

An Examination of the Impact of External Oversight and Audit Partner Selection on the Audit Quality of Companies Traded on the Tehran Stock Exchange

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Abstract

Purpose: This research aimed to identify the factors affecting the level of external oversight and the audit partner identification on the audit quality of firms listed on the Tehran Stock Exchange.

Design/Methodology/Approach: This study was exploratory in terms of purpose and qualitative in terms of method. The investigated dimensions and indicators were determined by content analysis. The statistical population of this part of the study consisted of experts from Iranian audit firms, of whom 15 people were selected as a sample in a purposive manner. The interviews were examined using MAXQDA software. The results suggested that 63 initial codes were identified from 210 sections of the interviews. The 63 initial codes were categorized into three main categories and nine subcategories.

Keywords: Auditor, Level of External oversight, Audit Partner Identification, Audit Quality

Findings: The category of audit quality includes the provision of specific and specific audit reports, positive outcomes of audit services, overview of financial statements based on audit services, and technical affairs of audit services; the category of external audit oversight includes environmental oversight in the provision of audit services, compliance with the laws and regulations of audit services, implementation of agreed-upon procedures for handling audit financial information; the category of audit partner identification includes dimensions of providing audit services between auditor colleagues, and organizational cooperation in audit services.

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1. Introduction

Auditing enhances the quality of financial reporting, decreases information risk, and strengthens public trust (Jafari Nasab, 2017). Outputs encompass reports and other information generated as a result of conducting audits. Auditor competence and independence are inputs to the audit process and are potential indicators of an auditor's ability to perform a quality audit. Shareholders typically bank on audit committees to monitor these types of audit quality indicators, but even audit committee members may not be capable of reliably determining the competence and independence of the audit team's members. Audit outputs are easily observable and measurable audit quality indicators. However, if the auditor issues an adverse opinion on the financial statements that is subsequently determined to have been misstated and the quality of the audit is called into question, other explanations are possible. The challenges associated with using outputs to assess audit quality are that they may not be timely and reliable indicators. It may take several years for a material misstatement to be identified, or it may never be identified. Additionally, the failure to reissue financial statements does not necessarily mean that the audit quality is high. Another explanation may be that a firm's financial management team is very skilled and presents financial statements without major errors. In this regard, the auditor may provide a "qualified" audit opinion even if a low-quality audit is performed. Hence, circumstances are of importance in the evaluation of audit quality (Dinkes et al., 2018).

The significance of audit partner identification has caused audit researchers to conduct many studies on the effect of audit

partner identification on audit quality. Empirical audit studies have provided evidence that determining audit partner identification improves auditor judgment. The results of many studies indicate that auditors can provide higher-quality audit services by determining the audit partner identification (Krishnan, 2003 Reichelt and Wang, 2010 cited in Yuan et al., 2016). However, little evidence shows the way external and external oversight affects the effect of audit partner identification. This study fills this gap by investigating the relationship between audit partner identification and audit quality considering external oversight. Previous literature and implicit evidence have indicated that external oversight is one of the important factors determining audit quality. The results of the study by Dichev et al. (2013) suggest that the most important factor affecting audit quality is a company's external oversight. According to Lifesen et al. (2001), external oversight is an important factor affecting audit quality, and the primary aim of analytical audit methods is to gain knowledge of audit partner identification. The results of the study by Bentley et al. (2013) show that determining the audit partner identification significantly affects audit efforts. Hence, auditing standards oblige auditors to gain sufficient and proper knowledge of their partner's identity during the audit planning stage. The accounting firm KPMG supports the identification of audit partners (Yuan et al., 2016). The results of research by Chin and Chi (2009), Chi and Chi (2011), and Yuan et al. (2016) show that the effect of audit partner identification can be mainly attributed to a firm's audit quality. Given the above, this study investigates the role of external oversight in the relationship between audit

partner identification and audit quality. Since listed firms are required to disclose the names of audit firms and the names of the partners signing the audit reports, there is a good basis for evaluating the effect of audit partner identification on audit quality considering external oversight. Most previous studies in Iran (Darabi et al., 2016; Vaez and Darse, 2016; Khodamipour and Hosseininia, 2016; Ebrahimi Kordler and Javani Qalandari, 2016) have expanded this area of audit literature by investigating and measuring auditor expertise at two levels: audit firm and audit partner. Moreover, by emphasizing and focusing on the effect of external oversight on the relationship between audit partner identification and audit quality, this study fills the gap in this area of audit literature. It provides suitable empirical evidence in this context.

Transparent and reliable financial information obtained from a comprehensive and proper reporting system is one of the main pillars of evaluating the situation and performance of a corporation and making decisions on the exchange of securities issued by the corporation. Given the separation of ownership from management, the issue of corporate governance, as well as the relevant theories, such as the agency theory, stakeholder theory, etc., the need to examine and audit the financial statements of firms is completely essential (Hassas Yeganeh, 2005). In today's professional societies, information is considered reliable from the users' perspective that an independent organization monitors their reporting process and the center of this process, namely financial statements. In business units, with independent organizations performing such activities, it is the auditing firms that mainly investigate and monitor the audit process, the internal

control structure of the reporting unit, and the final product of this internal control system, namely its financial statements. Audit reports are one of the cases used as a guide for investors when making decisions, and the poor quality of these reports can lead to the wrong allocation of resources in society. Playing the role of guardian of society's interests requires that auditors remain independent from their clients. In fact, the quality and credibility of an audit report depend on the degree of independence of the auditor from their client. However, in practice, some of the significant obstacles to the auditors remaining independent are the influence of the management of a firm under review on issues related to the selection and provision of information to the auditor, along with the high motivation of management to achieve or exceed the set goals. Nevertheless, many empirical studies have shown that independent auditors are usually able to detect errors and irregularities in the financial system of a firm under review (Vance Traelen, 2000).

