasion in E-Commerce:

Tax evasion issues arise in e-commerce due to the nature of digital transactions involving both tangible and intangible products. E-commerce activities often bypass traditional taxation mechanisms, creating challenges for tax authorities. Contributing factors include (Al-Hayani and Abdu, 2005: 232):

A. Lack of E-Commerce Tax Legislation: No current regulations specifically address tax issues in e-commerce.

B. Weak International Cooperation: Insufficient agreements to counter tax evasion in e-commerce.

c. Technological Advancements: Inadequate understanding of the technological changes in online commerce.

d. Absence of Modern Audit Evidence: Lack of contemporary evidence for verifying transactions and resolving disputes.

- Causes of Tax Evasion:

Several factors contribute to tax evasion, summarized as follows (Jawad, 2006: 216):

First: Administrative Causes:

1- Multiple Tax Collection Methods: Multiple methods create confusion, such as self-declaration or assessment, complicating tax enforcement and aiding evasion.

2- Strict Collection Methods: Harsh penalties for late payments lead to financial strain and encourage evasion as taxpayers seek to avoid penalties.

3- Inaccurate Taxpayer Registration: Poorly maintained tax records allow taxpayers to evade detection and avoid taxes.

4- Insufficient Tax Staff: A shortage of qualified tax personnel hampers effective tax administration and enforcement.

5- Low Educational Levels of Tax Staff: Higher education levels improve tax administration effectiveness and reduce evasion.

6- Lack of Specialized Anti-Evasion Units: Weak professional specialization in combating tax evasion necessitates legislative reviews and advanced techniques for measuring evasion.

Face Validity (Expert and Arbitrator Validation):

By established tradition in qualitative studies, the face validity of the questionnaire was verified by presenting it to a group of experts in the research field, totaling 12 individuals. Their feedback on the scale was considered during the questionnaire evaluation. The acceptance rate of the items was deemed (good) regarding their validity and relevance to the study's title and the nature of the relationship between the variables.

Content Validity Test

Table (1) shows the content validity test.

Variable and Dimension	The symbol	Number of phrases	Honesty	Result
Social Audit	X	16	0.98	Excellent
First Dimension: Traditional Audit	X1	4	0.84	Good
Second Dimension: Environmental Audit	X2	4	0.95	Excellent
Third Dimension: Audit of the Unit's Human Resources Activities	X3	4	0.94	Excellent
Fourth Dimension: Audit of Public Contributions to the Community	X4	4	0.96	Excellent
Tax Evasion	Y	16	0.83	Good
First Dimension: Legal Tax Evasion	Y1	4	0.92	Excellent
Second Dimension: Tax Evasion by Amount	Y2	4	0.51	Poor
Third Dimension: Regional Tax Evasion	Y3	4	0.97	Excellent
Fourth Dimension: Electronic Tax Evasion	Y4	4	0.97	Excellent
Total	Q	32	0.99	Excellent

- Reliability Level and Stability Coefficient:

Unacceptable: $\alpha \leq 0.50$, Poor: $0.50 \leq \alpha \leq 0.59$, Questionable: $0.60 \leq \alpha \leq 0.69$, Acceptable: $0.70 \leq \alpha \leq 0.79$, Good: $0.80 \leq \alpha \leq 0.89$, Excellent: $\alpha \geq 0.90$

The results in Table (1) indicate the overall acceptability of the questionnaire, except for one dimension, "Tax Evasion by Amount," which can generally be attributed to the limited number of questions. Given that the dependent variable is measured at the overall variable level without considering each dimension when testing the hypotheses, content validity can be judged at the overall variable level. This is because Cronbach's alpha result of 0.83, classified as "good," for the entire dimension was acceptable. Additionally, the items will be re-tested during the scale construction.

