

REASONS REQUIRES DISCLOSURE OF AUDIT QUALITY INDICES IN IRAN

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ABSTRACT

The purpose of this paper is to examine the current state of the public disclosure of audit quality indicators, feasibility and provide insights into practices that are already in large measure the quality of institutions and international audit and accounting is used in Iran.

KEYWORDS: Public Disclosure, Quality Audit, Index Measurement Quality

INTRODUCTION

In late 2008, the consultative committee of the audit profession, in its final report on the research project conducted with the aim of "transparency and reliability in order to combine the efficiency of financial markets", a proposal was presented to the public disclosure of audit quality indicators (ACAP, 2008). the purpose of this disclosure, to assist market participants in monitoring and audits conducted by distinguishing between different audit institutions on the basis of public information available to the public and create incentives for institutions to improve audit quality audit is announced.among the recommendations relating to transparency, it is proposed that the supervisory board on account of public companies, the main criteria to define the quality and effectiveness of audit and audit institutions are required to calculate and make public disclosure of the criteria.if this procedure is possible, the Supervisory board on account of public companies, the task of monitoring indicators will be reported as a regulatory authority.all justified and the reasons in support of public disclosure of inspection reports by the Supervisory board on account of public companies has been of low quality audits, the public disclosure of audit criteria is true. disclosure, transparency and audit quality on the market will reward high-quality reports (Wells, 2005; Hermanson and Houston, 2008).it should be noted that the discussion of public reporting indicators of audit quality, the concept is not new, and even at the international level there is evidence of implementation and compliance. however, the united States, reporting criteria have been met with resistance.but because of the slow pace of change in this mean? the answer to this question lies in understanding the barriers to implementation of such a report. the supervisory board of the accounting barriers challengespublic companies to discuss comprehensively drawn. as a result of these discussions and debates, barriers were categorized into three main groups:1. definition quality audit, 2. determine the overall quality of audits. 3. due to the possible unintended consequences.discussions and debates at the meeting of the supervisory board held a public accounting firm, shows that even the experts have trouble agreeing on a common definition of audit quality. differences in definitions of published audit quality in terms of three main approaches have been shown. In general, the definitions of the various aspects of quality audit reveals:1. compliance with professional standards.2. the efforts of the auditor, and. 3. auditor independence.finally, the question is whether pre-determined indicators of audit quality, the pursuit of a single definition is required or not.some experts believe that a comprehensive audit quality measurement, definition seems necessary.the others agreed quality criteria are sufficient. in fact, as it seems,

the first inductive approach to determine indicators of audit quality in mind, they were the second group in terms of access to basic principles of deductive approach, inductive approach inevitably acceptable. accordingly, induction may determine indicators that the users (the market) are considered useful as a selection criteria appropriate indicators. despite the problems inherent in the definition of audit quality, there are many factors that could potentially be useful in the evaluation. examples of indicators of audit quality regulations proposed by researchers and developers has emerged. indicators of audit quality in both indices at the level of institutional and contract auditing and more. in addition, the indicators of other indicators of the input shaft to the output of the data separated. one of the issues on the ballot proposals on the selection criteria is that instead of focusing on a single indicator reporting, a set of measures the combination of audit quality provides a multi-dimensional image, is used. although this approach a complex problem caused by the attitude of the general concept of limited openings take place, but on the other hand the problems associated with the increased expenditure on benefits. the costs of this solution is created from two aspects: view audit institutions: the increasing number of reports, record keeping support costs will be higher. users view: integration of several factors that lead to different conclusions will be, for users potentially more difficult and more expensive. as the standard-setting all necessary attention to the possible consequences of disclosure quality indicators should also be paid to the fact that if the authorities Standards or regulations (eg accounting supervisory board of public companies) the public disclosure of audit quality indicators are required, the possible unintended consequences may result from disclosure? For example, audit institutions may manage its operations on the basis of certain criteria, same as for the university ranking or the ranking of corporate governance in public companies occurs. in such circumstances, audit institutions may be gradual rather than spend resources on improving audit quality, only in extreme focus to achieve high rankings. for example, suppose the number of training hours CPA firm (for example, total training hours, relatively the auditor or professional levels) index is desired. on this occasion, audit institutions are likely to be the result of other institutions, to increase training hours to be compatible with existing standards. this procedure may be done without due regard to special educational institutions. another concern in this regard, it is significant indicators for risk adjustments must be provided. to illustrate this, suppose that the disclosure of the number of hours required to be audited as an indicator of audit quality. in these circumstances, the disclosure of the relative risk for each client and portfolio clients is also important. if the number of audit hours are not adjusted for risk, then the ultimate meaning of the "efforts auditor" remains hidden. because the auditor does not necessarily trying to evaluate the risks and complexities of the audit firm for a particular client is linked. disclosure of audit hours without stating the amount of risk that has been estimated by the auditors, the form potentially misleading, but auditors can and more importantly can't be the result of an estimated information it is personal, about the risks of their clients are publicly disclosed. risk estimate offered a public company as a figure determined by an independent auditor, very information for investors in times controversial, although this estimate may be provided by third parties is degage. the next issue is that employers risk disclosure required by audit institutions, audit institutions may be accepted in risky business deals, such as companies that have been adopted recently in the stock market, appeal or refrain from accepting them, which may have harmful effects for shareholders. those mentioned above, which are considered major obstacles in the public disclosure of audit quality indicators despite the efforts of the authorities has developed several meeting rules, since there is no possibility of its implementation in the case of public companies.