Identification of audit partners and external oversight is one of the indicators for measuring audit quality and its monitoring ability. The greater the oversight, the greater the identification of the audit partner and the higher the audit quality. However, there is no consensus among researchers regarding these benefits of audit partner identification, and the conducted research indicates contradictory results. While various forms of identification have attracted the attention of legislators as a tool to increase independence and improve audit quality, there is conflicting evidence in support of it. In the following, this paper provides an overview of the research literature. In the next section, the research design and data collection are

discussed. After interpreting the research findings, conclusions are drawn.

2. Literature Review

The establishment of audit committees dates back to 1939. After the McKesson and Robbins' fraud case, the US Securities and Exchange Commission (SEC) recommended that all firms listed on the New York Stock Exchange (NYSE) introduce independent auditors as a group of unbounded executives of the firm's directors and negotiate with them regarding the conclusion of an audit contract and the determination of the relevant fees. This recommendation was approved by the SEC in 1971. This organization believed that the existence of an audit committee could be considered the most appropriate means to protect the interests of investors in public companies. In 1972, the US SEC recommended that all public companies establish an audit committee. Following the NYSE's policy, the American Stock Exchange recommended, but did not oblige, companies listed on the American Stock Exchange to establish audit committees. Over time, the establishment and employment of audit committees in American companies have increased. According to a survey conducted in 1958, only 14.7% of American manufacturing companies had an audit committee. The size

of audit committees in large US public companies reached 18.6% in 1961 and 91.4% in 1977. As the trend of establishing audit committees in American companies increased, the idea of establishing them also grew in Britain. The trend of accepting the establishment of audit committees in British companies was slower. It should be noted that according to the International Accounting Standards Board, audit committees were not unknown in the UK, but companies were reluctant to establish them. Thus, the establishment of such committees in British companies was unlikely. In this regard, the Cadbury Committee recommended in 1992 that all companies listed on the London Stock Exchange should have an audit committee. Acceptance of this recommendation was voluntary. Therefore, the Stock Exchange has asked all listed companies to announce their acceptance of this recommendation in their annual report to the general meeting of shareholders so that shareholders are informed of the status of the establishment of an audit committee or the reasons for its non-establishment. With the Cadbury Committee Report published, the number of audit committees in UK companies increased significantly. By 1994, 83.8% of companies listed on the London Stock Exchange had an audit committee. In Iran, the board of directors must establish an audit committee and other specialist committees. The guideline for internal controls of issuers listed by the Tehran Stock Exchange and Iran Over-the-Counter Exchange became mandatory in May 2012 and required

committees to work together to establish and implement appropriate and effective internal controls. According to the articles of association of the Iranian Stock Exchange Audit Committee, the audit committee consists of three to five members, the majority of whom are independent and have the financial expertise to select and appoint the board of directors. The chairman of the audit committee must be an independent or non-executive member of the board of directors. Also, company managers cannot join the audit committee. Based on this guideline, it can be concluded that the audit committee is the authority responsible for receiving internal audit reports and plays a supervisory role in assessing the effectiveness of the organization's internal control system (Namkurdani et al., 2021).

Independent auditors play a significant role in validating financial statements by providing assurance to the company's stakeholders regarding the accuracy of financial statements. Auditors also play an important role in maintaining shareholder control over the companies' affairs and protecting their rights by detecting cases of usurpation of their rights by the companies' employees. The close scrutiny of the auditing profession after the sharp increase in financial restatements is not surprising, as the failure of independent auditors to detect material misstatements is one of the main factors affecting the number of restatements (Ellifsen and Messier, 2000). Failure of auditing in preventing material misstatements of financial statements can be

due to auditor failure to perform their job responsibilities, audit limitations, or both. This argument brings to mind the negative relationship between audit quality and the likelihood of accounting restatements, which has been confirmed by Romanos et al. (2008). They found a decreasing effect of auditors' specialization in an industry on the likelihood of restatements affecting core operating accounts. However, others have found a poor effect of audit quality on reducing the likelihood of restatements (Hayan, Habib, Zhou, 2015).

The audit firm size (membership in a large audit firm) is used as an indicator of audit quality because large auditors are expected to have greater motivation and competence to provide quality audits (D'Angelo, 1981). The auditor's industry specialization (usually measured by the concentration of clients in the industry) is used as an indicator of audit quality because specialist auditors are expected to have greater motivation and competence to maintain a reputation for providing quality audits. This measure is usually used as a dependent variable to assess factors driving the demand for quality audits (e.g., Wang, Wang, & Jia, 2008). However, many studies have employed this measure as an independent variable to examine audit characteristics affecting the supply of audit quality (e.g., Lennox & Pittman, 2010).

