

Survey and Explanation Effect of Audit Apparatus Size on Audit Quality (Audit Organization in Comparison with Audit Institution Member's IACPA)

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ABSTRACT

The Committee to Prepare a Statement of Basic Accounting Theory defines accounting as "the process of identifying, measuring and reporting economic information in a way that facilitates judgment and informed decision-making for the users of such information". this definition is a beginning in recognition of the essence, extent, and subject of auditing. Auditing is often an inseparable part of transmission of economic information; therefore it plays an important role in reflection of recognition and measurement of the aforementioned information. The Ever-increasing development of communities and the complexity of their particular problems have created for relevant economic information, and thus an increasing demand for systems and processes that can help to meet this demand. These factors have resulted in an increasing need of auditing as a vital part in the whole process of transmission of information.

In recent years, there have been a lot of debates and discussions about the changes in and future of the profession of auditing. This fact indicates tentative confirmation of the need of this profession to adopt itself to the needs and demands of the current economic community.

The main goal of the current study is to examine effect of audit apparatus size on audit quality. To do so, in this research, we take observed misstatements in financial assessments as our criterion. Audit apparatus size also is categorized into 2 groups of big and non big. In this study, audit organization, due to having many personnel and oldness, is considered the big audit apparatus and audit institution member's IACPA as non big audits. the general hypothesis is that there is a meaningful relationship between audit quality and audit apparatus size. To study this hypothesis, the dichotomy research method is used. By comparing the observed and reported misstatements in audit reports based on 3 types of misstatements, audit reports and statement of retained earnings of the coming year during (2004-2007) are done. Finally, the result is that, there is no significant difference between auditing quality of audit organization and Audit institution member's IACPA.

KEY WORDS: Audit Apparatus Size, Audit Quality, Breach of accounting estimated, Breach of regulations, Breach of accounting procedures, Discovery breach.

INTRODUCTION

Growing and growing requirements population growth combined with economic activity, has caused the audit process along with these changes, is undergoing enormous change. The auditor demand for the audit of the regulatory role between the Principal- Agent Relationship. According to Agency Theory, relationships between persons consists of a series of contracts in which parties are required to comply with contract provisions. With two theories: Other hand the interests of the contract between both parties and economic logic of each of the parties the contract, Expected that the manager attempted to take measures in order to optimize their benefits that Wastage in the owner's right to be removed. For avoiding or minimize such conflict, the owner can be appealed to the regulatory system. Financial statement audit of a regulatory mechanism that reduces asymmetric information. In this case supports financial statement audit of the interests of owners and shareholders by providing reasonable assurances The financial statements are free of distortions or not important. Help users assess the quality of audits, audit procedures performed in the absence of observables is the audit report. Hence, other variables that researchers have tried to use the most important of these variables as alternative audit quality, audit is the size of system. In 1973, the audit organization and in 1983 the use of specialized services and professional accountants qualified as an accountant, was formally approved by Parliament. The aim of this study was to evaluate and explain the impact on audit quality audit is measuring device.

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Research problem

According to auditing standards on Iran, The auditor must audit with professional doubt - the possibility of errors or conditions that may cause significant distortions in the financial - to plan and implement. Also auditing accounting estimates, the auditor should gather audit evidence and make about reasonable estimates order to be reasonable in the circumstances and, if necessary, make sure appropriate disclosure. If the amount the Auditor estimates that the audit evidence with estimated amount is reflected in the financial statements, Auditor should assess such differences the need for reform of the financial statements. If the difference was not reasonable and the management entity to refrain from revising its estimate, the Auditor should make a difference to be considered wrong or distorted. Despite the importance given that errors and distortions in the financial, Cause the unfavorable financial situation of the entity, and has a significant impact on the decisions of users, so the discovery of errors in accounting standards has been emphasized. Based on these standards when designing and performing audit procedures and evaluating and reporting Auditor results, the risk of inaccurate financial statements should provide that fraud or error arises from this estimate According to risk assessment and ways to design, the discovery of significant errors resulting from improper presentation of cases and cheat to ensure a reasonable manner. If the Auditor reach to the conclusion that cheat, or errors or cases of non-compliance with laws and regulations by the entity, Significant effect on the financial statements and the financial disclosure and modification are not properly qualified or failed to provide comments. Audit quality, the auditors' ability to detect and report significant distortions to the financial statements. In discussing the impact on audit quality audit system, for example, De Angelo argues that the size of audit firm directly and positively associated with audit quality. Many researches of the size of audit firms have used as an indicator of audit quality. Asymmetric information leads to higher audit quality is lower and higher quality information. For example, in accounting discretionary accruals method as the benchmark measure of earnings management, Baker and others a way to reverse that audit quality with Management accounting methods are associated with discretionary accruals and auditing and quality management can lead to a reduction in earnings altered and therefore will reduce asymmetric information. Users of financial statements due to mental and physical separation and the inability to audit procedures and evaluating the evidence gathered, In order to assess audit quality of other alternatives such as auditing equipment use. The above material in this study is seeking answers to these questions: is effective the size audit system on audit quality? (Audit organization with member firms of certified public accountants audit)

