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Explanation and validation of the audit quality improvement model with the approach of focusing on internal and external components in IRAN

Mohammad Esmaeil Molaei
PhD Student, Department of Accounting, Faculty of Humanities, Islamic Azad University, Qaemshahr Branch, Qaemshahr, Iran.
MolaeiMes@gmail.com

Abbas Ali PourAghajan
Assistant Professor and Scientific Members of the Department of Accounting, Faculty of Humanities, Islamic Azad University, Qaemshahr Branch, Qaemshahr, Iran (Corresponding Author).
Abass_Acc46@yahoo.com

Mohammad Mahdi Abbasian
Assistant Professor and Scientific Members of the Department of Accounting, Faculty of Humanities, Islamic Azad University, Qaemshahr Branch, Qaemshahr, Iran. mm.abbasian@yahoo.com

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ABSTRACT

The recent financial crisis has highlighted the need to pay more attention to the role of audit quality in improving financial reporting, while achieving audit quality requires an integrated approach and consideration of its various layers. Therefore, the present study utilizing combined approach, in the first part, uses the data theorizing method and the theoretical and purposeful sampling method as well, through in-depth and structured interviews with 17 academic experts and senior managers of finance, accounting and auditing, tries to identify and explain the factors affecting the improvement of audit quality and presented it in the form of audit quality model. Then, in the second step (quantitative part of the research), the obtained model is fitted and validated using the structural equation model and PLS software. At this stage, the data collection tool was a closed questionnaire with Likert scale and the statistical population studied, senior financial managers, accounting and auditing of the top active companies listed on the Tehran Stock Exchange. The results of research confirm the positive and significant effect of the research variables and thus verifies the proposed model. Therefore, it can be acknowledged that with the improvement of internal and external environmental factors in the audit environment, the quality of audit reports also will be improved.

Keywords:

Audit quality, internal components, External factors, combined approach.

1. Introduction

The quality of financial reporting leads to a better forecast of the company's future cash flows for investors and other users of financial statements, because accounting and economics interact with each other, and the level of quality of financial reporting has economic implications. The usefulness of financial statements or other financial reports is affected by the quality of financial reporting in which consistency of procedure and accuracy of information are essential aspects of quality (Amir Azad et al., 2018). Financial reporting is one of the available sources of information on capital markets that is expected to play an effective role in developing investment and increasing its efficiency. Improving the quality of financial reporting is a tool to fulfill the responsibility of meeting the needs of society. Also, the quality of financial reporting is a broad concept that, in addition to financial information, includes non-financial information which is useful for user decision making (Hertz et al., 2017). Audit quality was recognized as the most important factor influencing the level of work and the audit firm, which if combined with knowledge, experience and facilities, and the adoption of the necessary strategies can lead to achieve audit quality. However, the recent financial crises have highlighted the vital role of credible and quality financial reporting. In addition, recent crises have highlighted the need to pay attention to the role that "audit quality" plays in promoting financial reporting. Achieving high quality financial reporting depends on the correctness and accuracy of each of the financial reporting supply chain links and independent auditing as one of the links in this chain plays a major role in maintaining and strengthening the quality of financial reporting (Mashayekhi et al., 2013). A review of previous studies shows that several factors affect the quality of auditing, because the final value of the audit activity is derived from its accreditation in financial terms, and its success in providing the desired quality requires compliance with accepted principles and criteria and identifying a set of important factors that each in some way, they are able to influence the presentation of the desired quality of the audit report. In Iran, the principles and rules of auditing are mainly based on international auditing standards, and the Audit Organization of the whole country and the Exchange and Securities Organization may add to it the requirements for adherence to comply with auditing and professional institutions. Also, the results of auditing quality in member institutions are reviewed and announced by the Iranian Society of Certified Public Accountants. Therefore, in order to improve the audit quality of financial statements and identify key drivers and factors affecting the quality of auditing in the economic, social and cultural context of Iranian society, conduct research to discover and identify external and internal factors and mechanisms with a comprehensive look at all stages of the audit process, a realistic consideration of internal and external criteria affecting the quality of audit reports is essential to provide a practical model in this area. Accordingly, the present study intends to adopt a hybrid (qualitative-quantitative) approach, through presenting and testing the audit quality model with a focus on internal and external components, leading to answer these key questions: 1)How is the model of audit quality with a focus on internal and external components? 2) What are the internal and external factors and components of auditing firms on audit quality?

2. Theoretical foundations of research

Financial statements are recognized as one of the most important sources of information to reflect the financial position, performance results and cash flows of business units. Therefore, financial market regulators around the world have passed laws requiring companies to submit financial statements. The quality of these reports is of the considerable importance (Ghezel Sofla et al., 2018). Audit quality is a multidimensional concept which can be examined from different perspectives. On the one hand, the audit report as a product has been considered by experts, and accordingly, its quality has been measured in terms of compliance with the audit quality standards. On the other hand, there is another view on the quality of auditing, according to which auditing should be considered as a service and it is necessary for this service to be provided by qualified persons, while the process of carrying out the service and reporting its results are also subject to certain rules and standards. Therefore, if the service provided in accordance with the standards and criteria set from the starting point to the end point, which is the submission of the audit report, this service has the desirable quality. Based on this, it can be acknowledged that in the recent view, a systemic approach governs the quality of auditing and the quality of inputs, process and outputs determines

the quality of auditing, and the quality of all system components, is emphasized as well (Ningtias and Collaborator, 2018).

