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Auditor's Report and the Impact of Non-Audit Services, Audit Institutions

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Abstract

In this paper, the effects of auditor change on audit quality in companies accepted in Tehran stock exchange placed review and we assessed the presence or absence of a significant correlation between them. to assess the quality of data auditing and tax distortions, falsification of accounting estimates, distortion of rules, distortion caused by mistakes in applying accounting policies and other distortions are used as the dependent variable Is. the sample group consisted of 56 companies as experimental group and a control group of 56 other companies a 4-year period, during the years 2011 to 2014 were studied. data needed for research discovery success ratio distortion before and after the change of auditor. To test the research hypotheses paired comparison method is used.

Keywords: Auditor Independence, Quality Audit, Paired Comparison.

1. History of related research

In today's economic environment with a variety of economic actors and structure complex economic relations between them, which are considered reliable information by a professional and independent monitoring of the process of preparing and presenting them Commenting is. typical independent professional groups, institutions audited entity and are mainly internal control structure the final product of its financial statements to evaluate and monitor and in this case their comments. Obviously, given the role of audit institutions in the decisions of users, the existence and development of auditor independence and improve the quality of audit institutions as key factors in the preparation of audit reports considered.

So many ways to enhance the quality and independence of audit institutions and professional bodies provided that the professional experts offer their advice, auditing is a periodic change. the separation of ownership and management structure of the corporation because of information asymmetry economic activity in large companies and potential conflict of interest between managers and owners require order to reduce the costs of representation, management reports prepared by independent parties the audit authority.

Bankrupt companies such as Enron, World Com with banks such as Lehman Brothers, Norton, rock, etc. in recent years has led to finger pointing to the accounting profession. the audit institutions are required to periodically change their employers was considered as a solution to improve auditor independence.

Because a lot of people, especially legislators believed in long-term relationships auditor and audite, the auditor oversight and quality reduce audit. following these events, regulators and accounting standards drafters of the

legislation were trying to auditor independence and improve audit quality. the law can be passed Sarbanes - Oxley noted in July 2002. part of this act, requires that the audit firm partners Its executives after 5 consecutive years of audit work on a change of employer. the law also like other laws has had its pros and cons. changers mandatory auditor on the auditor's opinion that the long-term presence with a client because of dependencies economic, and acceptance of the views and wishes of his clients are motivated to maintain that it will their independence is flawed. According to them, creating a long-term romantic relationships to the extent that the auditors will create a sense of loyalty and thus jeopardize their independence pockets. Opponents of mandatory change, perhaps to endorse this view, but they believe that the costs of implementation and enforcement of this over the benefits.

Furthermore, they argue that other factors such as the need to maintain credibility and fame and fear of the lawsuits against them that the auditors to maintain their independence. Increasing the number and complexity of financial reporting and accounting rules, the disagreement between the auditor and the client's Increases.

It is critical that the auditor is increasing in recent years, It has exacerbated differences in the ability of auditors to validate the important role financial statements damage. the argument that the auditor reduces quality audit of financial statements and therefore is invalid. that's why some lawmakers and officials concerned that the increased frequency of audit, financial reporting reliability to the users (and not just the financial statements of the company auditor) cut. Furthermore, the argument that the periodic change of auditor independence and audit quality increases Is. because of this, notable contrast in the audit opinion, so check to the effect of changes in auditing the quality of their work is important.

The world financial crisis and the devastating consequences that the international economy has again re-design the new tasks upon the question where were the auditors audit institution. Since the beginning of the first decade of the millennium In the wake of the Enron scandal and the recent financial scandals and the subsequent dissolution of very large auditing firm Arthur Anderson, the 2008 financial crisis and ensuing financial scandals, a new situation in the audit activities and the general expectation is that the duties of the auditor expects. therefore, the new statutory auditors came to work, or waiting to be created. Several research institutes in the world in terms of the impact of these factors and other factors on audit quality audit conducted Some of these are as follows.

