

## FEASIBILITY PUBLIC DISCLOSURE OF AUDIT QUALITY INDICATORS

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### ABSTRACT

In late 2008, the Advisory Committee of the auditing 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). Among the recommendations relating to transparency, it is proposed that the Supervisory Board Accounting public companies, the main criteria to define quality and effectiveness of audit and audit institutions and public disclosure required calculating this indicator is. If this procedure is possible, Accounting Oversight Board on public companies, the task of monitoring indicators will be reported as a regulatory authority. All justifications and reasons in support of public disclosure Supervisory Board inspection reports on audits of accounting corporations, there is low quality, the public disclosure of audit criteria is true. Disclosure, transparency and audit quality on the market will reward high-quality reports However, in the United States, reporting indicators have been met with resistance. But what is the reason for the slow pace of change in this area? The answer to this question lies in understanding the barriers to implementation of such a report. 3. As a result of these discussions barriers were categorized into three main groups: 1. Definition of audit quality, 2. determine the quality of the audit, and 3. Due to possible unintended consequences.

**KEYWORDS:** Audit, Quality, Auditing, Public, Annual, Performance, Audit, Contract, Audit, Committees

### INTRODUCTION

Audit quality problems of definition: Discussions and debates that Accounting Supervisory Board held public companies, shows that even the experts have trouble agreeing on a common definition of audit quality. Figure 1 shows the differences in the definitions of audit quality in terms of Release 3 shows the basic approach. In general, the definition of the different aspects of quality audit reveals: 1. compliance with professional standards, 2. the audit effort, and 3. the auditor independence. Finally, the question is whether pre-determined indicators of audit quality, access to a single definition are required or not (Bedard & Johnstone, 2010). Some experts believe that a comprehensive measure of audit quality, definition seems necessary. The others agree on the parameters of sufficient quality to know.

In fact, as it seems, the first inductive approach in the determination of audit quality indicators mind, they were second in terms of access to basic deductive approach, inductive approach inevitably acceptable. Accordingly, the induction taking measures to determine which of the users (the people) are considered useful as appropriate indicator selection criteria. Despite the difficulties inherent in the definition of audit quality, there are many factors that could potentially be useful in the evaluation (Bedard & Ettredge, and Johnstone, 2008). Indicators of audit quality in both indices at the level of institutional and contract audits and more. In addition, other indicators of the input parameters to the output parameters are also segregated. One of the issues on the ballot proposals for the selection of indicators is that instead of

focusing on a single indicator reporting, a set of measures that the combination of quality audit provides a multidimensional image, be used.

Although this approach is difficult due to the complexity and the overall attitude of the limited window into consideration, but on the other hand the problems of increased spending on benefits is plus. The costs associated with this approach arise from two aspects: View audit institutions: the increasing number of reports, records maintenance support costs will be higher. Users opinion: integration of several factors that led to the conclusions would be different, potentially more difficult and more expensive for users (Bell & Bedard, 2002). Unintended consequences mandatory audit, it is possible unintended consequences may result from the disclosure? For example, audit institutions may manage its operations on the basis of certain characteristics similar to those of university rankings or ratings of corporate governance in public companies occur. In such circumstances, audit institutions may be gradual rather than spend resources on improving audit quality, only in extreme focus on achieving top rankings. For example, suppose the number of training hours Audit Institution (for example teaching hours in total, relatively each auditor or professional level) index is desired.

In this situation, audit institutions are likely to be the result of other institutions, increase your training hours to be in compliance with existing standards. This procedure may be carried out without due regard to specific educational institution. Another concern is that, in this context, it is of interest to significant indicators should be provided with risk adjustments (Carcello & Nagy, 2004). For illustration, 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 portfolio risk relative to clients and employers are also important. If the number of hours of audit risk is not modified, then the ultimate meaning of the "audit effort" to remain hidden. Because the auditor does not necessarily trying to assess the risks and complexities of the audit firm is linked to a specific employer. Provide an estimate of risk of a public company as a figure determined by the independent auditor is very controversial and has loads of information for investors, although this estimate may be provided by third parties is degage(Carcello& Hermanson,2002). They have damaging effects. Those mentioned above, the main barriers to the public disclosure of audit quality indicators which have been asked numerous times and despite the efforts of the authorities, rules, since there is no possibility of implementation of public companies.