In the professional literature, audit quality is defined in relation to compliance with relevant auditing standards. In contrast, accounting professionals have considered multiple dimensions for audit quality, so that the definitions presented often look different in appearance (Zamani Fard, 2016). Some of the most common definitions of audit quality are:

DeAngelo (1981), Audit quality is the market inference of the probability that the auditor will detect material misstatements in the financial statements or the accounting system of the client and report significant misstatements. Rose (1985), Audit quality means that audited financial statements are free from material misstatement. In fact, this definition emphasizes the results of the audit; in other words, the reliability of the audited financial statements reflects the high quality of the audit. Davidson and Neu (1993), Audit quality is the auditor's ability to detect and eliminate material misstatements as well as to detect fraud in the net profit. Also, regarding the necessity of the quality of audit reports in the theoretical and experimental literature, several hypotheses and views have been proposed, which are mentioned in Table (1) as two of the most important of these views:

Table 1. Audit Quality Perspectives

Theory	Basic assumption	Strategy	Outcome
Agency	A balance must be struck between relevant and timely information and reliable information	Improving the quality of reports	• Provide reliable and timely information • Reduction of agency costs • Increase the value of the company • Usefulness of reported information
Signaling	Companies compete with each other for limited resources	More information disclosure	• Provide reliable and timely reports • Gaining the trust of investors • Ability to properly assess the future vision of the company

2.1. Factors affecting the quality of audit reports

The most important indicator of the quality of each activity is the product or the final output of that activity. Audit is no exception to this rule and its quality depends on the result of the audit service or the audit report. In order to provide quality services, auditors must provide a report that best assesses the validity of the financial statements. In auditing the important point is that although the main customer is the audited entity, considering the wide range of users of audit reports (including banks, stock exchanges, debtors and creditors, etc), the quality of these reports is highly regarded.

Fung et al. (2017) examined the impact of PCAOB regulatory indicators in countries outside the United States, in which they tested 55 countries. Their purpose was to express the impact of those standards and indicators in improving the audit quality of those countries, and according to the results obtained, the use of those indicators will improve the quality of auditing in those countries.

Nickel et al. (2013) also argue that five different characteristics can affect the quality of the audit process according to the rate of occurrence in each audit contract; 1) Motivation: An auditor deals with risk despite economically viable incentives. 2) Uncertainty: The output of the audit process is a report, but the result is unknown and invisible. 3) The unique nature of each contract: The quality of each audit process varies due to the specific characteristics of the client, the audit team, and the work schedule. 4) The nature of the process: Each audit work includes the implementation of a set of methods specified in accordance with auditing standards. 5) Professional judgment: The implementation of any audit process requires the optimal use of knowledge and skills of auditing professionals (Bani Mahd et al., 1397). The following are some of the most important criteria for measuring audit quality in Table (2).

Table 2. Criteria for measuring audit quality

Description	Criteria
Auditor independence	The greater the auditor's independence, the higher the quality of the audit.
Industry specialization	The greater the auditor's expertise in the industry in which the client operates, the higher the quality of the audit.
wage	As an input to the audit process, reflect the amount of effort made by the auditors. One of the advantages of this criterion is the use of a wide range of audit performance qualities.
Continuity of the auditor's tenure	There are two reciprocal views in this regard. The first group is in favor of the auditor's rotation and some others are in favor of the auditor's tenure. The second category, the continuity of the auditor's selection causes the auditor to be too close to the client's management, which may have a negative effect on the auditor's independence and audit quality.
Auditor size	Large audit firms have a higher incentive to perform a quality audit due to their competitive position.

Taken from (Bani Mahd et al., 2018)

2.2. Research background

Tusheng Xiao et al. (2020), in " How audit effort affects audit quality: An audit process and audit output perspective" find that audit effort significantly increases the probability of audit adjustments, which inhibits positive earnings management and improves the quality of audited financial statements. They also find that audit effort does not have a significant effect on the issuance of modified audit opinions overall, but that a modified audit opinion is more likely to be issued in the absence of an audit adjustment. Collectively, their evidence suggests that audit effort plays an important role in improving audit quality by influencing audit process and audit output.

Akju et al. (2017), in a study entitled "Study of the relationship between corporate governance and the quality of financial reporting", concluded that between corporate governance mechanisms such as board characteristics, audit committees, board independence, board size and quality Financial reporting is a significant relationship and corporate governance increases the quality of financial reporting.

Al-Shayer et al. (2015), in a study entitled "The role of audit committees on the quality of financial reporting" found that companies with higher quality audit committees have better disclosures, and large companies with block shareholders have high levels of financial disclosure and quality.

Mohammad Rezaei et al. (2019), Entitled "The Audit Quality Assessment Riddle in Archival Research", they concluded that the use of several different localized assessment criteria, with the least possible error, bias control due to correlated variables, elimination and appropriate research design to distinguish audit quality from quality reporting In research, it increases the validity of the findings of this field of research.