Su (2010) in their paper as an influence on the quality of the audit firm the audit recommended. his research aims to investigate the impact of auditing the auditors working hours, audit fees and audit quality is conducted. In this research, he concluded that the Increased working hours and higher wages for auditing the auditors will audit. the quality audit, unchanged, remaining and even in some cases decreased. the Donnelly (2010) develop a sense of loyalty and long-auditor audits the auditors to conduct an audit authority, in turn, quality and efficacy of the question. he also conducted research on the long-term relationship auditor - client and its relationship with the reporting conservative to the conclusion that in large corporations and companies controlled by the auditor take care of this relationship is positive, but the auditors of companies that extreme care not , this relationship is negative. barbara Earl (2008), with emphasis on the question of why the audit firm may change the answer? Change Audit firms and audit quality is examined and concluded that the net effect of changes in accounting firms are unclear. also, do not do this change is more like it We agree with the client on a subject Accounting forms. Nagy (2008) to assess the long-term relationship between the auditor and the auditee and its impact on audit quality in the system that the auditors were forced to the conclusion that the duration of the relationship auditor and auditee and audit quality in small companies, there is a negative correlation .

2. Research Methodology

Study Hypothesis: audit firms and audit quality, there is a significant correlation between the change. To reach conclusions about the main hypothesis, the following sub-hypotheses are considered: Hypothesis 1. "tax distortions between the audit firm and discovered there is a significant relationship." Sub-Hypothesis 2: "between the auditing and accounting estimates there is a distortion in the discovery." Sub-Hypothesis 3: "between the auditing and discovery of violation of laws, there is a significant relationship. "Sub Hypothesis 4: "between the discovery of the

distortions caused by the error in the application of auditing and accounting procedures, there is a significant relationship ."sub hypothesis 5: "the change auditing and discover other distortions there is a significant relationship." This is a retrospective study based on past data and to test Assumptions of historic data is used. In this study, the two groups (control and test) was used to test hypotheses. The experimental group consisted of companies that the audit firm During the study period, and the control group consisted of companies that during the period of investigation, audit firm fixed and they have not changed. It is possible to group similar companies The companies chosen for the experimental group. In order to try to control the type of group companies Industry and the size of the fiscal year, with the difference that now the same test group to group companies Control, audit firm fixed and unchanged. The purpose of a control group and test it, Neutral The effect of other factors and further validate the results. Hypotheses in parallel and Both groups have taken on an entirely separate. The population for sampling, all firms listed in Tehran Stock Exchange, which During the four years 2010; 2011; 2012 and 2013 by the auditors or audit firms of Iranian Association of Certified Public Accountants, have been audited. To do this, we divided the data into two parts. The first part of the companies which have been stable for four consecutive years, the audit firm and the second part consists of companies squeezed audit firm fixed during four consecutive years, the audit's are lacking. But to select the desired sample, which is used by companies ا as the following features: 1. The selected companies from early 2010 until the end of 2010 the membership had the Tehran Stock Exchange. 2. The end of the financial year to March is selected companies and other companies in the sample was not. 3. The order for each test group companies, as control of the company and the industry. Now similar to the test, the number of companies selected to test and control groups are equal. 4. Due to differences in the type of investment firms and financial institutions and banks, these companies The population has been deleted and cant be part of the sample. 5. Only companies were selected as test group companies during the research period only Once the audit firm and can be changed for the corporation as a control group. Be selected. Of the 432 companies in the Tehran Stock Exchange, 223 based on the assumptions and conditions Limits for the experimental and control groups were considered, among which, according to the 5 The sample was limited to 56 companies for the experimental group and 56 companies Controls were selected. Di Angelo. which is defined as the quality of the audit, the auditor may distort important Discovery in the financial statements and to report the criticism is, therefore, to test Hypotheses using paired comparison of the data on the success of the auditor discovered Distortion is used. As well as the quality of the audit we examined the following: Tax distortions, falsification of accounting estimates, violation of laws, distortions arising from errors in Possible application of accounting policies and other distortions. data were collected in this way for each of the distortions mentioned, a table was prepared Where distortions detected by the auditor, undiscovered and collect the falsification and distortion ratio Successfully entered the discovery distorted by the auditor. distortions detected by the auditor with respect to audited financial statements of companies and their audit report was distorted and undiscovered by the auditor, according to annual adjustments mentioned in the audited financial statements for the year ahead The retained earnings and comprehensive income are expressed was determined. Total distortion is equal to The total distortion discovered and undiscovered, the division of the total distortion is detected, the ratio of success Auditor's discovery was distorted.