### **Review of Current Practices in the Field of Audit Quality**

However, early action by legislators currently does not seem very likely, but the current procedures for the assessment and management of audit quality in the major international institutions, will be useful for predicting the future. Accounting oversight Board inspections are in the process of public companies. Currently, the major international institutions audited by the results obtained in the first phase of audit quality indicators such restatement, the Securities and Exchange Commission by 10 of America and 4 on their lawsuits. In addition, the Supervisory Board on the results of inspections of accounting, auditing public companies and contracts with employers focus LLP (Chen & Chang and Lee, 2008).

Furthermore, the large institutions spend a significant source of funding and training programs have internal inspections. They also held consultative meetings created problems not only on the nature of the hole, but to repeat at a specific location (region, district or unit), certain industry-specific audit partner or audit committees, are considered.

All international organizations audit after Oxley Act of 2002, internal investigations have developed quantitative and qualitative hole. The number of inspections in addition to inspections by the Supervisory Board on account of public

companies, the company has grown to 4 or 5 times. Institute ongoing review of the operations of each partner to carry out inspections. Inspections conducted by the increased risk resulting from risk analysis, audit contract, employees, clients or industries require special studies and 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), contract audit (e.g. weak or failing to check the results of the previous year, merger or acquisition) and Audit Committee (issues related to the operation of the previous audits) noted. Problems defined in the internal audit process (along with the results of inspections Accounting Oversight Board on public companies), administrators can enable the institution to identify problems and using the "root problem analysis," to develop corrective action plans to enhance the quality or them. For example, some problems have been found in inspections may be considered in the institution (for example, education or policy reform organization), while other problems may be specific to a particular contract or staff audit. In the latter case, corrective action on the audit of a specific contract (for example, deepening the review process) or in the case of personnel (e.g., performance improvement programs, changes in responsibility, reward and correction procedures or even stopped working) considered will be.

In addition, some institutions inspections "specific goals" have increased. Targeted inspections may be carried out after completion of the audit or during it. Audit inspections and options contracts in a particular industry or deal with specific characteristics and risk auditing and accounting embrace certain cases. The purpose of these inspections to ensure audit quality acceptable risk limits or demonstrate industry-specific risks (e.g., appraisals and revenue recognition 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 operations and statement audit is done. The results of inspections and reviews the internal auditor's annual performance evaluation is considered at all levels. Selecting experienced and competent enough inspectors to inspect the quality is very important. Some institutions conduct audit quality control review in some sections of the work required, and these operations are in progress and consider its annual performance. International organizations audit inspections of automated searching and collecting information for analysis, the importance of the audits conducted during the current or long-term use. Typically reports to internal institutional quality committees of the managing partners of the firm (audit, tax or consulting) responsible are present. Routinely monitor the quality of the institution or board-level committee under control. Quality of internal committees has the authority to operational managers, various issues affecting the quality of the audit risks and errors refer. As previously mentioned, this proposal could be improved in the process, change jobs, or even the adjustment of compensation and reward system is working.

Analysis, the same way but with a higher level and broader geographic areas can be (regional, district or unit). Another method used for audit quality international audit institutions, the use of electronic media, or device that is used with the following objectives: 1. Timely monitoring, 2. Ensuring compliance with auditing standards and internal policies of the institution, and 3. Quality assessment audit or audit to obtain data for calculating quality metrics. Some published reports on the quality control systems of audit indicate the importance of continuing to invest in the system, the media, and the tool that will be presented. These investments include continuous improvement and reform the system to receive and store information for later use worksheets, users and the subsequent decisions. Some institutions of database auditing and analysis, utilize third parties.

## CONCLUSIONS

In the first part of the paper trade barriers, public reporting of audit quality audit profession has been propos

by the Advisory Committee were reviewed. The obstacles currently seem impossible. Until this problem is in the way legislators and drafters regulations, audit quality still remains in the hands of institutions (with the exception of limited inspections and Reviews outside the institution).The second section outlines some of the methods used in large organizations and international auditing standards used to determine the likelihood of a future audit quality were examined. Investing in internal investigations and make electronic systems in support of the operation and the audit decisions of such methods is considered. In the final section of the assessment, evaluation and disclosure of audit quality is discussed.

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