Bani Mahd et al. (2018), in a study entitled "Review of audit quality measurement criteria: applications and strengths and weaknesses" argued that to select the audit quality measurement criteria , reporting conditions in the Iranian stock market and the mechanisms of audit in responsible institutions as well must be taken into consideration.

Amir Azad et al. (2018), in a study entitled "Conceptual model of factors affecting the quality of financial reporting in Iran by grounded theory", found that political costs, capital market pressure, tax avoidance, dealing with dependents, information asymmetry, loan agreement terms, managers' reward incentives and market competition, affect the quality of financial reporting.

Nikbakht et al. (2015), in a study entitled "Quality of Internal Audit in Iran: Challenges and Barriers", found the challenges of implementing and conducting quality internal audit around its inputs (barriers and weaknesses related to human resources, independence, impartiality, appropriate investment In internal audit, etc), implementation of internal audit operations or process (lack of proper work planning and audit accordingly, lack of proper communication and interaction with the customer, lack of proper follow-up system, failure to perform audit in accordance with the principles and relationships of the profession), and internal audit outputs (failure to provide quality products to the customer and weaknesses due to internal audit reporting) and contextual factors (poor quality of audit committees, problems and obstacles related to corporate governance in Iran, obstacles and problems related to oversight of regulatory bodies,

related weaknesses of professional associations, lack of rules and regulations supporting internal audit, lack of interaction with the international community, etc).

Imani Barandagh et al. (2015), in a study entitled "Identifying the determinants of audit quality from the perspective of certified public accountants", concluded that among the input factors, the auditor's experience and performance factors; Among the output factors, the existence of internal controls and among the environmental factors, the existence of corporate governance, have had the greatest effect on increasing the quality of auditing. Also, from the point of view of certified public accountants, conducting tax audits will reduce the quality of financial audits.

3. Research methodology

The purpose of this study is to identify the factors affecting the quality of the audit report. The research method considered for this research is a combined method. This method focuses on collecting, analyzing and combining qualitative and quantitative data in a single study with a series of data (Creswell, 2007). Accordingly, the research begins with the collection and analysis of data in the qualitative part and then the results obtained in the first stage in the second stage of the research (quantitative stage). The statistical population of this study in the first part (qualitative) consists of 17 academic experts and senior managers of finance, accounting and auditing, which according to the size of the population, as well as the need for theoretical saturation in the foundation data method, theoretical sampling and in order to reach the target groups of informants, purposive sampling was used. Also, the statistical population of the quantitative part of this study consists of senior financial, accounting and auditing managers of top companies operating in the Tehran Stock Exchange. The sample size was determined using the Cochran formula of 90 people and sampling was done by simple random sampling. In this study, open-ended interview protocols (in-depth and semi-structured interview tools) were used to collect data in the qualitative section. In the quantitative part of the research, the obtained model is validated in the first stage. In order to collect quantitative data at this stage, a researcher-made questionnaire based on the Likert scale from very low (1) to very high (5) has been used. Also in the qualitative section, in order to validate the categories and the relationships between them, researchers have repeatedly modified the theory by repeatedly returning to the research data (continuous interaction between what is known and what should be known), so that the theory, in addition to conceptual density, to have a necessary and special conceptual distinction. In the quantitative part, convergent and divergent validity, Cronbach's alpha coefficient and composite reliability were used to measure the reliability and validity of the research instrument. Data analysis was performed in the qualitative part through using the theoretical method of foundation data (open, axial and selective coding) and in the quantitative part through using the structural equation method and PLS software.

4. Qualitative findings of the research

At this stage, the researcher extracted data from his information sources based on the research design (open coding), then the related concepts were identified and classified into 6 categories (axial coding), then, the identified factors were systematically related to each other based on the axial category and presented, in the form of the proposed research model (selective coding).

4.1. Open coding

At this phase, after collecting data through 17 in-depth interviews with academic experts and senior managers of companies and auditing firms, a total of 123 primary codes were extracted from the text of interviews (open coding) in terms of repetitions. Open coding became a guide for focusing on subsequent questions and interviews, and this cyclical movement eventually led to questions about the relationships between the categories created, and coding eventually entered the axial coding phase as the categories were formed and enriched. It is noteworthy that at this stage, the points and concepts enumerated in open coding provided questions and ideas about the relationship between the categories, and the orientation of the questions and analysis of the interviews led to the study of the relationship between these categories, thus with the emergence of relationships between a number of categories, a theorem arose.

4.2. Axial coding

Axial coding is the process of converting concepts into components. Accordingly, the theorist selects a

category as the central category from the set of concepts of the open coding stage and relates other meaningful concepts to it during the process. So firstly, the central phenomenon of the research was determined based on the emphasis of the interviewees and the theoretical foundations of the research, and then the categories were identified as subcategories.