Importance and necessity of research

A large group of users of accounting information, to rely on the information and notes to the financial statements prepared by management are provided. In many cases they are not identical with the suppliers of financial information and this subject caused conflict of interest between the interest groups in companies. So to reduce the conflict of interest groups, users of accounting information, qualified independent service authorities for accredited accounting information need, so that the information to believe. Require the service of independent auditors, independent auditors and philosophy lies in this argument is accredited serve. Validation to the financial means to ensure the fairness and reliability of financial information contained in them. Regarding the role of auditors in the discovery and report financial information misleading and distorted the significance of their failure, this reduces the long-term economic value accounting and financial reporting and the users trust the quality and effectiveness of the audit, will seriously damage the stability and strength of capital markets. Clearly such a situation, the focus of the audit quality of financial information will be used. Although, according to research by a number of factors may affect the quality of audit services, but very few studies have been done to create a model to describe the quality of audit services. According to Panel on Audit Effectiveness, the auditing profession unable to walk with their environment that is changing quickly, move. The committee emphasis that much research needs to be done to evaluate factors affecting audit quality and recalling the importance of this issue. According to this view assumes that the audit organization may be a better quality of work of audit institutions and for many companies and their shareholders that they can go to small audit institutions, It is important to their company if desired auditing done and also Audit institutions has created increasing concern about the quality caused the audit. Finally, since foreign countries because of different environmental conditions of Iran cannot be sure that results of foreign research in this field in Iran would give the same answer, such a study seems necessary.

Research objectives

Business and professional world has undergone many changes. One of the reasons for these developments is the globalization of the economy. Globalization not only trade, but has spread to different professions as well. As a result, the demand for greater scrutiny of the work of professionals is growing. Fundamental changes in Iran's economic environment in recent years the necessity of a control mechanism in the form of a financial audit has been created. Perform financial audits of quality cause the information provided is used. The purpose of this research is

research conducted in order to assist shareholders to choose the auditor, in order to obtain enough information, more complete and the companies that have invested in it, a well-deserved to be effective.

Audit services quality

In the last fifteen years, the competition between institutions expanded audit, the auditing profession has influenced a number of events. In this period, the Independent Accountants Association of America for the advertising ban to be moderated. The economic crisis of 1981-1982, increasing global competition and economic downturn, the additional pressures that the employer was sensitive to the relationship between audit services and audit fees. With growing competition in the profession of accountancy institutions offering their services to the market with better quality than found and to compete on a basis other than fee, audit institutions for their services are different. The problems in this connection there are at least two reasons:

1. Service activities during the development process of goods completing the construction is not tangible
2. Even after delivery, the buyer does not have the technical skills necessary to assess its quality. The buyer may place emphasis on providing services to the process.

One Dimension of the audit institutions in the field is trying to differentiate their services from other institutions, services quality is provided. Most auditors believe that the criteria used by employer assessment of audit quality in the know. Although the Bishea research results in 1982 showed that they do not precisely understand the expectations and needs expressed by the employer. Since 1999, the year of America the Securities and Exchange Commission called the accountant, research on audit quality was considered high. In panel with the effectiveness of the audit was in 2000 as the auditing profession, it is not synchronized with the rapidly changing environment. These concerns reflect the need to conduct ongoing research to evaluate factors affecting audit quality. Dey Angelo declared, Audit quality including two probabilities.