3. Analyses and Interpretations

Independent variables and the dependent variables in this study, the audit firm to audit quality they include the use of tax distortions, falsification of accounting estimates, violation of law, distorted Resulting from the application of accounting policies and other criticism is wrong. Information about each of the variables used in the financial statements and audit reports And annual reports prepared by the Stock Exchange has been collected. tables 1 and 2 show the descriptive statistics data. The data on the number of tables, Mean, variance and standard deviation of the data shown:

Table 1: Statistical description of the experimental group

Type distortion	Period	Ratio Success	Average	Variance	Standard deviation
Tax distortions	Before changing	33.1	0.5908	0.162	0.4012
	After changing	46.62	0.8418	0.076	0.2746
Falsification of accounting estimates	Before changing	50.67	0.9048	0.067	0.2560
	After changing	52.2	0.93	0.033	0.1776
Distortion caused by mistakes in applying accounting policies accounting policies	Before changing	51.07	0.9117	0.062	0.2499
	After changing	56.17	0.9852	0.005	0.07300
Other criticism	Before changing	43.67	0.7797	0.103	0.3191
	After changing	46.76	0.8348	0.083	0.2888

Table 2: Description of statistical data in the control group

Type distortion	Period	Ratio Success	Average	Variance	Standard deviation
Tax distortions	Before changing	44.51	0.7946	0.108	0.3291
	After changing	47.1	0.8418	0.108	0.3288
Falsification of accounting estimates	Before changing	54.5	0.9732	0.022	0.1483
	After changing	53.43	0.9538	0.025	0.1588
Violation of rules	Before changing	52.92	0.9449	0.041	0.2024
	After changing	48.63	0.8683	0.064	0.2523
Distortion caused by mistakes in applying accounting policies accounting policies	Before changing	48.63	0.8683	0.064	0.2523
	After changing	51.37	0.9171	0.050	0.2338
Other criticism	Before changing	51.55	0.9204	0.047	0.2176
	After changing	49.87	0.8903	0.053	0.2294

Statistical hypotheses are as follows: H0: $\mu d = 0$ H1: $\mu d \neq 0$ Where d is equal to the difference between the average distortion before and after the change auditing for each company: [d = μ (after) - μ (before)]. Accuracy compared with the hypothesis that the mean of 1, 2, 3, 4, and 5, respectively, the average distortion Tax distortions in accounting estimates, violation of law, the distortion caused by the error in the application procedures Accounting and other data is distorted. It should be noted that the results of the paired comparison test, a 95% confidence interval for d set Is, if the confidence interval is a positive range, which means that the average after changing the independent variable than the average of the independent variable is changed. This means that the institutions Audit

increase in the discovery of mutilated, and vice versa. If the confidence interval obtained in a Interval is negative or positive, because it is likely that the difference between the mean (average before and after the change) zero and zero in the interval is negative or positive, it indicates that the independent variable, the impact on Change auditing is not dependent variables and on the other hand, had no effect on the detection of falsification. given the significant level test can be obtained from the comparison of the effect of the independent variables of the study concluded.

first hypothesis: "the relationship between the audit firm and discovered there is a significant tax distortion." So we have:

null hypothesis: the success of the discovery of the tax distortion before and after the audit institutions are equal to each other.

hypothesis: the success of the discovery of the tax distortion before and after the audit institutions are not equal to each other.