Table 3. Axial coding

Dimensions	Categories	Concepts (open source)
Causal conditions	Factors related to the audit team	Existence of efficient auditing system, ability (knowledge and experience) of members in relation to laws, standards, insurance and tax regulations, technical resources and facilities, consulting, financing
	Factors related to the audit firm	Culture and values of the institution, managers' attitudes toward the quality of the audit report, effective internal structures and systems
	Factors related to stakeholders	Knowledge and skills of using audit report information, effective interaction with auditors, accountability and quality of reports from auditors
	Profession-related factors	Accounting and auditing rules and principles, efficient supervisory processes, mechanization of processes
Contextual conditions	Access to corporate financial information resources	Access to databases and accounting and financial systems, access to information systems, timely presentation of positive evidence to auditors
	Transparency of corporate economic information	Require transparency of financial and economic activity process reports, documentation of financial activities based on relevant standards, laws and regulations, transparency of ownership of goods, services and assets
	Independence of the team and the auditing firm	Independence of auditors and auditing firm to business units, proper and effective interaction of employees with established auditors
	The complexity of corporate business	The variety of goods and services, different ways of earning money
Intervenor conditions	Credibility and reputation of the auditing firm	Volume of work and reputation of the institute, good reputation and history of the institute
	Possible pressures on auditors	Stress to influence auditors, time limit
Strategies	Mechanization of the audit process	Creating an integrated auditing system, electronic documentation of files, creating an integrated and practical database, supporting technical and expert resources
	Establishment of an effective quality control system in the institute	Establishment of quality control system, planning and action to detect distortions at the level of the team and the audit firm, quality ranking and rewarding, work rotation in the firm
	Establish a support mechanism to maintain the independence of auditors	Supporting institutions and auditors in connection with the mandatory replacement and pressure of the business unit, establishing an integrated database system of directives, instructions and bylaws, encouraging and supporting auditors and auditing firms to avoid dealing with violations of independence, the benefit of auditors And institutions of professional liability insurance, the formation of an audit quality assessment committee
	Effective interaction of regulatory bodies and professional policy-making with auditing firms	Establishment of a working group to evaluate the quality control of audit firms, periodic monitoring of the Society of Certified Public Accountants, informing and feedback on the results of inspections and periodic monitoring to the firms, establishing appropriate mechanisms to deal with violations of the firms
	Empowerment and training of employees	Preparation of auditing standards for specific industries, continuous and effective training at the professional and institutional level, investment to improve new auditing methods and tools
Consequences	Improving the quality of accounting	Increase auditors' responsiveness to stakeholders, reduce costs due to information asymmetry, reduce pricing information asymmetry
	Help develop the capital market	Prevention of corruption and financial and economic abuses, respect for the rights of stakeholders, transparency of economic activity of listed companies
	Increase the credibility of auditing firms	Improving the independence of auditing firms, Improving the image of auditing firms against labor compromise, Increasing the independence of auditors, Increasing the competence and technical competence of auditing firms

4.3. Selective coding

In this phase, in order to selectively codify, among the categories, the axial category and other related categories, the selection and the theory from the depth of the research were presented as the following paradigm model.

According to the results, it can be acknowledged that the quality of the audit is generally affected by some internal and external factors that are able to influence the process of collecting information, compiling and submitting the audit report and exploiting the results.

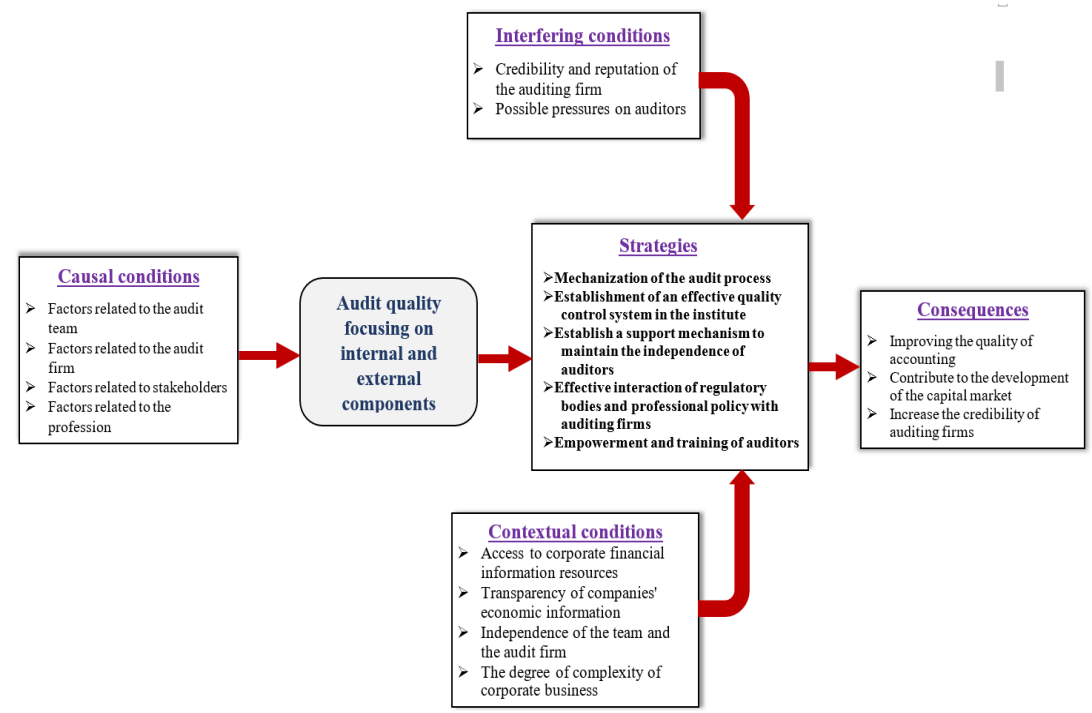

Figure 1. Quality report of audit report focusing on internal and external components based on data foundation theorizing method

4.4. Evaluation of the proposed model using structural equation model

In this study, in order to evaluate the proposed model, the structural equation model has been used.