First, the auditor discovered the employer's accounting system failure. Second, the failure to report. The discovery of defects in the form of audit quality and auditor's ability to measure. While the auditor's report on the motives for the disclosure. Although Dey Angelo is appropriate for financial statement audits, but can also include other types audit. Despite the fact that there is no definition that encompasses a variety of audit quality is audit, It can be reasonably assumed that the quality of the audit procedure and audit standards.

Research about audit quality in the world has focused on two axes: Motivation supply high-quality audits and incentives for audit quality.

Motivation supply high-quality audit

Factors affecting audit quality from the perspective of auditors, the general factors that affect the ability of auditors in detecting significant distortions in the financial or economic Motivation of the reported discovery of distortions are important. Some of this research, the quality of the auditor's decision and its impact on the effectiveness and efficiency audit have test. Many of these studies, the quality of the audit did not directly test, however, have examined the factors that lead to improvement in the quality of auditors and audit quality is the result. It mainly include (1) Experiences of auditors, (2) Legal claims against auditors, (3) Supervision of audit work, (4) The size of Audit Institutions, (5) Achieving fame, (6) Specialization. Continue to be addressed in some research in this field.

1. Experiences of auditors

Libby and Frederick have found that it is much more experienced auditors, their perceptions of the various distortions in the financial statements increases. Hence, they conclude that the auditor's decision to increase the quality of auditing experience improves.

2. Legal claims against auditors

Lys and Watts the amount of legal claims against the auditors as auditors on the audit of quality indicators have been tested. They concluded that at least audit the use of technology integration, There are more exposed to legal claims. Their results suggest that the audit quality audit using the new technology improves.

3. Supervision of audit work

King and Schwartz are investigated Supervision the amount of audit work as an indicator of quality when auditors operate under different legal regimes. Their results showed that the supervisory function of the predicted the amount of punitive legal action against the auditors.

4. The size of Audit Institutions

The research presented in the audit approach, audit institutions to study the impact on audit quality is measured. Many of these study a positive relationship between size and quality audit institution to audit support. Angelo believes that the audit institutions of larger, stronger incentives to provide higher quality audits. because they are interested in the market to acquire a better reputation and the large number of clients is not worried about losing customers.

Davidson and Neu have shown that large audit institutions have larger customers, Hence, expect the market to detect distortions in the financial statements of the auditor's increases. In addition, empirical evidence suggests that larger audit institutions audit quality are superior because of better resources for training auditors in conducting audits, are to the smaller institutions.

Clive Lennox indicated that large audit firms than small audit institutions are more motivated to issue a report honestly. His research shows that the amount of financial interests in the units to be audited by independent auditors also becomes more important.

5. Achieving fame

Watts and Zimmerman to defend the idea that auditors in capital markets to defend the reputation of the profession, the historical examples are cited. Reputation is an incentive to maintain the independence of auditors. However, motivated by fame regulatory mechanism to maintain their independence.

6. Specialization

Research in this area suggests that its expertise in audit that the auditors are between industry type and quality of audit reports, there is a positive relationship. In other words, audits that specialize in specific industries, Due to its ability in identifying specific problems, the industry can do a higher quality audit. In addition, the audit institution much more experience in an industry does business, to create a positive reputation, the more interested to find that high quality audit services. for example, auditors with specific expertise in auditing Benito Arrunada indicated that specific industry, higher audit quality are two major reasons. First, learn more about accounting and auditing issues and problems of the industry due to the ongoing implementation of the audit. Second, the incentive to earn and maintain its reputation in the audit of a specific group of industries.

Incentives demand for high quality audit

Research needs to examine the impact of audit quality to paid users, has a limited scope. Research in this area include: (1) Audit fees, (2) Signaling theory, (3) Agency costs (4) Audit Committee.

1. Audit fees

Willenborg to investigate the relationship between audit quality and auditor's initial proposals on fees paid and concludes that the quality of audit services the auditor is affected by the proposed fees.

2. Signaling theory

Wallace is examined the demand for high quality audit services in the context of signaling theory in the initial offering of shares in the capital market. In the framework of signaling theory, if the buyers of securities cannot distinguish between quality and quality securities, the market price of securities is adjusted so the average will reflect the quality expected by securities available for sale. Consequence of such act out the quality of the securities market. consequence of such act out the quality of the securities market. Indeed, if managers are aware will be their securities on the relative quality, and motivation necessary to convey a clear message and sign the financial statement audit of high quality. This message reflects the quality of securities being beyond their expected quality of the middle market.