- Confirmatory Factor Analysis (CFA) for the Social Audit Variable:

CFA was used to confirm the social audit scale, revealing four factors that constitute the latent factor structure of the social audit scale:

F1: Traditional Audit

F2: Environmental Audit

F3: Audit of Unit's Human Resource Activities

F4: Audit of Community-Specific Public Contributions

Each factor is reflected by a set of items with high loading on that factor. From the standardized estimates below Figure (8), it is observed that this scale is suitable for the data, indicating the validity of the measurement. Figure (8) illustrates the confirmation of the latent structures and the verification of construct validity for the "Social Audit" variable.

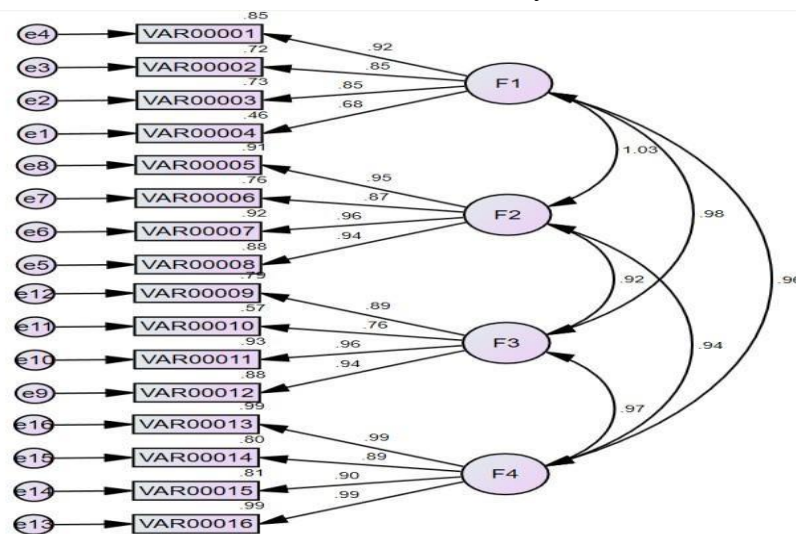


Figure (1) Confirmation of latent structures and verification of construct validity for the variable "social audit".

Table (3) Standardized scale estimates for the "social audit" variable.

Paragraph		Estimate	The dimension	Chi-square	Probability	IFI	TLI
VAR00004	<---	0.678	F1	1474	0.000	0.728	0.666
VAR00003	<---	0.855					
VAR00002	<---	0.847					
VAR00001	<---	0.922					
VAR00008	<---	0.938	F2				
VAR00007	<---	0.958					
VAR00006	<---	0.871					
VAR00005	<---	0.955					
VAR00012	<---	0.939	F3				
VAR00011	<---	0.962					
VAR00010	<---	0.756					
VAR00009	<---	0.889					
VAR00016	<---	0.995	F4				
VAR00015	<---	0.901					
VAR00014	<---	0.895					
VAR00013	<---	0.993					

Source: Prepared by the researcher based on the Amos program.

- Factor Analysis (CFA) of Tax Evasion Variable:

CFA was used to confirm the tax evasion scale, revealing the presence of four factors that constitute the latent factorial structure of the tax evasion measure. These factors are:

F1: Legitimate Tax Evasion

This factor reflects aspects related to tax evasion that occur within the legal framework or exploit legal loopholes.

It includes a set of items that are strongly saturated on this factor, explaining tax evasion considered legitimate from a legal perspective.

F2: Tax Evasion by Amount

This factor represents tax evasion based on the magnitude of evasion, whether small or substantial.

The items saturated on this factor reflect variations in evasion levels depending on the amount of tax avoided.

F3: Regional Tax Evasion

This factor captures tax evasion occurring at the regional or cross-border level, where activities extend beyond national boundaries to benefit from differences in tax regulations.

It includes items related to strategies used for cross-border tax evasion.

F4: Electronic Tax Evasion

This factor reflects tax evasion conducted through electronic activities and digital commerce.

The items associated with this factor address tax evasion resulting from inadequate tax legislation concerning electronic transactions.