4.4.1. Validation of research model

4.4.1.1. Evaluation of reflective sensing models

The first factor to consider in evaluating reflective models is the one-dimensionality of the indicators. This means that each index in the set of indices must be loaded with only one dimension or latent variable with a large factor load value. For this purpose, factor loads above 60% are introduced as acceptable. Numbers or coefficients are divided into two categories. The first category is called measurement equations, which are the relationships between hidden variables (ellipses) and explicit variables (rectangles). These equations are so called factor loads. The second category is structural equations, which are relationships between hidden variables and are used to test hypotheses. These coefficients are called path coefficients (Hooman, 2008). According to the model, in the mode of estimating the coefficients, the factor loads and the path coefficients can be estimated. In this study, all coefficients are significant at 95% confidence level. Therefore, the results obtained from the factor loads confirm the high validity of the model. Significance coefficients of factors show research models in the significant state of coefficients (t-value). Figure 3, this model actually tests all measurement equations (factor loads) and structural equations (path

coefficients) using the t-statistic. According to the type of hypotheses expressed in the present study, the hypotheses will naturally be confirmed when the relevant path coefficient is positive and its significant number, which is the same as t-statistic, is significant. According to this model, the path coefficient and factor load are significant at the 95% confidence level if the value of t-statistic is outside the range (-1.96 to +1.96) and if the value of t-statistic is within this range, then the factor load or the path coefficient is not significant. The path coefficient and factor load are significant at the 99% confidence level if the value of t-statistic is out of range (-2.58 to +2.58). According to the results obtained from t-test, all factor loads were significant at the 95% confidence level and played a significant role in measuring their structures.

4.4.2. Reliability and validity of the measurement model

The amount of acceptable alpha coefficient varies according to the theories of different researchers. Some researchers have accepted an alpha coefficient above 0.6 as an acceptable alpha coefficient, while others have considered an alpha coefficient greater than 0.7 as an acceptable reliability. The composite reliability criterion also calculates the reliability of structures according to the correlation of its structures with each other. A CR value greater than 0.7 indicates reliability and a value less than 0.6 indicates a lack of reliability (Davari and Rezazadeh, 2013). The results of examining Cronbach's alpha values for the main variables of the model are given in the following table.