Table 3: Test results of the comparison test the first hypothesis to experimental and control groups

Group	Coupled variables	Number of firms	T-statistics	Degrees of freedom	Statistically-significant level	Confidence interval 95 percent	
						Lower limit	Upper limit
Test	Average success ratio before and after the discovery of tax distortions	56	3.755	55	0.000	0.1123	0.3698
Control	Average success ratio of tax distortions detected before and after the change point	56	1.073	55	0.288	-0.1013	0.1322

Given the significance level obtained for the experimental group was less than 0.05, the surface H0 is assumed to equal 95% average success ratio of tax distortions explore the community Distortion contributed by the audit firm. Given that both high (0.3697) and low (0.1123) is positive, it can be concluded that the average success rate of change auditing, more out than it had been before so we can say success the change in Audit firms auditing increases the success rate of tax distortions have been discovered. The first research hypothesis is accepted. Due to the significance level obtained for the control group was more than 0.05, the surface H0 is assumed to equal 95% average success ratio of tax distortions explore the community Can not be denied. Thus, as expected, it can be concluded that no significant differences found between the proportion of successes Tax distortion before and after the section is intended to be there. The distance 95% confidence interval for the difference in a positive or negative is also corroborated this claim. This Change auditing of tax distortions result of exploration success with more strength to prove Leads the industry as the control group, the experimental group was selected with the same financial year The difference is that audit firms in the control group during the study period, were unchanged.

the second hypothesis test "between the audit firm and the discovery of falsification of accounting estimates are statistically significant."

null hypothesis: the success rate in detecting distortion before and after the change auditing accounting estimates are equal to each other.

hypothesis: the average ratio of successful detection of falsification of accounting estimates before and after the change in audit firms are not equal to each other.

Table 4: The second hypothesis test for paired comparison test and control groups

Group	Coupled variables	Number of firms	T-statistics	Degrees of freedom	Statistically-significant level	Confidence interval 95 percent	
						Lower limit	Upper limit
Test	Average success ratio before and after the discovery of tax distortions	56	0.603	55	0.550	-0.0588	0.1093
Control	Average success ratio of tax distortions detected before and after the change point	56	-0.649	55	0.519	-0.0790	0.0403

Table 4 shows the results for both experimental and control groups was significantly greater than 0.05 H0 is assumed that the 95 percent confidence level in both groups, on average equity ratios Successful detection of falsification of accounting estimates two groups can not be denied. So we can conclude that the group Found no statistically significant difference between success ratio distortion before and after the change in accounting estimate institutions No audit. Also as expected, the control group also found no significant difference between the proportion of successes Falsification of accounting estimates before and after the change point is not intended for them. Perch 95% confidence interval for the mean difference between experimental and control groups in a range of positive and negative The claim is proved. So we can say that the change auditing and detection of falsification of accounting estimates correlation this change did not have a significant effect on the success of the discovery of falsification of accounting estimates No. the second hypothesis is not accepted.

The third hypothesis "between the audit firm and the discovery of violation of laws, there is a significant relationship." So we have:

Null hypothesis: the success of the discovery of violation of the rules of audit firms before and after the change are equal to each other.

Hypothesis: the average success ratio of finding a violation of the rules of audit firms before and after the change are not equal to each other.

Table 5: Test results of the comparison test the third hypothesis to experimental and control groups

Group	Coupled variables	Number of firms	T-statistics	Degrees of freedom	Statistically-significant level	Confidence interval 95 percent	
						Lower limit	Upper limit
Test	Average success ratio before and after the discovery of tax distortions	56	0.501	55	0.617	-0.0716	0.1191
Control	Average success ratio of tax distortions detected before and after the change point	56	-0.8	55	0.427	-0.0886	0.0380

Table 5 shows the results for both experimental and control groups was significantly greater than 0.05 H0 is assumed that the 95 percent confidence level in both groups, on average equity ratios Successfully detect violations of the laws of society cant be denied. So we can conclude that the difference in the intervention group Between the proportion of successfully finding a violation of the rules of audit firms before and after the change there. Also as expected, the control group, no significant difference between the proportion of successes before the discovery of

violation of laws and After the section is intended for them. The 95% confidence interval for The mean difference between the test and control groups, the proof is based on a range of positive and negative. So we can say that the change auditing and discovery of violation of laws, there is a significant relationship This change has no significant effect on the success of finding no violation of the law. The third hypothesis, research, Will not be accepted and will be rejected.