3. Agency costs

Several studies in the representing field the cost and demand for high audit quality. DeFond found that changes in ownership of organizations and changes in financial leverage is related directly to changes in audit quality. Major owners and creditors are willing to impose tighter on their investment. One way to achieve this goal is high the demand for audit quality. Managers to reduce agency costs and thus modify the wages and benefits of the owners, the incentives are sufficient to use the services of independent auditors. Operating expenses in the defense of representation managers motivate to use independent auditors qualified and Watts and Zimmerman have been cited as evidence that based on 84 percent of the companies listed in New York in 1926, the year before the stock exchange rules on the mandatory audits, independent auditors of the service used. Wallace argues that theories of supervision, information and insurance managers provide sufficient evidence for the use of high-quality audit services. According to insurance theory, agency managers to reduce costs and prevent their pay adjusted by the

owners, the incentives are sufficient to conduct an independent audit. In information theory, motivated managers of independent auditing, focusing on financial information as a tool to improve decision making within the organization by improving the quality of the data. According to insurance hypothesis, the demand for audit manager's direct connection with the claims are threatening legal. If the financial data reported to the auditors' responsibility to be moved, in this case, the legal claims against directors and creditors and other professional persons in the securities markets generally significantly reduced. Therefore, with the increase in legal claims against directors and other individuals and professional groups active in the field of economic units is expected to increase demand for insurance for the audit.

4. Audit Committee

Abbott and Parker have reviewed change independent auditors and concluded that an active audit committee and independent companies with the close ties to enhance audit quality. Their research results with the theory of agency has adapted and suggests that there is limited scope to non-arbitration rules lead managers. Therefore, the Audit Committee makes the quality of the audit as the auditor may not be influenced by the desires of management, increase.

Research Hypothesis

Based on initial exploratory studies and literature review of theoretical and research background, has the following hypothesis:

The main hypothesis

There is significant relationship between audit apparatus size and audit quality.

Specific hypotheses

1. There is significant relationship between audit apparatus size and discovery of importance distortions in accounting estimates.
2. There is significant relationship between audit apparatus size and discovery of importance distortions in the rules and regulations.
3. There is significant relationship between audit apparatus size and discovery of importance distortions due to mistakes in applying accounting procedures.

RESEARCH METHODOLOGY

The present study compares the distortions and distortions discovered and undiscovered reports, audit reports to distinguish three types of distortions, by comparing this year's audit report and circulation profit and loss are accumulated in the future.

Then Research Methodology is the Dichotomy comparative method. In the present study distortions are divided into three categories:

- A) Importance distortions in accounting estimates,
- B) Distortions due to non-compliance with the rules and regulations,
- C) Importance distortions due to incorrect application of accounting procedures.

Modifiable determinants of audit quality criteria for the after year relevant financial statements in this year.

The study variables

1. Audit Quality: it related to audit apparatus ability in report on the discovery of importance distortions that Distortions in the lung are generally three categories:

- A) Importance distortions in accounting estimates,
- B) Distortions due to non-compliance with the rules and regulations,
- C) Importance distortions due to incorrect application of accounting procedures.

2. Distortions in accounting estimates: Distortions in accounting estimates that are important and are listed in the audit report with the total distortions in accounting estimates (distortions discovered and undiscovered distortions) can be adapted. Instances of this category of distortions can be mentioned the following:

The estimated income tax distortion, distortion in redemption reserve estimates, reserve estimates distort the value of inventories and receivables distorts the estimate of suspected store.

3. Distortions in the rules: importance legal cases of violations that have been discovered with the total distortions in the relevant law (discovered and undiscovered) are compared. The instances of this category of distortions can be mentioned the following: Non-compliance with registration laws in insurance costs, costs of non-compliance with registration laws, no rules about duty and taxes to the legal reserve.

4. Distortions in the application of accounting procedures: In applying accounting practices that distort the importance discovery made with the whole in applying accounting procedures, are compared. This category consists of the instances of non-compliance with accounting standards are distortions.

Operating revenues in recognition of distorted, distorting the principles of integrated financial Holly, distorting the proper procedures in applying for long-term contracts, distorting the accounting and investment...

5. Audit apparatus size: In this study the researcher assumes that the audit organization, its history and large numbers of staff and a large volume of audit activities, audit apparatus and Member of the audit firms of certified public accountants, have large non-audit system.