A distinctive characteristic of the above measures is their independence from the auditor's acceptance of the audit engagement. Specifically, membership in a

major audit firm and industry expertise are fixed characteristics of an auditor (at least within a reasonable range). This is contradictory with other indicators of audit quality, such as the going concern opinion, where auditors can modify their opinion in response to incentives. The result of this difference is that auditors are unable to use membership in a major audit firm, or audit expertise, as variables of choice in determining the quality of the audit provided. While an auditor cannot realistically improve audit quality by joining a large audit firm or by specializing in an industry in the short term, clients can improve audit quality by choosing a large audit firm or an auditor specializing in an industry. Hence, these measures are more useful in studies measuring client demand for quality audits.

The advantage of membership in large audit firms is its high structural validity. Because membership in large audit firms is associated with all audit quality indicators. The advantage of auditor industry specialization is its use to compare quality between large audit firms. This index allows for better classification in finding answers to questions related to the differences in the quality of large firms. The major restriction of these indicators is their two-fold collection, because it implicitly assumes that audit quality is homogeneous in each group (Clarkson and Simonik, 1994)*.

* On the other hand, if the relationship between audit firm size and audit quality is not linear, the split

Consequently, as with restatements, accounting and auditing practices, and concerned opinions, membership in large audit firms is not a good indicator of subtle differences in audit quality. Also, the measure of auditor industry specialization lacks sufficient consensus, indicating a relatively high error in this measure of audit quality (Neal and Riley, 2004). DeFond (2014) considers audit quality to be a result of the supply and demand of client and auditors, and their motivation and competence. The demand for audit quality arises from a client's motivations, which are influenced by factors such as agency costs and regulations. The client's competence in meeting this demand is reflected in factors such as audit committee and internal audit.

The delivery of quality audits is affected by an auditor's motivation to maintain independence, which is determined by factors such as reputation, litigation, regulations, and monitoring concerns; the auditor's competence in delivering quality audits is reflected in factors such as specialization and the extent to which the audit process has progressed. Therefore, the diversity in motivations and competence of the client and the auditor leads to diversity in audit quality. Importantly, oversight plays a critical role in shaping the motivations and competencies that drive auditor supply and demand toward audit quality. Many studies have been conducted to measure the extent to which auditors are concerned about

measure may reduce the likelihood of measurement error.

oversight. Therefore, the effects of supply and demand interventions on audit quality are investigated separately. The diagram below illustrates a framework for viewing

audit quality as a function of client demand and auditor supply, both of which are affected by controlling intervention.

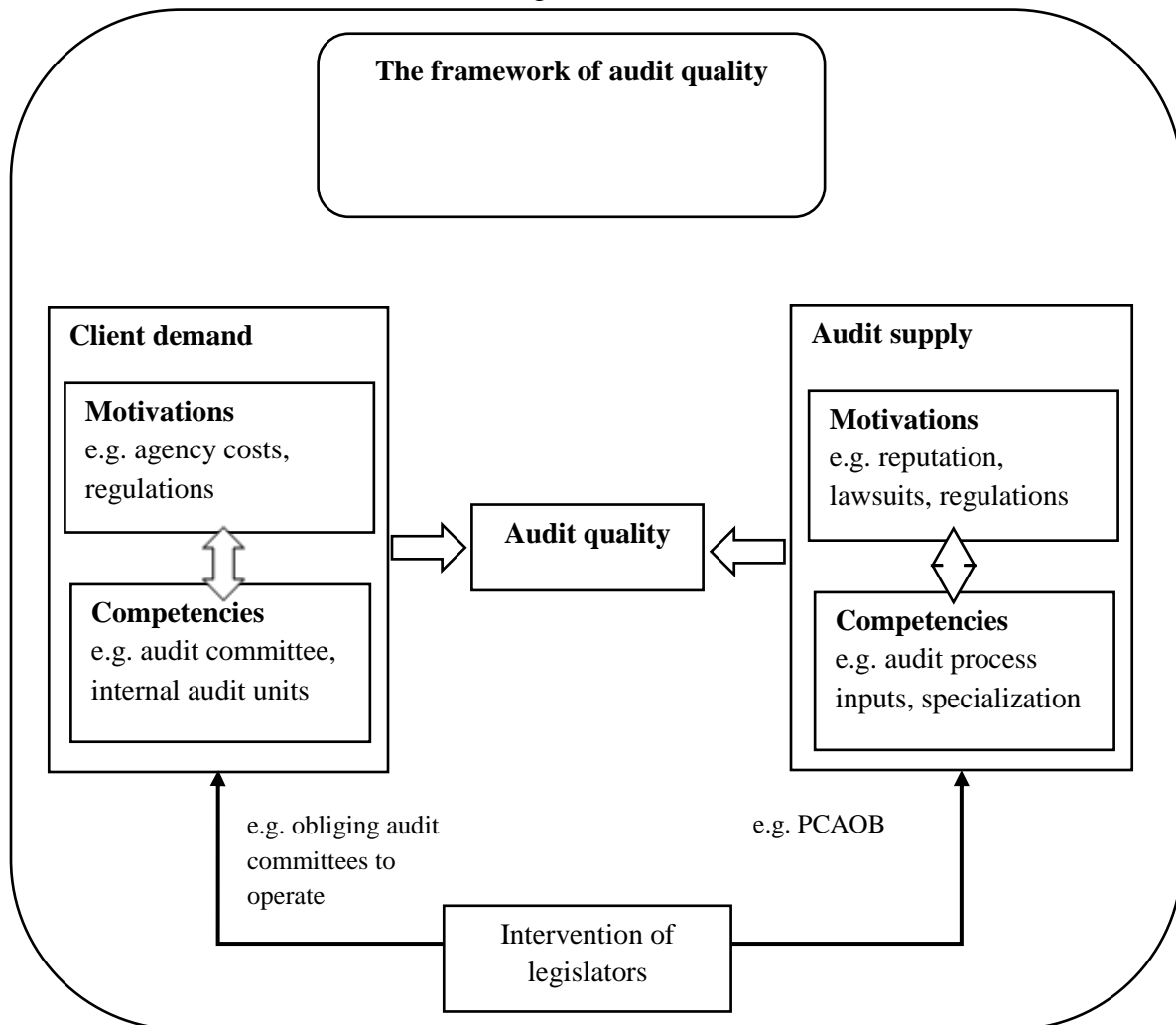


Figure 1. Framework of audit quality (Defond and Zhang, 2014)

