

THE PROBLEMS OF AUDIT QUALITY: EVIDENCE FROM STUDIES IN IRAN

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ABSTRACT

Audit quality plays a key role in the efficiency of capital markets. This is because on the one hand, independent audit of financial statements is considered a benchmark for validating and uniformity. On the other hand, reliance on financial statements and audit quality by providing appropriate information disclosure of any events that could have an impact on decision making. The loss of assets employed in the capital market in light of the decision based on inaccurate information, prevent. Relying on the ultimate goal of social accounting and reporting based on the measurement of interaction between business and society is about. While the auditor is responsible to the whole society and the community is aware of the case, the auditors clearly a component of social capital is not a constant. Always bear in mind that the underlying assumption is that different levels of quality audit provided by the auditors depend on the quality level requested by the client. This, in turn, stems from the cost of stewardship and representing the client is willing to pay for it. In this study, we aimed to identify several fundamental issue of auditing profession in Iran. Qualitative research methods based on the opinions of experts and a literature review and critique has been concluded.

KEYWORDS: Quality Audit, Audit Fees, Economic Structure, Financial Information

INTRODUCTION

Investor confidence in the effectiveness and efficiency of the financial markets and world economic growth and stability in the world, what is essential. Investors to understand the financial information on its financial resource allocation decisions are worthy of trust and rely on, to require auditors. Audit opinion on the financial statements, the means to achieve it. Financial auditors to improve the reliability and confidence in the financial information provided by private companies, government agencies, nonprofits and other entities through the accreditation to the financial statements, play an essential role. Accounting Association Committee of America on basic concepts of business auditors often regular audit process Realistic valuation evidence regarding management's statements about events and economic activity to understand the correlation between their statements and common criteria and predetermined and transport and communication The results to interested users, define (Zerni, 2009). Auditors provide a reasonable assurance that the financial statements are free of material misstatement and wrong. The audit, the adverse effects of the separation of ownership from management by reducing the information asymmetry between the users of financial statements and producers have not, to minimize (Guyd et al., 2008). Given that accountability in the management of the entities financial reporting quality. The only certainty about the quality of graduates from its independent auditors provide the company's valuation and earnings management structure in the world economic exchanges, plays a great role (NIE, 2007). In other words, we can say that the financial statements, the auditors and reporting unit are common. This makes quality reporting component cannot be considered apart from the quality audit.

AUDIT IN IRAN

Audit inspection of Iran and Islam goes back to when the source (both financial and non-financial), where there is a transfer of wealth and when raised, with the Plus is also a monitoring and inspection. Under the Abbasids, the authorities and supporters of the government to cut interest were subject to the extent that they're in the office were searched and their personal circumstances are the people and the country. Caliph Mansur says that I need more than anyone to four officers, first, unscrupulous judge; second, the head of the patrol that killed the oppressed from the oppressor; and third, the Tax Collector fair and finally, monitoring the performance of these three People correctly report. During the reign of the Sameness, the Court was of great importance; the Court of Treasury responsible for the accounts, accounting and finance and income expenditure was in charge. Second, the Court nobles whose duty is to monitor the expenditure of government revenues. The Constitutional Revolution and the adoption of the constitution at the time, Iran began a new chapter of accounting and auditing. Constitutional Revolution at the height of the deteriorating economic situation, budget deficits and foreign borrow victory. Therefore, the main preoccupation of revolutionaries to organize the disorganized and fragmented relationships and focus on cost control and cost of government and the court. Genesis basic concepts of bookkeeping, accounting and auditing (mostly government) in Iran, the result of such concern have been reflected in the rules from the beginning. Adoption of the rules of public accounting and auditing in the National Assembly began the second period of the accounting and auditing rules from the perspective of history in Iran, has been important. In Iran the legal inspector in the private sector has pointed out, the Commercial Code adopted in 1932/13/04's. The law, in Articles 62, 63 and 64 listed companies and their auditors and inspector as the Commissioner mentioned. Finally, the law ratifying the charter of accountants in Iran with 218 in 1945 was closed. After these things until the adoption of Article 33 of the Law on income tax and stamp duty on real cadastral 1955/16/08 which could be the first step in understanding the accounting and auditing official action was taken. In the matter of the law of the accountant and auditor as mentioned sworn expert. Then in 1960, the Ministry of Finance under the authority of the above, the Regulations concerning the founding sworn accountants and experts in order to account for the formation of an official investigation into the accounts and offices of persons, companies and other institutions and computational issued a statement that it eventually Accountants and auditors to establish the organization and Iran ended in 1961 with 36 members. and the same day every year in Iran referred to as an accountant day. These organizations and community associations to 1963 only professional accounting and auditing Iran until June 30, 1963 Another Accountants Association of Iran was established that the activity of these organizations established in the form of an ad in the newspaper, but has no activities in this area. Not more than three years of sworn auditors and experts Account Association of Direct Taxes Act of 1965 was passed, it was decided to use the results of the audit and investigation offices and payers account for the determination of taxable income, some called CPAs to be determined. Following the cases occurred; in 1970 a group of CPAs began to consider establishing an independent organization, which leads to the formation of the Institute of Chartered Accountants in 1971. After the Islamic Revolution in Iran in 1980, during the General Assembly's decision to set national industry Industrial Property, Audit Authority and the PBO was established national industry organization. Apart from this institution, another audit firm was established by the Foundation. In 1983, with the adoption of legislation was an attempt to merge the public institutions mentioned audit of the organization, the state of the organization. Due to problems in business and need a lot of professional accounting and auditing services, the bill authorized the use of specialized services and professional accounting as a CPA in 1993 Parliament adopted that eventually led to the formation of Certified Public Accountants in 2001. According to the latest figures released by Society of CPAs, we have a society with 1840 members in 778 others as a partner in the audit firm