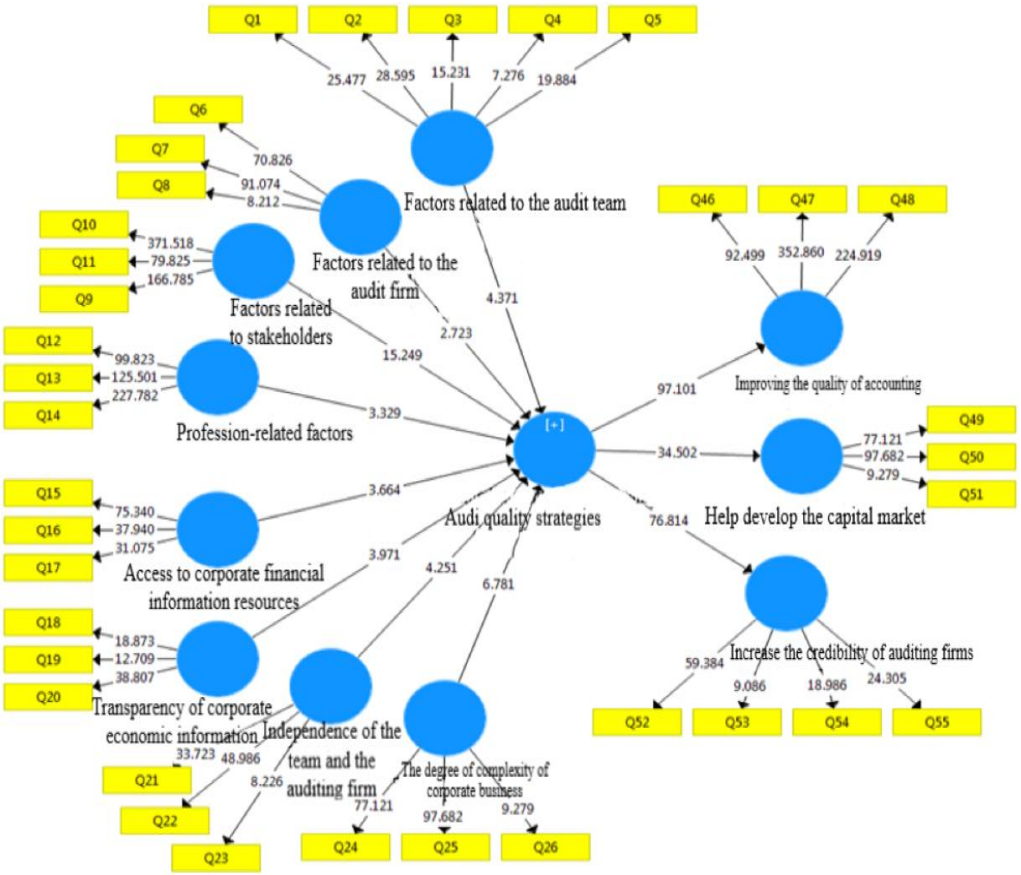

Figure 4. Significance coefficients of the model

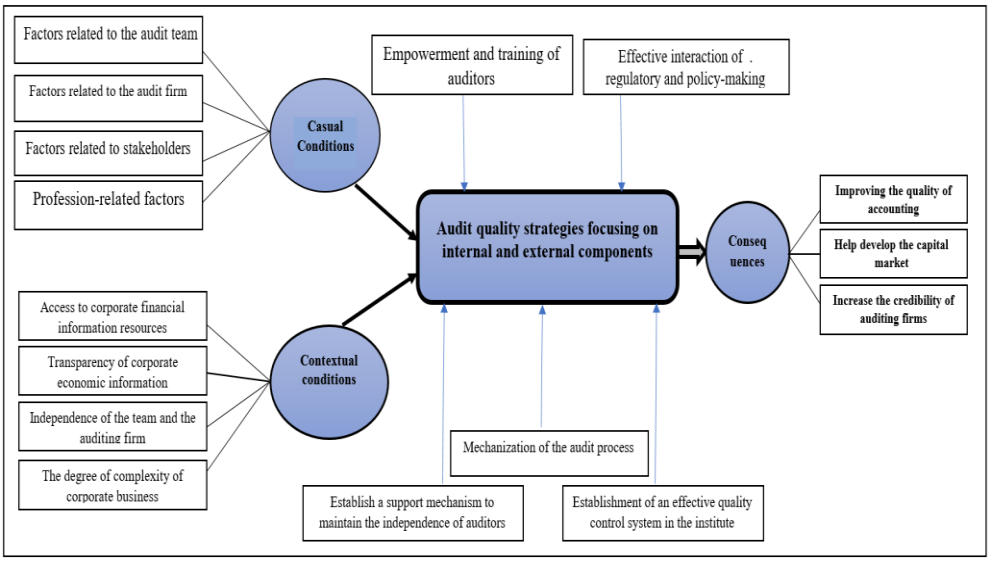

Figure 2. The proposed model of audit quality with a focus on internal and external components