Review of Current Practices in the Field of Audit Quality

However, early action by the legislature does not seem very likely now, but check current procedures for the assessment and management of audit quality in major international institutions, would be helpful to predict the

future.changes in professional environments in the past decade has led audit institutions in the audit seek ways to improve operations to reduce audit failures, increase internal coordination procedures and accepted accounting principles and standards contained in the company's business policies and reduce and prevent the negative conclusions of the inspection process accounting oversight board are public companies. currently, the largest international audit institutions in the first phase of audit quality through resultsproviding indicators derived from this operation by the Securities and exchange commission and lawsuits American estimates. in addition, the supervisory board on the results of inspections of accounting, auditing contracts with public companies and public employers focus.in addition to this information, large organizations spend considerable resources on training and internal inspection programs. they also held deliberative meetings on the problems caused not only to nature, but to repeat in a particular location (region, area or department), industry-specific, audit committees or special audit partners, are taken into account. all international organizations audit act after Sarbynz- Excel in 2002, inspections have intensified their internal procedures and quality. the number of inspections in addition to the Supervisory Board on account of inspections public companies, the institute has increased to 4 or 5 times. more institutions operate with the inspections of each partner are constantly reviewed. conducting inspections with an increased risk of contracting risk analysis, auditing, employee, employer, or reviews require specific industries and the problems that remain unresolved in previous inspections, increases. for example, in certain cases can cause an increase in inspections related to the industry (for example, revenue recognition). audit contracts (for example, poor results or a failure to review the previous year, merger or acquisition) and the board of audit (issues related to performance in previous audits) noted.Problems defined in the internal audit process (with the results of inspections accounting supervisory board of public companies),institute enables operators to identify problems with the "analysis, root problems" developed corrective action plans to increase quality or not. for example, some problems have been found in inspections may be considered at the institute(For example, education or policy reform organization), while other problems may be specific to a particular contract or staff audit. in the latter case, the corrective actions at the level of a particular audit contracts (for example, deep evolve review process)or in the case of personnel (for example, programs, performance improvement, change in responsibility, modify or even eliminate practices that reward cooperation) will be considered.In addition, some institutions inspections "specific goals" have increased. targeted inspections may be carried out after the completion of the audit or during it. options inspections of audit contracts in a particular industry or deal with specific characteristics and risk auditing and accounting consist of specific cases. the purpose of the inspections is to ensure that audit quality is within acceptable risk or demonstrate industry-specific risks (eg, appraisals and recognition of income in high-tech companies) is.targeted inspections during the audit and the audit committee with the purpose of ensuring the correct move before the end of the operation and provide an audit opinion, to do so. the results of inspections and reviews the internal auditor's annual performance evaluation is considered at all levels. selecting an experienced and competent enough inspectors in quality inspection, is of great importance. some institutions conduct quality control reviews of audit work in some sections, and these operations have been required to assess their progress and consider annual performance. take corrective action and monitoring can be related to problems discovered last few years, and such monitoring is usually done by the committee for internal quality or the same group. International organizations audit their inspections of automated searching and gathering information for trend analysis, common or important cases in the audits conducted during a period of long-term use. internal committees quality institutions typically reports to key partners in charge of special operations organization (audit, tax or consulting) are responsible, offer. quality control is usually under the supervision of a committee or board is controlled at the level of the whole institution. quality of internal committees have the authority to operational managers, a

variety of risks and errors affecting the quality of the audit are addressed. as previously noted, these suggestions can improve program operations, change jobs, or even end adjustments of compensation and reward system is working. analysis of the same style but with a higher level and broader geographic areas can be (area, district or unit). another way to determine the quality of accounting used for international audit institutions, the use of electronic systems, the media or device that is used with the following objectives: 1. timely monitoring, 2. ensure compliance with auditing standards and internal policies of the institution, and 3. quality audit or obtain data to calculate measures of audit quality. some published reports about the quality control systems of audit (for example, (Vienna. Grad et al., 2000; Bell et al., 2002) indicates the importance of continued investment in systems, media and devices in the organization have. these investments include improvement and reform in order to receive and store information for later use worksheets, users and the subsequent decisions. some organizations use third-party audit of the database and analysis, they are.