The definition derived from auditing standards regarding audit quality is as follows: "Issuance of the appropriate audit report on the client's compliance with generally accepted accounting principles." Most studies also refer to D'Angelo's (1981) definition of audit quality. He defines audit

quality as the market's assessment and evaluation of the auditor's ability to detect material misstatements and report on the misstatements that are detected.

The auditing profession is highly dependent on building reputation among multiple stakeholders. Auditors, on the one hand,

provide audited financial statements that investors rely on to make investment decisions. Nonetheless, regulatory bodies ensure compliance and transparency in auditing through regulations. Appropriate regulations on accounting standards, third-party accreditation, and disclosure requirements by regulatory bodies, such as the SEC and the Public Company Accounting Oversight Board (PCAOB), help maintain this reputation (DeFond 2017). Several factors can affect audit outcomes. Most previous research has focused on factors of audit firms and clients. These studies indicate that audit quality and pricing of audit efforts are affected by factors such as size, client risk, or size of the audit firm (Penny and Itonen, 2011). It is therefore assumed that, at the same levels, partners produce statistically similar audit quality and receive equivalent audit fees. However, audit reports are prepared by individuals using their skills and knowledge to analyze and provide audit opinions on financial statements. Behavioral economics and cognitive psychology acknowledge that differences in individual characteristics, such as gender, can affect how people process information and make decisions. It is possible that auditor characteristics can affect audit outcomes and that the market can relate to such characteristics when interpreting audited financial statement information (Muiya, 2019).

After six years of discussion and four rounds of public comment, PCAOB adopted rules to identify engagement partners in audits.

Both the name of the engagement partner and details of the extent to which other accounting firms are involved in the audit must be disclosed on Form AP, auditor reporting of certain audit participants, for each SEC registrant. PCAOB believes that increased transparency would lead to higher-quality audits by providing (I) incentives for individual effort for partners and (II) incentives for the audit firm to more closely organize audit teams (PCAOB, 2015). While research has indicated that audit quality varies at the audit partner level (Gol et al. 2013) and investors value audit partner information (Knechel et al., 2015), it is not yet clear whether disclosure of the name of the audit partner leads to improved audit quality. The International Auditing and Assurance Standards Board views audit quality assurance in terms of three fundamental aspects: inputs, outputs, and context factors. These include factors such as the auditor's personal characteristics, the audit process, the auditor's report, the management of the audit firm, and laws and regulations (Lee and Levine^{*}, 2020).

Theories of audit client and audit follow a homogenous assumption that audit partners in a given firm earn uniform fees and produce statistically identical audit quality. However, this homogenous assumption ignores that partners are individuals with different characteristics and use their skills to make decisions. Audit firm quality control mechanisms and oversight policies

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are predicted to limit partner switching in judgments (Zimmerman et al. 2018). Nonetheless, characteristic differences (gender, experience, education, or specialization) may still play a role in decision-making and ultimately affect audit outcomes (Taylor 2011; Liu 2017). Consequently, the final audit fees charged for the audit effort may not be fully disclosed by the audit firm and the client's agents. When selecting an audit partner and firm, the identity of the audit partner is important because the partners' involvement is a key component of the firm's accounting quality. Audit partners must lead the activities, communicate with the client, and agree on the final figures that will be reported in the financial statements. Therefore, managers and audit committees look for certain characteristics when selecting the lead audit partner to plan, execute, and determine the type of final report issued (Zimmerman 2018). Differences in personal characteristics affect how individuals (auditors) process information and make decisions, ultimately affecting audit outcomes. If the market recognizes these differences and can relate these characteristics to the information provided by auditors to the market, the information obtained by disclosing the name of the audit partner will be informative to the market. (Muiya, 2019). In this regard, Hossein et al. (2023) in evaluating the relationship between audit firm characteristics and readability of key audit matters (KAM) showed that female audit partners significantly affected the readability

of KAM. Further analysis also indicated that firms audited by the Big Four audit firms and higher audit fees tend to report more readable KAM disclosures in the FTSE 100 in Malaysia. Mohapatra et al. (2021) in their study on "audit partner rotation, and its impact on audit quality: evidence from India" found that audit partner rotation does not have a significant impact on audit quality as measured by discretionary accruals and going concern audit opinion. The study shows that other factors such as loss year, firm size, valuation, and leverage have a statistically significant effect on audit quality. The empirical results also show an inverse relationship between audit fees and audit partner rotation, implying a reduction in audit prices. The findings regarding the significance of audit partner rotation in increasing audit quality are important for regulators. Broberg et al. (2020) in their study of auditors' professional and organizational identity and commercialization in audit firms showed that there is a positive relationship between auditors' organizational identity and three aspects market orientation, customer orientation, and process orientation. Contrary to the findings of previous research, the results of this study showed that auditors' professional identity has a positive relationship with commercialization. This indicates the effect of the commercialization of audit firms on changing the role of professional identity.