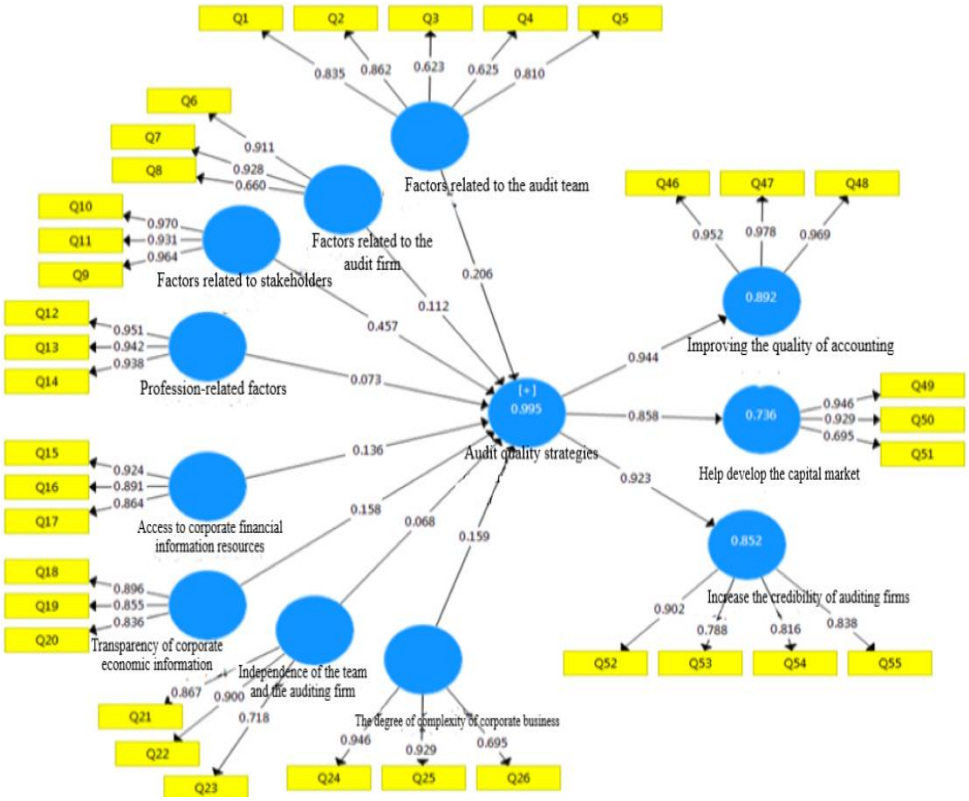

Figure 3. Research model in the case of estimating standard coefficients

Table 4. Reliability and validity of the measurement model

Variables	Cronbach's alpha	Composite reliability	AVE
Factors related to the audit team	0/809	0/869	0/575
Factors related to the audit firm	0/789	0/877	0/709
Factors related to stakeholders	0/952	0/969	0/913
Profession-related factors	0/939	0/961	0/890
Access to corporate financial information resources	0/875	0/922	0/798
Transparency of corporate economic information	0/838	0/897	0/745
Independence of the team and the auditing firm	0/787	0/870	0/692
The complexity of corporate business	0/821	0/897	0/747
Audit quality strategies	0/959	0/966	0/612
Improving the quality of accounting	0/965	0/977	0/934
Help develop the capital market	0/821	0/897	0/747
Increase the credibility of auditing firms	0/857	0/903	0/701

variables are above 0.7. Based on the obtained alpha coefficients, it can be inferred that the model has good internal consistency reliability. Also, all the obtained composite reliability values are above 0.7, which indicates that the model has good combined reliability.

In this study, to evaluate the convergent validity, the mean variance of the extracted AVE was used as a criterion for convergent validity. A minimum value of AVE of 0.5 indicates sufficient convergent validity, meaning that a latent variable can, on average, explain more than half of the scatter of its representations.

As it is figured in the AVE table, all AVE values for all research variables are greater than 0.5. According to the values shown, it might be said that the model has a good convergent validity.

4.4.2.1. Divergent validity review

Divergent validity means that the items or references to a variable ought to measure only that variable. In PLS analysis, according to Fornell and Locker (1981), the square root of a variable should be greater than the degree of correlation between that variable and other research variables. In this step, we first calculate the square root of the AVE values and then substitute the obtained values on the diameter of the matrix. In the correlation table of variables with each other, as can be seen, the values of the AVE root placed on the diameter of the correlation matrix are larger than the correlation values of that variable with other variables, which indicates the appropriateness of the divergence validity of the model.

4.4.3. Quality test of subscription index and model fit

This index is calculated by the cross-validity subscription index. The index actually measures the ability of the path model to predict observable variables through the values of their corresponding hidden variables. In the present study, since all values are positive, the model is of good quality.

The general fit criterion (GOF) can be obtained by calculating the geometric mean of the subscription mean and R2.

GOF=√average (Communalities)*R2

The average value of the index of shared values through the following formula is:

Communality = 1 / N * ∑ Communality

The subscription amount is: 0.900

The value of R2 is also equal to 0.995. This value is based on the output of path coefficients in standard mode. According to the GOF calculation formula we have:

GOF = √0/900 * 0/995 = 0/944

The GOF index is between zero and one. Wetzel et al. (2005), introduced three values of 0.01, 0.25 and 0.35 as weak, medium and strong values for GOF, respectively. In the present study, according to the value of 0.944, the research model has a strong desirability.

Table 5. Comparison of the AVE root of a variable with the degree of correlation of that variable with other research variables for sub-variables

	Factors related to the audit team	**Factors related to the audit firm**	**Factors related to stakeholders**	**Profession-related factors**	**Access to financial information resources**	**Transparency of corporate economic information**	**Independence of the team and the auditing firm**	**The complexity of corporate business**	**Audit quality strategies**	**Improving the quality of accounting**	**Help develop the capital market**	**Increase the credibility of auditing firms**
Factors related to the audit team	0/857											
Factors related to the audit firm	0/321	0/842										
Factors related to stakeholders	0/254	0/441	0/955									
Profession-related factors	0/526	0/289	0/335	0/944								
Access to corporate financial information resources	0/632	0/568	0/227	0/546	0/894							
Transparency of companies' economic information	0/326	0/426	0/415	0/654	0/522	0/863						
Independence of the team and the auditing firm	0/287	0/398	0/429	0/289	0/487	0/299	0/832					
The complexity of corporate business	0/326	0/263	0/367	0/447	0/474	0/389	0/510	0/864				
Audit quality strategies	0/127	0/326	0/333	0/387	0/367	0/447	0/475	0/642	0/873			
Improving the quality of accounting	0/289	0/254	0/347	0/362	0/266	0/567	0/422	0/536	0/367	0/967		
Help develop the capital market	0/369	0/456	0/287	0/567	0/282	0/549	0/363	0/474	0/687	0/234	0/864	
Increase the credibility of auditing firms	0/426	0/128	0/297	0/426	0/322	0/554	0/387	0/241	0/587	0/199	0/370	0/837

Table 6. Quality test of the measurement model or subscription index

Variables	1-sse/sso	communality
Factors related to the audit team	0/377	0/920
Factors related to the audit firm	0/446	0/914
Factors related to stakeholders	0/766	0/887
Profession-related factors	0/719	0/902
Access to corporate financial information resources	0/559	0/897
Transparency of companies' economic information	0/454	0/910
Independence of the team and the auditing firm	0/387	0/884
The complexity of corporate business	0/498	0/921
Audit quality strategies	0/574	0/874
Improving the quality of accounting	0/803	0/866
Help develop the capital market	0/498	0/913
Increase the credibility of auditing firms	0/498	0/897