Each of these four factors contributes to a deeper understanding of the components of tax evasion, with a set of items strongly loading on each factor, highlighting their significant impact on the primary tax evasion variable

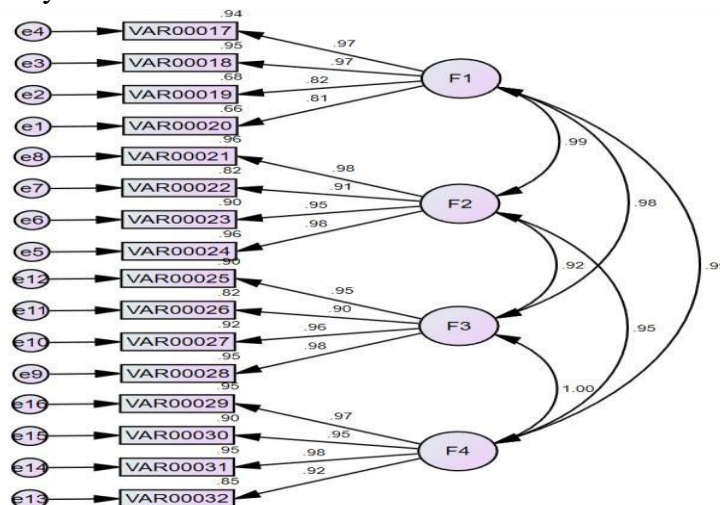


Figure (2) Confirming the latent structures and verifying the construct validity of the variable “tax evasion”. Source: Prepared by the researcher based on the Amos program

Table (4) Standard estimates of the scale for the variable “tax evasion

Paragraph		Estimate	The dimension	Chi-square	Probability	IFI	TLI
VAR00036	<----	0.831	F1	1278.97	0.000	0.727	0.664
VAR00035	<----	0.855					
VAR00034	<----	0.907					
VAR00033	<----	0.988					
VAR00040	<----	0.947	F2				
VAR00039	<----	0.935					
VAR00038	<----	0.888					
VAR00037	<----	0.966					
VAR00044	<----	0.952	F3				
VAR00043	<----	0.97					
VAR00042	<----	0.907					
VAR00041	<----	0.954					
VAR00048	<----	0.971	F4				
VAR00047	<----	0.968					
VAR00046	<----	0.928					
VAR00045	<----	0.976					

Source: Prepared by the researcher based on the Amos program.

Table (5) First axis evaluations/social audit

The first axis																	
Total	16	15	14	13	12	11	10	9	8	7	6	5	4	3	2	1	Question Evaluation
1799	110	102	117	111	103	109	88	97	116	121	128	117	137	99	125	119	I totally agree
381	23	33	21	22	23	27	52	40	22	11	12	19	5	34	17	20	I agree
92	9	7	4	9	16	6	2	5	4	10	2	6		9		3	neutral
																	I disagree
																	I totally disagree
I totally agree	I totally agree	I totally agree	I totally agree	I totally agree	I totally agree	I totally agree	I totally agree	I totally agree	I totally agree	I totally agree	I totally agree	I totally agree	I totally agree	I totally agree	I totally agree	I totally agree	Result

Table (6) Evaluations of the second axis/tax evasion

The third axis																	
Total	16	15	14	13	12	11	10	9	8	7	6	5	4	3	2	1	Question valuation
1775	107	103	114	108	101	108	93	02	13	118	124	115	131	101	122	115	I totally agree
368	28	29	16	23	27	28	35	34	27	23	12	24	9	30	11	12	I agree
123	7	10	12	11	14	6	14	6		1	4	3	2	11	9	13	neutral
4									2		2						disagree
2																2	I totally disagree
totally agree	totally agree	totally agree	totally agree	totally agree	totally agree	totally agree	totally agree	I totally agree	I totally agree	I totally agree	totally agree	totally agree	totally agree	totally agree	totally agree	totally agree	Result

Source: Prepared by the researcher

- Correlation between the model variables: A- Table (7) shows the correlation between the independent variable (X) represented by social auditing and the dependent variable (Y) together.