Statistical community

Statistical community of this study is all firms listed in Tehran Stock Exchange, which contains the following condition:

"At least one auditor from the audit organization of certified public accountants, or vice versa is changed."

This condition is due to the impact on audit quality audit apparatus size measure.

Sample selection

Researcher aims to identify and determine community parameters associated with it. To do this, or does it refer to all individuals and desired trait or characteristic in their research, they will ask, Or the number of individuals studied and through the smaller and with a certain method, seeking to take the traits and characteristics. Obviously, if the community desired small size and the number is low Can be used to study it thoroughly, but if the community is large and features and cannot let him, inevitably a certain number of individuals to choose a sample And with this limited study, the characteristics and traits of the population studied, statistical indicators and measurements to calculate it. In this study we have selected companies that audit them between 2004 to 2006 Member of the audit organization to audit firms of certified public accountants, or vice versa is changed. Sample members are stated below: (For brevity, instead of company name, the symbol is used)

Row	Company Symbol	Row	Company Symbol
1	Ghagrag	18	Taksha
2	Ghadasht	19	Bekam
3	Ghazar	20	Nabruj
4	Ghivan	21	Notan
5	Ghavita	22	Detuli
6	Khazar	23	Shasm
7	Khazar	24	Shafares
8	Khamharke	25	Shamli
9	Ranfour	26	Dalber
10	Lepars	27	Diran
11	Falber	28	Vpakhsh
12	Fajam	29	Deler
13	Fenerzhi	30	Dsbeha
14	Saghrab	31	Velber
15	Pakian	32	Deshiri
16	Larg	33	Vabimeh
17	tashta	34	Akantor

Data collection

Comparative study is needed to achieve the following information:

A) Audit reports for 2004 to 2006

B) Financial Statements 2005 to 2007.

The study required information was extracted such as a CD with title "Bank financial listed companies in Tehran Stock Exchange" also sites "Research and Islamic Studies" and "Stock Exchange". At first, each case study documents were the data mining companies and the number of detected and undetected deviations to distinguish

three types of distortion, were determined. Then in another table, summary statistics and information on the organization and community level Accountants were classified to be working to facilitate statistical analysis.

Statistical test

In this study assume is used to test the success ratio in the community (P) and Fisher's exact test. The test of success: The hypothesis of this study was two times more than the "Audit organization and community of accountants" are, so we have:

$$\begin{cases} H_0 : P_1 = P_2 \\ H_1 : P_1 \neq P_2 \end{cases}$$

The test statistic is the following:

$$S = \frac{P_1(1 - P_1)}{n_1} + \frac{P_2(1 - P_2)}{n_2} \quad \text{And} \quad Z = \frac{P_1 - P_2}{S^2_{P_1 - P_2}}$$

Fisher's exact test: When the number of samples is low, may result in a normal test result is not correct then The Fisher exact test was used in the test sample is applied with a low number. Fisher's exact test is used in nonparametric statistics. When the sample is large, z test results and the Fisher exact test are very similar. But in samples with low numbers, may be completely different results.

$$p = \frac{\binom{a+b}{a} \binom{c+d}{c}}{\binom{n}{a+c}} = \frac{(a+b)!(c+d)!(a+c)!(b+d)!}{n!a!b!c!d!}$$

Test one: Accounting estimates test distortions in Audit organization and community of accountants.

$$\begin{cases} H_0 : P_1 = P_2 & \text{Discovered distortions in accounting estimates between audit organization and Member of audit Institutions of community of accountants are same.} \\ H_1 : P_1 \neq P_2 & \text{Discovered distortions in accounting estimates between audit organization and Member of audit Institutions of community of accountants are not same.} \end{cases}$$

The test statistic is equal to - 0.15 as seen in the area assume non-zero is rejected, equivalent ratios is not rejected. Also, The Fisher exact test probability value of less than 0.05 is the zero assume not rejected, So the ratio 95% confidence level are equal.

Test and CI for Two Proportions

Sample X N Sample p

1 11 24 0.458333

2 2 4 0.500000

Difference = p (1) - p (2)

Estimate for difference: -0.0416667

95% CI for difference: (-0.570655; 0.487322)

Test for difference = 0 (vs. not = 0): **Z = -0.15 P-Value = 0.877**

* NOTE * the normal approximation may be inaccurate for small samples.