Quality of Auditing in Iran

Are responsible, as a person independent quality audit reviews the final. however, larger institutions, which is typical of the national audit office, the procedure is different. the National audit office is independent audit of quality control and quality control audit lists and other procedures done through the present. supreme audit court as one of the big audit authorities of the country in the field of accounting and auditing the public sphere and the economic and social infrastructure works. assess the quality of auditing in the field of economy and infrastructure, so what more it done. audit quality in this area in the whole country, by the provinces and the separation of audit committees through the checklist, similar to those in the audit, the audit carried out by the agency coordinating and monitoring and quality control sessions at the same time and also in scoring held regularly. in addition, currently preparing electronic monitoring system (Senate) as well as to raise the level of audit quality in the supreme audit court is doing. despite the efforts done for quality control auditor, as well as the quality of audit is necessary. because the client uses the services of audit institutions, in the wake of the creation of quality control or in institutions such as the stock exchange, this unit has been created. an authority to assess the quality of the audit, the official accountants. the audit institutions and practitioners in the field of quality assessment of the community's individual members. the first area is to assess the quality control system institutions, through a questionnaire that measured the basic criteria of quality control institutions. the second area is quality control. although the proportion of structural units in these areas because of the lack of quality control of audit institutions and employees with individual member of society, unfortunately, little work has been done, but comparing the scores of the control work conducted with scores obtained from questionnaires evaluating quality control system institutions, show that there is no significant relationship between the two. in other words, the results of questionnaires to assess quality control system institutions, show that 89 per cent of audit institutions in the "good" and "very good" are, but in terms of quality control points with the "average" and "poor" are. this suggests that the evaluation of quality control audit institutions in Iran by the iraniansociety of certified Public accountants, the power does not have adequate support. this has meant that such regulation by other agencies, including the securities and exchange done. trusted audit committee to oversee institutions Stock Exchange, in order to protect the interests of shareholders, supervising their professional audit report has found, based on whether the financial statements are materially misstated that the auditor did not speak about it? although the committee has done this in the material, but the result is an excellent and important findings, in addition to the quality control department of certified Public accountants and audit committee to study the topic is the quality of the institutions will be notified. in addition society of certified Public accountants and the securities and Exchange, regulations of the central bank and other institutions, including the central insurance on the verge of running. regardless of the system's audit

quality control measures, it requires users to trade data quality audit reports raised. in fact, the issue of audit reports that users in Iran at what level of interest in economic decision-making is discussed. it seems that after a serious stakeholder in quality reporting and financial statements of realism, they are less common. in many cases, the auditor's report does not conform to standards that affect the company's profits, but activists including major shareholders and thus more members of the board (of the company profitable) and minority shareholders (dividends for more) that do not deal with this issue forward-emptive and perhaps a kind of agree with this situation. this may have caused that auditors do not have the incentives to increase the quality of audits.but,igeneral, by comparing the progress of the quality of disclosure, particularly in the case of public companies, in the shadow of the securities and exchange regulations and the efforts of the profession, we can say the situation is significantly different than in the past and was disclosed to the extent that higher quality and reliability, so obviously the demand for quality information will increase.

CONCLUSIONS

In this paper, the barriers to public reporting of audit quality indicators suggested by the advisory committee on the audit profession, was investigated. in this regard, such as providing a comprehensive definition of audit quality, well-defined indicators to determine the cover of "non-management" and create some undesirable consequences, as the most important problems in the way described.the obstacles now seems impossible. until these problems are on the way legislators and drafters of rules, audit quality still remains in the hands of institutions (with the exception of limited inspections and studies outside the institution). the following outlines some of the methods used in large organizations and international audit quality audit to determine the possible methods used as standard in the future was discussed. investing in internal inspections and the creation of electronic systems and data in support of audit operations and decisions of such methods is considered. in the final section the measurement, evaluation and disclosure of audit quality in Iran were discussed.

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