3. Methodology

Considering that the aim of this research was to identify the factors affecting the level of external oversight and audit partner identification on the audit quality of companies listed on the Tehran Stock Exchange, it was conducted based on the opinions of experts from Iranian audit firms as the committee members. It is exploratory in terms of purpose for the following reasons. The results of this research lead to the presentation of a model and the findings of this research expand the existing knowledge in the field of audit quality. In terms of the implementation process (type of data), this research is of a qualitative type because in this research methodology, the first part (data) is collected from various sources such as interviews, library studies, and participation, and in this research, data was also collected through interviews. Furthermore, in the qualitative research method, the second part includes analytical and interpretive methods used to achieve findings or theories.

As previously stated, this research is qualitative; therefore, it was necessary to interview experts who, in addition to having multiple specializations, were fully familiar with the theoretical foundations of audit quality and were experts in the field of audit quality. Hence, in this study, people who previously or currently, in addition to their work experience, also had specialization and were employed in other fields were enrolled in the statistical population, including experts from audit firms in Iran. Some of the individuals in the sample were decision makers and well-known in their field, and the interview began with them

first. Then, as the research, and data collection and analysis progressed, interviews were conducted with other experts from audit firms in Iran to better understand the concepts and categories. Thus, 15 experts were interviewed in 2023. After each interview, the interview transcripts were carefully analyzed to infer and extract the meanings from each sentence, followed by the next interview. This process continued until the research reached theoretical saturation. Theoretical saturation means that the latest interviews did not yield any new data and were all repetitions of previous data (Strauss and Corbin 1998). Therefore, from the sixth interview onwards, there was no new data in the interviews conducted, and reasonable confidence in theoretical saturation was achieved by the 10th interview. It should be noted that most of the interviewees had more than 10 years of professional experience in their work. Each interview with each specialist and expert lasted approximately 70 minutes. The content analysis method was used to identify variables. In this method, MAXQDA software was used for qualitative data analysis and theorizing. Different definitions of content analysis have been provided, part of the difference being related to the history of this technique and its evolutionary process and another part being related to the difference in the broad scope of this technique.

Stages of qualitative content analysis are as follows:

- No hypothesis exists in qualitative content analysis; rather the researcher's mental assumptions lead to the formulation of research questions.

- Qualitative content analysis generally does not begin with an extensive review of sources. The reason for this is that, firstly, reviewing sources provides the researcher with information and perspectives that can affect the way s/he works, conducts research, and collects and analyzes information. Secondly, it may cause the researcher to lead the research participants in the direction that s/he has realized during the review of sources.

In qualitative content analysis, the following is considered:

- Definition of analysis unit: According to Krippendorff (2004), the researcher must define the units of analysis, including words, sentences, paragraphs, papers, news, etc.

- Data reduction: The purpose of this stage is to eliminate similar texts and discard duplicates.

- Using a categorization system: It is necessary for researchers to develop their categorization systems using two inductive and deductive methods; because the core of qualitative content analysis is the creation of categories and classes. According to Krippendorff (2004), categories or classes should be comprehensive, inclusive, and incompatible; meaning that no data falls between two classes or in more than one class. Categories or classes can include a set of subcategories or subclasses with different levels of abstraction.

- Modifying the categorization system based on data: After determining the categories based on the research data, the researcher needs to modify the categorization system and, if necessary, eliminate some categories and add others.

- Presenting a report on qualitative data: In the final stage, a report should be prepared and presented based on the available data.

In this context, it is necessary to describe the content of the categories. If needed, category counts and frequencies, as well as other qualitative studies, can be used (Rader, 2007).

4. Result

4-1. Open coding

In open coding, meaningful data units are first labeled using a conceptual name, and then, using more abstract names, the resulting concepts are categorized, which are called categories. In the next stage, the characteristics and dimensions of the resulting categories are developed by analyzing the data. These stages are not linear and usually occur simultaneously and with a lot of overlap. In this stage, the researcher tries to identify the concepts hidden in the interviews by reviewing the collected data set. This stage of coding is called open coding because the researcher names concepts with an open mind and does not place any restrictions on the assignment of codes. The purpose of open coding is to break down the collected qualitative data set into the smallest possible conceptual components. The result of open coding is a set of conceptual categories created from the data. It was observed that 63 initial codes were identified from 210 interview sections.

4-2. Axial coding

The purpose of this stage of coding is to establish a relationship between the categories generated in the open coding

stage. Axial coding leads to the creation of groups and categories. All similar codes are placed in their own group. In this regard, all

the codes created are reviewed again and compared with the texts so that nothing is missed.