Fisher's exact test: P-Value = 1.000

Test two: Distortions of test rules in Audit organization and community of accountants.

$$\begin{cases} H_0 : P_1 = P_2 & \text{Discovered distortions in rules between audit organization and Member of audit Institutions of community of accountants are same.} \\ H_1 : P_1 \neq P_2 & \text{Discovered distortions in rules between audit organization and Member of audit Institutions of community of accountants are not same.} \end{cases}$$

The test statistic is equal to 0.09 as seen in the area assume non-zero is rejected, equivalent ratios is not rejected. Also, The Fisher exact test probability value of less than 0.05 is the zero assume not rejected, So the ratio 95% confidence level are equal.

Test and CI for Two Proportions

Sample X N Sample p

1 9 13 0.692308

2 2 3 0.666667

Difference = p (1) - p (2)

Estimate for difference: 0.0256410

95% CI for difference: (-0.563849; 0.615131)

Test for difference = 0 (vs. not = 0): **Z = 0.09 P-Value = 0.932**

* NOTE * the normal approximation may be inaccurate for small samples.

Fisher's exact test: P-Value = 1.000

Test three: Distortions of test accounting methods and procedures in Audit organization and community of accountants.

$$\begin{cases} H_0 : P_1 = P_2 \\ H_1 : P_1 \neq P_2 \end{cases}$$

Discovered distortions in accounting methods and procedures between audit organization and Member of audit Institutions of community of accountants are same.

Discovered distortions in accounting methods and procedures between audit organization and Member of audit Institutions of community of accountants are not same.

The test statistic is equal to -2.31 as seen in the area assume non-zero is rejected, equivalent ratios is not rejected. Also, The Fisher exact test probability value of less than 0.05 is the zero assume not rejected, So the ratio 95% confidence level are equal.

Test and CI for Two Proportions

Sample X N Sample p

1 12 16 0.750000

2 2 2 1.000000

Difference = p (1) - p (2)

Estimate for difference: -0.25

95% CI for difference: (-0.462172; -0.0378277)

Test for difference = 0 (vs. not = 0): **Z = -2.31 P-Value = 0.021**

* NOTE * the normal approximation may be inaccurate for small samples.

Fisher's exact test: P-Value = 1.000

Test four: Distortions of total test in Audit organization and community of accountants.

$$\begin{cases} H_0 : P_1 = P_2 \\ H_1 : P_1 \neq P_2 \end{cases}$$

Discovered distortions total test between audit organization and Member of audit Institutions of community of accountants are same.

Discovered distortions total test between audit organization and Member of audit Institutions of community of accountants are not same.

The test statistic is equal to -0.37 as seen in the area assume non-zero is rejected, equivalent ratios is not rejected. Also, The Fisher exact test probability value of less than 0.05 is the zero assume not rejected, So the ratio 95% confidence level are equal.

Test and CI for Two Proportions

Sample X N Sample p

1 32 53 0.603774

2 6 9 0.666667

Difference = $p(1) - p(2)$

Estimate for difference: -0.0628931

95% CI for difference: (-0.397841; 0.272055)

Test for difference = 0 (vs. not = 0): **Z = -0.37 P-Value = 0.713**

* NOTE * the normal approximation may be inaccurate for small samples.

Fisher's exact test: P-Value = 1.000

Comparison of detected cases between organization and community of accountants' distortions in the triple (particular assumptions) and whole floors (main hypothesis)

The entire table by the audit firms and audit firms are members of certified public accountants audit comparative study of the statistical results of the different types of distortions are as follows:

Variable	Groups	Number		Discovered ratio	Calculated $ Z $	Table Z	The Fisher exact probability test	The test result
		Discovered	Total					
Distortion 1	Audit Organization	11	24	45.8 %	0.15	1.96	1	Equality of two Community
	Community of Accountants	2	4	50 %				
Distortion 2	Audit Organization	9	13	69 %	0.09	1.96	1	Equality of two Community
	Community of Accountants	2	1	66.7 %				
Distortion 3	Audit Organization	12	4	75 %	2.31	1.96	1	Equality of two Community *
	Community of Accountants	2	0	100 %				
Total	Audit Organization	32	53	60 %	0.037	1.96	1	Equality of two Community
	Community of Accountants	6	9	66.7 %				

* Due to the low Number data, it is preferred Fisher's exact statistics on the approximate Z statistic. In this case, the value of Fisher's exact test was used since the probability value of less than 05/0 is not rejected, so the ratio is zero, no significant difference in the two communities.