Table 7. Results of the study of the effectiveness of the identified components of the model

Influence of components	Standardized β path coefficient	t-statistic	Significance	Approval / Rejection
Audit quality strategies focusing on internal and external components ➔Improving accounting quality	0/945	93/867	Sig<0.05	Confirmation
Audit quality strategies focusing on internal and external components ➔ Helping to develop capital markets	0/858	32/006	Sig<0.05	Confirmation
Audit quality strategies with a focusing on internal and external components ➔ Increase the credibility of audit firms	0/924	74/807	Sig<0.05	Confirmation
Factors related to the audit team ➔ Audit quality strategies focusing on internal and external components	0/206	4/371	Sig<0.05	Confirmation
Factors related to the audit firm ➔ Audit quality strategies focusing on internal and external components	0/112	2/723	Sig<0.05	Confirmation
Stakeholder factors ➔ Audit quality strategies focusing on internal and external components	0/457	15/249	Sig<0.05	Confirmation
Profession-related factors ➔ Audit quality strategies focusing on internal and external components	0/073	3/329	Sig<0.05	Confirmation
Access to corporate financial information resources ➔ Audit quality strategies focusing on internal and external components	0/136	3/664	Sig<0.05	Confirmation
Transparency of corporate economic information ➔ Audit quality strategies focusing on internal and external components	0/158	3/971	Sig<0.05	Confirmation
Audit team and firm independence ➔ Audit quality strategies focusing on internal and external components	0/068	4/251	Sig<0.05	Confirmation
The degree of complexity of corporate business ➔ Audit quality strategies focusing on internal and external components	0/159	6/781	Sig<0.05	Confirmation

Therefore, according to the results obtained in Table (7), the path coefficient and t-statistic (which is outside the negative range of 1.96 to positive 1.96), as well as graphs (research model and significant coefficients in the model), it is acknowledged that the effectiveness of the identified components of the model is confirmed.

5. Discussion and conclusion

The increasing expansion of economic units, the development of communication technology and the existence of conflicts of interest create regulatory needs. These conditions have caused the auditing profession to gradually try not to fall behind the caravan and move in line with technological changes in line with the needs of society. In this environment, users need a variety of information to make decisions, including financial information about businesses. Financial statements are the most important set of financial information. But the important issue is the doubt about the reliability of this information, which originates from the conflict of interests (Hasas Yeganeh et al. 2010). However, most of the studies conducted in the field of auditing quality in the country, using the criteria and factors affecting auditing quality that have been identified in research in other countries have sought to determine the quality of auditing in Iran. And it is always criticized that due to the cultural, economic and social differences of Iran with other countries, it is possible that indicators and factors are not responsive to the economic, cultural and social conditions of Iran, because the quality of the phenomenon it is a relative that varies from environment to environment and can have different results. The present study is based on a combined (qualitative-quantitative) approach, and based on this, the first stage of the research with an exploratory approach and applying the data theorizing method of the foundation, by conducting in-depth interviews with experts and conducting extensive theoretical studies using the Strauss and Corbin paradigm model (Open, axial and selective coding) and analyzed during a round-trip process and after extracting the key points, the identified signs and concepts are presented in the form of categories ,and finally, it is shown in the form of a research paradigm model. Consequently, five categories of factors: 1) Causal factors (including factors related to the audit team; factors related to the audit firm; factors related to stakeholders and factors related to the profession); 2) Contextual factors (including access to corporate financial information sources; transparency of corporate economic information; independence of the audit team and institution and the degree of complexity of corporate business); 3) Interfering factors (including the reputation and credibility of the audit firm and potential pressures on auditors); 4) Strategies (including mechanization of the audit process; establishing an effective quality control system in the institution; creating a support mechanism to maintain the independence of auditors; effective interaction of regulatory bodies and professional policy-making with auditing institutions and empowerment and training of auditors) and 5) Consequences (including improving the quality of accounting; helping to develop the capital market and increasing the credibility of auditing firms) were identified as factors affecting the formation of the audit quality model. Then, in the second part of the research, the validity of the research was assessed and confirmed by validity (convergent and divergent validity) and its reliability by (Cronbach's alpha and composite reliability).Therefore, it can be acknowledged that the quality of audit reports is influenced by internal components (factors related to auditors and audit firms) and external (factors related to the external environment such as stakeholders, laws and …) and adopting strategies able to create the right mechanisms in various dimensions (including policy-making and oversight, mechanization of the audit process, efforts to improve the independence of auditors and training of stakeholders), can have positive and significant effects on improving the quality of audit reports and subsequent capital market development. Considering that improving the quality of auditing by focusing on internal and external components requires deep knowledge in the field of accounting and auditing. Therefore, researchers are suggested in their future research to examine the internal and external components affecting the quality of audit reports by public and private sectors. Because some components such as auditors' independence, remuneration and other items in these two sections are different from each other.

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