Table 1. Axial coding

Main category	Sub-category	Initial code	iteration
1. Audit quality	1. Providing specific and certain audit reports	1. Financial registry systems of audit services	2
		2. Providing comprehensive audit service information	2
		3. Ease of analyzing received data	2
		4. Compliance with audit services guidelines	3
		5. Ease of access to information for audit service analysis	5
	2. Positive outcomes of audit services	6. Reducing paperwork in audit services	1
		7. Fulfilling laws in audit services	2
		8. Timely and rapid access to audit services	2
		9. Proper division of tasks in audit services	2
		10. Improving the quality of audit files in audit services	3
		11. Funding for audit services	3
		12. Social justice in audit services	3
		13. Professional ethics in audit services	3
		14. Assessing risks in audit services	4
		15. Saving time in audit services	4
		16. Financial soundness in audit services	5
		17. Addressing and follow-up on audit services	5
		18. Assessing auditor performance in audit services	6
		19. Preventing corruption and deviations in audit services	6
		20. Increasing the accuracy of reporting in audit services	6
	3. Overview of financial statements based on audit	21. Providing credit in audit services	3
		22. Audit oversight system in audit services	4

	services	23. Adapting audit method in audit services	5	
		24. Employing technical experts in audit services	5	
		25. Creating awareness in auditor in audit services	5	
		26. Platform and infrastructure in audit services	5	
		27. Audit control systems in audit services	7	
	4. Technical matters of audit services	28. Ease of use of software in audit services	2	
		29. Electronic documents in audit services	2	
		30. Electronic audit security in audit services	3	
	2. External audit monitoring	5. Environmental oversight in providing audit services	31. Clients and stakeholders	1
			32. The healthy output of executive agencies in audit services	1
33. Government structure			2	
34. The soundness of the system in audit services			2	
35. Political factors in audit services			2	
36. Quality of assets in audit services			3	
37. Financial oversight in audit services			4	
6. Compliance with auditing services laws and regulations		38. Money laundering law in audit services	1	
		39. Executive laws of agencies in audit services	3	
		40. Soundness of law enforcers in audit services	3	
		41. Effectiveness of financial operations in audit services	4	
		42. Comprehensive and codified laws in audit services	6	
7. Implementing agreed-upon procedures for handling financial information		43. Incorrect decisions in audit services	1	
		44. Abuse in audit services	1	
	45. Access to resources in audit services	4		
	46. Access to reports in audit services	4		
3. Audit partner identification	8. Providing audit services between auditor colleagues	47. Auditor's work experience in audit services	1	
		48. Sufficient audit evidence in audit services	2	
		49. Risk assessment in audit services	2	
		50. Audit principles in audit services	2	

		51. Understandability of reports in audit services	2
		52. Comparability of audit service results	3
		53. Allocation and assessment of risks of material misstatement	4
		54. Examination and review of financial statements in audit services	4
		55. Compliance with audit service guidelines and laws	5
	9. Organizational cooperation in audit services	56. Meritocracy in appointments in audit services	1
		57. Personnel skills in audit services	2
		58. Personnel soundness in audit services	2
		59. Organizational commitment to audit services	4
		60. Organizational specific rules in audit services	4
		61. Organizational culture in audit services	5
		62. Organizational environment in audit services	6
		63. External monitoring in audit services	9

The results of axial coding are listed in Table 1. It can be seen that 63 initial codes are categorized into three main categories and nine subcategories.

4-3- Reliability of the qualitative model

Cohen's kappa coefficient was used to measure reliability (Jacob Cohen, 1960). In this way, another person (from the elite of this field) without knowing how to integrate the codes and categories created by the

researcher, made a classification. Then, the categories provided by the researcher were compared with the categories provided by this person. Finally, considering the number of similar and different categories created, the kappa coefficient was calculated. As can be seen in Table 2, the researcher created nine categories and the other person created eight categories, of which seven were common, and they agreed on the number of main categories.

Table 2. Comparison of categories identified by the researcher and the other person

	Researcher's opinion		
	Yes	No	Total

The person's opinion	Yes	A = 7	B = 1	8
	No	C = 2	D = 0	2
	Total	9	1	10

$$\text{Observed agreements} = \frac{A + D}{N} = \frac{7}{10} = 0.700$$

$$\text{Random agreements} = \frac{A + B}{N} \times \frac{A + C}{N} \times \frac{C + D}{N} \times \frac{B + D}{N} = \frac{8}{10} \times \frac{9}{10} \times \frac{2}{10} \times \frac{1}{10} = 0.014$$

$$K = \frac{\text{Observed agreements} - \text{Random agreements}}{1 - \text{Random agreements}} = \frac{0.700 - 0.014}{1 - 0.014} = 0.696$$

Table 3. kappa's coefficient

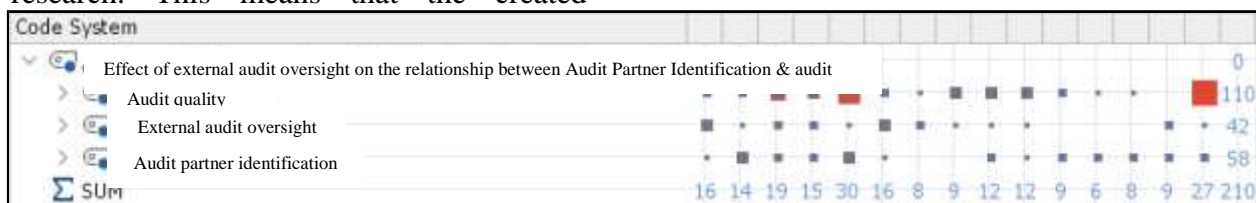
Numerical value of kappa's coefficient	Agreement status
Less than zero	Weak
Between 0 and 0.2	Insignificant
Between 0.21 and 0.4	Average
Between 0.41 and 0.6	Adequate
Between 0.61 and 0.8	Valid
Between 0.81 and 1	Excellent

As can be seen, the kappa's coefficient was calculated at 0.696, which is at a valid level of agreement according to Table 3.