Conclusion

As observed, first particular hypothesis is not confirmed, This means that the audit organization (representative of a large accounting system) and Member of the audit firms of certified public accountants (representing large sets of non-audit) the discovery of significant distortions in accounting estimates, The same audit quality and The auditing system has no effect on audit quality.

Test result of this hypothesis does not match with Forman (2006) research. Because in Foreman research are capable indicated that a larger audit units in the smaller distortions in accounting rules and regulations of the devices. In particular the hypothesis tests 3 will the effect size in detecting distortions in the accounting methods and accounting procedures using different methods, different results are obtained. Therefore, the success of the test result is zero is rejected. Then ratios equality in two communities is not approved and the member institutes of certified public accountants in this test discovered distortions in accounting methods and procedures of auditing organizations are more successful. The main test of the hypothesis that the effect on audit quality audit system (The ability to detect three types of distortion) deals, It was found that the size of the audit and audit quality, there is no significant relationship.

In researches of Dey Angelo (1981), Davidson and Neu (1981), Reynolds and Francis (2001), Lasse Niemi (2005), Dong Yu (2007), Chantayv (2007) had been identified Larger audit institutes are usually the result of higher audit quality research proves the contrary. On the other hand results of this study Agrees with Lam and Cheng (1998), Tat (2001), Kim et al., (2003), Baud and Wilkins (2004), Lewis Hnvk (2005). The main reason that can justify this result is perceptions from the study of Kuch. Over time, we see that every year companies for audit firms of certified public accountants to audit their members to be added and this signal is to increase the quality of these institutions. It can also be illustrated by the member firms of certified public accountants audit Iran has aligned itself with Iran have commercial needs. Large companies have changed their auditors raised in recent years and instead refer to the audit, audit services; audit institutions have made use of certified public accountants. With these qualities in recent years in Iran, creating competition in the supply of auditing and accounting has been largely out of

exclusive mode. Based on Kuch study of one of the factors that will increase audit quality, audit market competition has created. The audit market competition in recent years Iran has been created; automatically increase audit quality has been in Iran.

Research suggestions

Suggestions based on research findings

Research suggestion based on main hypothesis:

According to the research results that the audit system does not produce significant differences in audit quality, Companies are recommended to shareholders when considering the results of the audit the auditor shall attempt to select Which results in giving more value to the audit firms of certified public accountants and registered auditors and the audit quality is a competitive market. This is confirmed by Kuch research. Because of according to Kuch research in 2007, the audit market competition puts a negative effect on public trust and accountability is one of the factors that increase the quality, competition in the auditing market.

Research Suggestions based on particular hypothesis:

1. According to the result of the first particular hypothesis is suggested that shareholders when companies are considering that significant difference between auditors and audit organizations, audit firms of certified public accountants registered in the accounting estimates are significant distortions in the discovery.
2. According to the result of second particular hypothesis is suggested that users take note that the size of the audit services, auditors found significant differences in the rules does not cause significant distortions.
3. Considering with the result of a particular hypothesis can be offered, All shareholders and users of audit services considered be that Significant differences between accounting and auditing organization of certified public accountants registered in the discovery of significant distortions in the accounting methods and procedures exist.

Suggestions for future research

For future research are suggested on the basis of quality auditing standards and more work done. Suggestions for future research are discussed as follows:

1. Accounting distortions to be divided into more diverse and its relation to the audit apparatus is described in more detail.
2. In some of international research Based on quality have been commercial laws and regulations that recommended research on the relationship between audit quality basis of compliance with trade regulations and the auditor to be done.
3. Also, The effect of audit committee on audit quality can be the subject of another study. Audit Committee is composed of cases in order to increase the incentive to report the discovery of distortions and result in increased audit quality can be effective. In this regard, the legislation requires that the companies are forced to the independent directors or non-duty members of the board audit committee formed and Audit Committee do independent auditors and internal audit firm under the direct supervision. Studies show that Iran has few of companies are the audit committee. Auditors in the audit committee can be the main concern of losing audit work due to conciliation with the management of slaves, or at least reduce it. Rules in this area can manage the power of the employer to reduce pressure on auditors.

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