The fourth hypothesis test "between the audit firm and explore the distortion caused by the mistakes in applying accounting policies there is a significant relationship." So we have:

Null hypothesis: the success of the distortion caused by the discovery of errors in the application of accounting policies before and after the change in audit firms are equal to each other. Hypothesis: The success of the distortion caused by the discovery of errors in the application of accounting policies before and after the change in audit firms are not equal to each other.

Table 6: Comparison of test results for the fourth hypothesis test and control groups

Group	Coupled variables	Number of firms	T-statistics	Degrees of freedom	Statistically-significant level	Confidence interval 95 percent	
						Lower limit	Upper limit
Test	Average success ratio before and after the discovery of tax distortions	56	2.115	55	0.039	0.0039	0.1191
Control	Average success ratio of tax distortions detected before and after the change point	56	1.466	55	0.149	-0.0179	0.1156

Given the significance level obtained for the experimental group was less than 0.05, the level of confidence H0 is assumed to equal 95% average success ratio distortion before and after the discovery of the bodies Audit passes by, we can conclude that the average success ratio distortion discovered two communities Is not equal, and this means that the change in the intervention group compared Success Audit Institutions Discover the distortion caused by the mistakes in applying accounting policies have been influenced by the audit firm. Given the high (0.1429) and low (0.0038) is positive, it can be concluded that Average success ratio of the audit firm, more than the average rat ios of success before it So we can say that the change in audit firms auditing increases the success rate The distortion resulting from the application of accounting policies have been discovered. The fourth research hypothesis Will be accepted. More significant level of control than 0.05 indicates, as expected, no significant changes in the proportion of successes In the time series is similar to the control group.

The fifth hypothesis testing "distort the relationship between the audit firm and discover all there is."

Null hypothesis: the average success ratio distortion before and after the discovery of other audit firms together Are equal.

Hypothesis: the average success ratio distortion before and after the discovery of other audit firms not against each other.

Table 7: Comparison of test results for the fifth hypothesis test and control groups

Group	Coupled variables	Number of firms	T-statistics	Degrees of	Statistically-significant	Confidence interval 95 percent

				freedom	level	Lower limit	Upper limit
Test	Average success ratio before and after the discovery of tax distortions	56	1.008	55	0.319	-0.0544	0.1645
Control	Average success ratio of tax distortions detected before and after the change point	56	1.-0.762	55	0.450	-0.1092	0.0491

As Table 7 shows, the significance level obtained for both experimental and control groups was 0.05, at 95 percent, assuming H0 in both groups, based on the equality of means Success ratios discover other distortions are not rejected by the community. So we can conclude that the experimental group Significant difference between the proportion of successes discover other distortion before and after the change audit firms are No. Also as expected, the control group, no significant difference between the proportion of successes discover other criticism Before and after the change point is not intended for them. The 95 percent To mean, in both experimental and control groups, the proof is based on a range of positive and negative. So we can say that the change auditing and other distortions found a significant relationship This change has no significant effect on the success of other distortions are discovered. The fifth hypothesis, research, Is not accepted and rejected.

4. Conclusion

Discover distorting tax audit success and the success of detecting distortions arising from errors in the application change auditing accounting policies than before, and this represents a significant increase change auditing firms that audit quality increases with consideration of tax distortions and distortion is caused by mistakes in applying accounting policies. the relation between the auditing and detection of falsification of accounting estimates and violation of laws and other distortions were observed. the results obtained in the first and fourth assumptions contrary to the findings of the study conducted by sensitive parsley is only the impact on the quality of audit firm rotation and discussed the audit report concluded that the rotation of audit firms to enhance audit quality is not. In general, according to the results suggest that changes periodically audit institutions most companies do in order to maintain the independence of audit institutions. while many lawmakers believe that long-term relationships auditor and auditee, the auditor oversight and quality audit reduce it by reducing the duration of the relationship between the auditor and the auditee, auditor independence more a. Increase the independence of audit institutions can increase audit quality.

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