4-4. Investigation and description of categories

Each of the categories consists of one or more concepts, in fact expressing the existing or desired "features", "conditions" or "situation" of the category in the country. Another significant point is the simultaneous "description" and "prescription" in sub-categories and axial categories of the research. This means that the created

categories do not simply have a descriptive load regarding the description of the existing situation or the description of the expected desired situation, but in addition, they also have a prescriptive load. Simply put, each of them has dos and don'ts on the way to achieving the desired situation. It is possible to determine their importance using the frequency of codes given to the categories. The software output regarding the frequency of codes given to categories, separately sorted by each interviewee, is shown in the tables and figures below.



Graph 1. Frequency of coding categories**Table 4.** Frequency of coding categories by interviews

	Audit quality	External audit oversight	Audit partner identification	Total
Interview 1	5	9	2	16
Interview 2	4	1	9	14
Interview 3	12	3	4	19
Interview 4	7	3	5	15
Interview 5	19	2	9	30
Interview 6	6	9	1	16
Interview 7	2	6	0	8
Interview 8	7	2	0	9
Interview 9	7	2	3	12
Interview 10	9	1	2	12
Interview 11	5	0	4	9
Interview 12	2	0	4	6
Interview 13	2	0	6	8
Interview 14	0	3	6	9
Interview 15	23	1	3	27
Total	110	42	58	210

According to the graph and Table 4, it can be seen that the audit quality category is in first place with 110 assigned codes, the audit partner identification category is in second place with 58 codes, and the external audit oversight category is in third place with 42 codes.

In addition to investigating the number of codes assigned to the categories, the

percentage frequency of the number of interviewees mentioning each category can also be studied to obtain the generality and breadth of the range of the mentioned category among all individuals. The results of the software output are given below.

Table 5. Frequency distribution of interviewees by category identification

Category	Frequency	Percentage
Audit quality	14	93.33
Audit partner identification	13	86.67

External audit oversight	12	80.00
Total	15	100.00

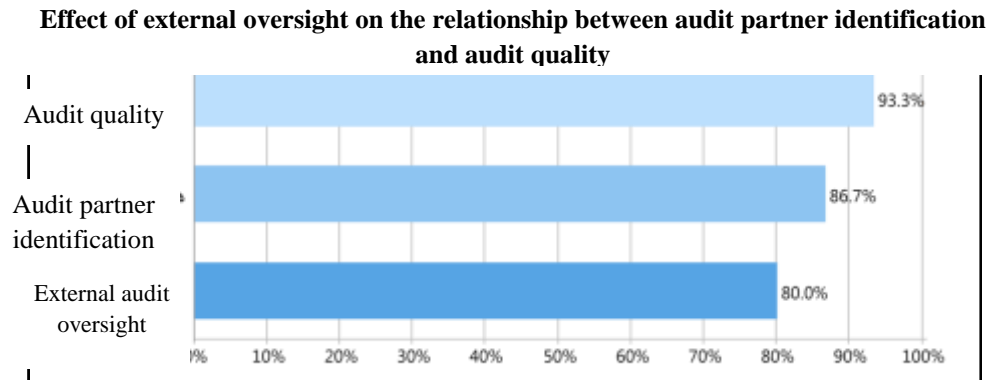


Chart 2.4. Frequency percentage of interviewees by category identification

It can be seen that out of the total number of 15 interviewees, 14 people, equivalent to 93.33%, referred to the category of audit quality. Therefore, the category of audit quality, in addition to the number of code

iterations, was also a priority in terms of generality and comprehensiveness among respondents, indicating the importance of this category.