Table (7) Pearson correlation matrix between study variables

Variables	R ²	
	Tax evasion Y	Significance level
Social Audit X	0.970**	0.000

Table: Prepared by the researcher

Table (7) shows the correlation matrix between the main variables. Strong and statistically significant direct correlations exist between the main variables at the 1% level. This confirms the great homogeneity in the researchers' perception of these variables, as the correlation between social auditing and tax evasion reached "0.970," which is significant at the 1% level.

B Table No. (8) Pearson correlation matrix between the sub-dimensions of the questionnaire

.1Regarding the correlation matrix between the sub-dimensions: There are strong and statistically significant direct correlations at the 1% level between the sub-variables of all dimensions with each other and with other dimensions. This confirms the great homogeneity in the researchers' perception of these variables, as follows:

A.

The dimensions	1	2	3	4	5	6	7	8
	Traditional audit	Environmental Audit	Audit of the unit's human resources activities	Auditing public and community contributions	Tax evasion project	Evasion For tax According to Amount	Tax evasion regional	Tax evasion
1	1	0.94	0.79	0.84	0.91	0.89	0.78	0.82
2	1		0.84	0.90	0.91	0.93	0.84	0.89
3	1			0.89	0.81	0.84	0.98	0.92
4	1				0.87	0.90	0.90	0.90
5	1					0.92	0.81	0.86
6	1						0.83	0.88
7	1							0.93
8	1							

Traditional Audit:

Traditional audit is significantly related to environmental audit with a coefficient of 0.94, significantly at the 1% level. It is significantly related to the audit of the unit's human resource activities with a coefficient of 0.79, significantly at the 1% level. It is significantly related to the audit of community-specific public contributions with a coefficient of 0.84, significant at the 1% level. It is significantly related to lawful tax evasion with a coefficient of 0.91, significantly at the 1% level. It is significantly related to tax evasion by amount with a coefficient of 0.89, significantly at the 1% level. It is significantly related to regional tax evasion with a coefficient of 0.78, significant at the 1% level. It is significantly related to electronic tax evasion with a coefficient of 0.82, significant at the 1% level.

B. Environmental Audit:

Environmental audit is significantly related to the audit of the unit's human resource activities with a coefficient of 0.84, significant at the 1% level. It is significantly related to the audit of community-specific public contributions with a coefficient of 0.9, significantly at the 1% level.

It is significantly related to lawful tax evasion with a coefficient of 0.91, significantly at the 1% level. It is significantly related to tax evasion by amount with a coefficient of 0.93, significant at the 1% level. It is significantly related to regional tax evasion with a coefficient of 0.84, significant at the 1% level. It is significantly related to electronic tax evasion with a coefficient of 0.89, significant at the 1% level.

C. Audit of Human Resource Activities:

The audit of the unit's human resource activities is significantly related to the audit of community-specific public contributions with a coefficient of 0.89, significant at the 1% level.

It is significantly related to ethical responsibility with a coefficient of 0.88, significant at the 1% level. It is significantly related to lawful tax evasion with a coefficient of 0.81, significant at the 1% level. It is significantly related to tax evasion by amount with a coefficient of 0.84, significantly at the 1% level. It is significantly related to regional tax evasion with a coefficient of 0.98, significantly at the 1% level. It is significantly related to electronic tax evasion with a coefficient of 0.92, significantly at the 1% level.

D. Audit of Community-Specific Public Contributions:

The audit of community-specific public contributions is significantly related to lawful tax evasion with a coefficient of 0.87, significant at the 1% level. It is significantly related to tax evasion by amount with a coefficient of 0.90, significantly at the 1% level. It is significantly related to regional tax evasion with a coefficient of 0.90, significantly at the 1% level. It is significantly related to electronic tax evasion with a coefficient of 0.96, significantly at the 1% level.

E. Tax Evasion:

Lawful tax evasion is significantly related to tax evasion by amount with a coefficient of 0.92, significant at the 1% level.

It is significantly related to regional tax evasion with a coefficient of 0.81, significant at the 1% level.

It is significantly related to electronic tax evasion with a coefficient of 0.86, significant at the 1% level.