236 and 248 in the audit, audit institutions employed 173 people, 168 people employed by the individual to the pay audit and the 473 members of the non-audit work involved.



Figure 1

THE CONCEPT OF AUDIT QUALITY

If the qualities of a product or service provided as general properties with desirable characteristics define the customer to achieve customer satisfaction, service auditing profession is not something separate from it. On audit quality, there are different definitions. a common definition of audit quality, the definition used by De Angelo provided. He has defined audit quality: "Assess (implied) market," the possibility those material misstatements in the financial statements and the auditor (1) accounting system to discover the work, and (2) report discovered material misstatement. The possibility that the auditor to detect material misstatements to the competence of the auditor, and the possibility that material misstatements discovered the audit report, the auditor's independence. De Angelo definition of real quality audit based on the perception of the users or the so-called market perception of the quality of the audit. Using this definition, the expression of real quality audit is carried out with the basic assumption that perceptions of audit quality reflect the actual quality of the audit. Paul MAROOS audit quality defined by the accredited auditor. Since the auditor's objective is to ensure the financial statements, the audit quality means free of material misstatements of the financial statements audited. In fact, this definition emphasizes on the audit results, the reliability of audited financial statements, reflecting the high quality of the audit.



Figure 2

OVERSIGHT OF THE AUDIT PROFESSION

Nowadays no institution can exist without an efficient regulatory system to achieve its goals and missions successful. According to the audit profession that deals with the public interest, leading and one of the few professions in this field is to monitor their services, requirements and standards have been developed. Quality control standard on audit firms providing audit services, other assurance services and related services, relating to the responsibilities of audit and auditors and audit monitoring service. According to the Statute and Regulations of the population, control, status accounting firms and CPAs individual who is required annually. Monitor the quality control audit in accordance with auditing standards in the institution's time. Control of the situation, by two certified public accountants audit manager in the working groups working in the quality control of audit firms carried out by referring to books and questionnaires completed state control over society. The situation in 4 points in the control group a (801 to 1000), Group B (651 to 800), Group C (501 to 650) and Group D (0 to 500) is divided. Society organizations in the auditing profession as self-control, not feeling the need for external control companies such as Enron and WorldCom before bankruptcy and financial fraud, particularly in the US of America, was introduced. Consequently, control over the audit profession to bring that led to the selection of control measures for the institutions to be audited. In various countries by organizations such as the accounting of the Supervisory Board of public companies In the US America, the Supervisory Board and accounting inspection in Great Britain, Public Sector Accounting Board of Canada in Canada, Watch accounting Australia in Australia and the Securities and Exchange Commission and is conducted in Iran's Society of CPAs.



Figure 3

PROBLEMS OF AUDITING PROFESSION IN IRAN

Capital market is one element of each country's macroeconomic and auditors as market participants have been forgotten. Clarifying the role of auditors in the capital markets, including information on the one hand and creates a system of accountability to the community on the other. If auditors have commented on the performance of management and the financial statements to identify the cause of good and bad investment opportunities audience by their audit report, the auditor can be regarded as integral to the stable market. In other words, economic development requires the audit. Meaning up to the issue at stake is the quality of audits. Professional services of audit and quality somewhat improved in recent years, but until there is a satisfactory level. It is hoped that by solving the following problem and other problems worthy of discussion and follow-up on the field, service to the profession and improving its quality, incur losses as a result

of decisions based society of false information, and the, quality avoided achieve audit. In this section, the main axis of the study, the number of audit issues will be discussed.

Lack of Awareness of Users of Financial Information

Users of financial information without sufficient knowledge in the field of audit and auditor demands are not defined, with the exception of the minimum that the law and the law that obliges the users of accounting information that the auditors would come and take advantage of their services. In developing countries, both producers and users of financial information, in addition to the concept of quality, for the presentation of information are also concerned. It is clear that consumer products and services in the global market, according to market needs and consumer demand for their goods and services based on need and income relative to the action. But the audit, it is the other side is, as long as Iranian law requires companies to audit not, do not turn professional service. When the auditor intends to increase the amount of taxes payable as an inspector look at that and disclosure Secrecy of the company. However, doing an efficient and effective audit can be created gaps and blind spots transparency of the financial crisis and the client is aware of the bankruptcy protection early. This small family companies that are the subject of separation of ownership from management and conflicts of interest between the two is less, is more visible. This would require a culture and awareness of the importance and the role of auditors in society and the economy is in the form of workshops.