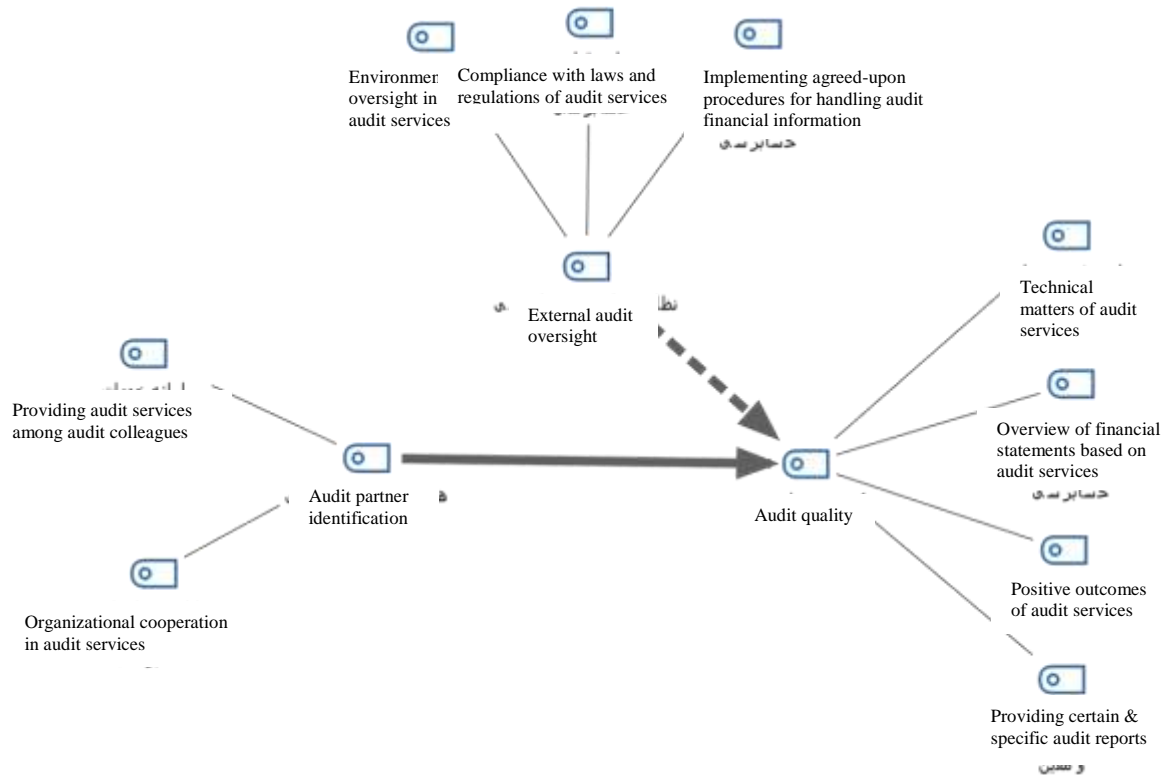


Figure 2. Graphical model of external oversight on the relationship between audit partner identification and auditor quality

5. Discussion and Conclusion

In this study, relevant models and variables were identified to investigate the effect of variables of external oversight level on the relationship between audit partner identification and audit quality of firms listed on the Tehran Stock Exchange based on interviews with research experts. Finally, based on the final criteria identified, the model derived from the content analysis method was presented. The review of the interviews showed that the audit quality category with 110 assigned codes was in first place, the audit partner identification category with 58 codes was in second place,

and the external audit oversight category with 42 codes was in third place. Out of the total number of 15 interviewees, 15 people, equivalent to 93.33%, referred to the audit quality category. Therefore, the audit quality category was a priority in terms of generality and comprehensiveness among respondents, in addition to the number of codes repeated, indicating the importance of this category.

Auditing is an important factor in the performance of corporate governance. An auditor's responsibility is to assure users of a company's financial statements that they are true and fair. Auditors play a fundamental role in validating the accuracy

and reliability of financial statements prepared by companies. These statements are the primary input into financial decisions for a wide range of users, such as investors, creditors, regulators, and the public. The availability of audit partner identification information provides data for regulators and researchers to observe the diversity of audit inputs. For example, auditors with characteristics such as professional skepticism, independence, experience, and continuing professional development, among other physical characteristics, may address audits differently and produce results of different quality. Previous empirical studies have suggested that details at the firm and administrative level, such as size, culture, and industry specialization, affect audit quality. Given that a significant discourse highlights the importance of understanding the individual characteristics of audit partners, the number of regulations requiring the disclosure of audit partner identification information continues to grow worldwide, providing researchers with multiple methods to test these theoretical concepts (Jiang et al., 2024). In this regard, Mohapatra et al. (2021) showed that audit partner rotation did not have a significant effect on audit quality as measured by discretionary accruals and going concern audit opinions. This study shows that other factors such as loss year, firm size, value, and leverage have a statistically significant effect on audit quality. The empirical results also show an inverse relationship between audit fees and audit partner rotation, implying a decrease in audit prices. Broberg

et al. (2020) indicated that there is a positive relationship between auditor professional identity and commercialization. This shows the effect of the commercialization of audit firms on the changing role of professional identity. Menzo-Isgro et al. (2019) showed that audit report disclosure significantly explains the causes of business failure. Additionally, these findings are consistent with the results of studies integrating deterministic and voluntary perspectives in evaluating the history of organizational failure, as the disclosure of external and internal factors mentioned in the audit report contributes to the default evaluation. Managers, auditors, regulators, and other users may deem financial reporting as a helpful tool for predicting business failure. Ingo and Espinosa-Pike (2019) showed that auditors with university degrees used more expertise and level of knowledge in their ethical judgments, while auditors with more experience made judgments about financial statements based on intuitive analysis and trial and error. Tagesson and Öhman (2017) indicated that auditors with strong personal and professional identities, due to their experience and reputation, were better able to review the financial statements of financially troubled companies and provided more documented reports based on better tracking of accounts.

Auditors need to determine the materiality level of the financial statements as a whole when developing the overall audit plan. If, in the particular circumstances of an entity, there are one or more classes of transactions,

account balances, or disclosures that, if misstated by an amount less than the materiality level determined for the financial statements as a whole, could reasonably be expected to affect the economic decisions of users of the financial statements, and the auditors should determine the materiality level or levels to be used for that class of transactions, account balances or disclosures. According to the results obtained from the investigation findings, the following can be suggested:

- It is suggested that users of financial statements, when making decisions based on the financial statements of companies, attend to the recruitment of trusted auditors and pay more attention to their reports on financial statements of previous periods.
- The audit service market generally encapsulates two major types of services, audit work or regular audit and other services or non-audit work such as accounting, tax and management consulting services. Such services are beyond the scope because they require a variety of skills and experience and may have different foundations for determining their costs.
- It is suggested that investors in listed companies demand company managers to employ trusted auditors. Because according to the findings of this study, there is a negative relationship between earnings management and audit quality.
- It is suggested that users of financial statements, when making decisions based on

companies' financial statements, evaluate the amounts and nature of companies' annual adjustments when selecting their stock portfolios.

- The audit vision of public companies is characterized by significant heterogeneity affected by numerous factors, such as certain characteristics of the audit partner. The need for ongoing research to increase the quality and effectiveness of audits in global markets is emphasized.

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