Tax evasion by amount is significantly related to regional tax evasion with a coefficient of 0.83, significant at the 1% level.

It is significantly related to electronic tax evasion with a coefficient of 0.88, significant at the 1% level.

Regional tax evasion is significantly related to electronic tax evasion with a coefficient of 0.93, significant at the 1% level.

7-3 Testing the Relationship Between Variables:

Table (9) presents the first structural model of the study (SEM-1), examining the impact of social audit on the level of tax evasion

المصادر	المعاملات غير معيارية	المعاملات المعيارية	الانحراف المعاري	اختبار T	P Values
التدفق الاجتماعي > - التهرب الضريبي	0.422	0.409	0.136	3.09	0.002

Table (9) Path Analysis Results:

The table presents the results of the path analysis between social audit and tax evasion. The unstandardized coefficient is (0.422), representing the unstandardized effect value. The standardized coefficient is (0.409), indicating that a one-unit change in social audit leads to a positive impact on the dependent variable, tax evasion, by (0.409). The standard error is (0.136), reflecting the variance or distribution in the data. This result is supported by the computed T-test value of (3.09), which is greater than the critical value of (1.16) at a significance level of (0.01)

Hypotheses Validation:

Based on the information provided, including correlation and impact results from SPSS, AMOSE, and Smart PLS, the following hypotheses are confirmed:

Social Audit Contributes to Reducing Tax Evasion:

There is a statistically significant correlation and relationship between social audit and the reduction of tax evasion.

Social audits have a statistically significant impact on tax evasion.

Conclusions:

1. Human Resource Social Audit: It creates a suitable environment for employees within the economic unit.
2. Community Contributions Social Audit: It helps achieve community satisfaction and reduces social risks, particularly in combating unemployment.
3. Enhancement of Community Contributions: Social audits improve activities related to community contributions, protecting them and enhancing the economic unit's performance.
4. Human Resource Activities Audit: By auditing human resource activities, social audit increases awareness and satisfaction among employees, subsequently improving the social performance of the unit.
5. Tax Evasion: It relies on concealing information, preventing tax administration from effectively collecting taxes.

6. Relationship between Social Audit and Tax Evasion: A strong positive correlation (0.970) confirms that social audit helps reduce project tax evasion in line with social responsibility accounting requirements.
7. Impact of Tax Evasion: It leads to the loss of tax revenues, thus harming the state's treasury.
8. Fraudulent Practices Examination: Social audit helps reduce regional tax evasion outside the jurisdiction of the tax-imposing state.
9. E-commerce Activities: Both domestic and international e-commerce activities often result from legislative shortcomings, leading to electronic tax evasion.
10. Electronic Activities Audit: A strong positive correlation (0.970) shows that social audit contributes to auditing the unit's electronic activities related to the community, thereby reducing electronic tax evasion

Recommendations:

1. Economic units should rely on social audits for human resources to provide a suitable environment for employees within the unit.
2. Economic units should implement social audits through the auditing of human resource activities to increase awareness, achieve satisfaction, and subsequently improve the unit's social performance.
3. Social auditing should be used to improve activities related to community contributions, protect them, and enhance the economic unit's performance.
4. Economic units should adopt social audits for community contributions to achieve community satisfaction and reduce social risks, particularly in combating unemployment.
5. The General Tax Authority should adopt modern techniques and methods to reduce tax evasion by detecting concealed information to increase tax collection.
6. The tax administration should guide economic units to implement social audits to reduce tax evasion in line with social responsibility accounting requirements.
7. The tax administration should focus on reducing tax evasion to prevent the loss of tax revenue, which ultimately harms the state treasury.
8. Economic units should rely on social audits, particularly by examining fraudulent practices, to reduce regional tax evasion outside the jurisdiction of the tax-imposing state.
9. The tax administration should monitor e-commerce activities, both domestic and international, through tax legislation to reduce electronic tax evasion.
10. Social audits should be adopted to audit the unit's electronic activities related to the community, thereby reducing electronic tax evasion.

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