Economic Structure

About 85 percent of the economy as a government, while Iran has fully adopted the accounting and auditing systems of the advanced industrial countries of the West that they are based on free-market economy. In a state-run economy, accounting and audit information users from certain angles it follows that the private sector does not meet the needs of users. Theorists in formulating accounting policies and accounting practices always reflect the economic situation and the consequences have been of particular interest. In other words, strong on policy and economic structure were parallel. This problem is not only reflected in the accounting and auditing profession. But Iranian culture that is based upon what is imported; it is better than Iran and is rooted in a lack of confidence. If you compare the results of similar studies in Iran and outside the financial sector pay, we will certainly see a very low coefficient results are the same, even if they move in the opposite direction to each other. one of the variables in the non-alignment, economic structure and potential market. In other words, as in a developed country market participants to react accounting variables, in not the same. The revision of the Standards that are consistent and in line with the economic realities of the country is essential.

Low Remuneration of Auditors

Costs or fees other words, the cost of the audit or monitor the performance of management, as well as other goods and services offered in the different markets and pricing policies or a function of supply and demand. But such as competence, value and reliable service offered by an audit quality framework, key elements in determining audit fees are considered. But this is because it is possible to determine the qualitative aspects and comparison is not possible, there may be fees in relation to their normal level has a positive or negative deviation. It is clear that the determination and evaluation of audit fees, audit work by the budget, but what is common today, bargaining determines the price for this service is important that the necessary culture among employers and on the importance of auditing in economic structure. It is always criticism that the auditing profession's income is minimal compared to other countries in which the audit firms has made the determination of salaries and benefits for personnel in hard-to acts must. The answer to this is said to have invested in

the audit. In other words, the purpose of personnel at the entrance to the audit profession must learn to earn. But given the economic situation and living conditions, the rights and benefits plays a major role in doing adequately in case of a lack of interest from employers, while observing ethical likely to provide a valuable service and deserve a short. Today, it is observed that other professions such as law, engineering, medicine for their services has a rate approved by the organization are related to the cost of services received by it as well. The Society of CPAs auditing profession that is in charge of the imposed silence and attention to old keep Iran within the framework of the audit profession in order to restrict their entry into the profession.

Marketing in Auditing Profession

Ethical, auditors from promoting their reputation and abilities in order to gain more market share not forbid. But auditors and instead set aside this criterion, the relationship between the institutions have taken the issue of small and medium enterprises and even large is clear. Today the association has taken the new institutions and the different ways to do the job. As a company responsible for the financial control of the operations responsible, always want to get the best audit report (the basis for a reward), but in the meantime what creates anxiety. The self-interest of both the auditor and the agencies that violate the independence (economic aspects) Auditing and consequently exacerbate the decline in audit quality brings.

The Emergence of Increasing Audit Institutions in Iran

De Angelo many researchers including the relationship between the size of audit firms and audit quality have noted. In other words, the size of audit firm to audit quality measure is considered variable. The public always believed that the great institutions in the provision of audit services work better manner. Of course, because it can be assumed that these institutions have less economic dependence on their employer and if they commit fraud and negligence due to the reputation lose more than the institutions lower levels (De Angelo, 1981). Today in Iran, instead of the current institutions, practitioners often as certified public accountant (CPA) and a partner working in institutions and organizations as well as some of the current partners, the formation of the new institute action. Always a new active in a competitive market, not market share at birth, so to fill this gap will have to be tolerated. If the beginning of the activity in the auditing profession or work irregular and premature start (which surely is), the auditor must leave work or deal with the client, so that the interests of both the risk and certainly not because the institution is new, likely to While continuing to accept very high. So if the institutions that are the future of the audit profession, from the beginning to tilt to take, certainly the future of the audit profession in the whirlpool.

CONCLUSIONS

The aim of this study was to identify and describe some of the structural problems and the quality of the auditing profession in Iran. After presenting the theoretical literature studies, history's audit, the audit quality and professional supervision, to provide a number of audit quality problems such as lack of awareness of users of financial information, economic structure, low level of audit fees, audit institutions in the light of the increasing emergence marketing professional and library studies and experiences to be explored. due to the current economic situation in Iran and impose economic sanctions from the West, most likely the government will be faced with a deficit. Discussion of tax evasion and corruption that finally realizes the consequences will be, before anything finger toward auditor's symbol. The auditors may raise the level of precision, high-quality work and specialization of work, directly or indirectly prevent damage to society.

to your confidence as one of the standards to enter the profession, and give meaning to their client's interests to pay more attention, because in the end it will induce aspects.

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