A survey about relationship between Auditing services demand by firms and Auditor's changes

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Abstract: According to especial influence that auditors have in respect to auditing services demand in recent years, this phenomenon has changed to an important field in academic research and professional institutions. The main objective of this research is whether if auditing services demand influences on auditors changing. The sample populations of this research were listed firms and companies in the stock exchange in 1390 – 1391. This research is a combined method of field research and academic search, consisting of eight approved theses that has paid attention to the following issues: auditor's changing qualitative characteristics, i. e; auditing fees, kind of auditing comment, auditing quality, management changing, company's growth, companies financial situation, company size and surveyed complexities, questionnaire with Likert spectrum scale has been used for collecting data and SPSS software and enter regression statistical test has been used for evaluating the hypothesis. The result of this research showed the sub – hypothesis approvement and finally verifying the final hypothesis.

Keywords: Auditing service demand, auditor's change, characteristic of auditing institution, features of companies

1. Introduction

Nowadays in the world, the audited financial account by the external (independent) auditors is enumerated as a suitable device for transferring the data, this people, auditors, commenting on suitability and acceptability of financial accounts, have an important role on countries financial information system improvement and consequently they impress the policy makers toward the society optimization (BozorgAsl, 1380, p. 9).

According to economical nations, people and different groups tending toward attaining better achievement causes forming changes, in which drivers the property right to its most valuable position, so that production's rare and scarce resources are allocated effectively and suitable this point of view and related theories can be generalized to the audit services market. At present a lot of non – profit sections and official departments use auditing services, when one looking at this condition ha can infer that auditing services is enumerated very valuable from its user's point of view. Nonetheless, Preparation and verification of financial accounts to trade law is mandatory. In all around the world, there is such engagement and obligation and that's why some group and people, claiming that auditing services supply and demand is necessary just because of rules and regulation. But evidence show that there have been demands for auditing services before establishing the legal commitment and obligation (Roben, 1984, 57 – 71). Another evidence show that in 1880's and 1890's the active economical firms and companies in the U. s used auditing services voluntarily another significant and considerable example about voluntarily use of auditing services were Municipalities and their affiliated offices, while they were exempt and free of appointed commitment and obligation by the stock exchange commission completely, but preforming auditing in the manucipalities was completely, but performing auditing in the manucipalities was completely fashionable and prevalent at that time (Waltz, 1984 – 141).

In the recent years, the phenomenon of auditing change has attracted a lot of expert's attention in professional institutions that is for extraordinary importance of auditor's independence.

Firm's and company auditors' change has very many application and function about identifying the situation of auditing system and serviced market and amount of competition in the auditing career and profession. In the field and by the aim to dissuade the boss and managers in having their suitable and favorite auditing reports or receiving the certificate for using of auditing special method that was about auditors change, the disclosure principle has been mandatory and the market showed serious and strict reaction against auditing change. The main objective of these commitments and obligations is that auditors can do their work more independently that is not always far able for the bosses and managers.

In this paper we have tried to identify the effective and influencing factors on auditing and auditors changing.

There are different factors about toward, auditing changes and two main classifications can be drawn as follow:

A. Related factors with the characteristics of auditing and auditors.
B. Related factors with the firm.

Management change, firm growth, firm's financial situation, firm size and complexities of surveyed unit.

Overall objectives of this paper are as follow: 1- A survey about presented demands from auditors by the managers and other users. Identifying the services, those are important for demander in respect to identifying services, identifying the effective factors on auditor's changes; they ratify regulations and laws to retain the auditor's independence as a on =e of inferred concepts from auditing clear theses.

In respect to research objective, the theories has been presented as follow:

- There is a positive relationship between auditing services and related factors with auditor's characteristics and audit.
- There is relationship between auditing services demand and auditing factorage.
- There is relationship between auditing services and how type and how auditors comment.

An Investigation about resources and research frameworks.

Auditing instruction's obligation to change their manager periodically is often enumerated as a solution for retaining the independence and auditor's impartiality and un-biasedness. These periodical and obligating changing of the auditors in some countries like Italy and Spain is common and prevalent. And it is under study and investigation in EU. too. Research has shown that auditors obligatory changing put them in higher ranks, so they can resist against managerial pressures, and at the same time allows them to have more professional, unbiased judgment. He is often claimed that during a long time relationship and cooperation with the firm, there will be a tendency and willingness to keep working in favor of firm's management and auditor's independence and un-biasedness will be under question. In contrast, there are contrary claims, saying auditors may be more influence by the new manager of firm rather firms that are under audit for a long time. Also, auditors change can have problems for being well – known and popularity of audit firms and can incure too much additional expanses from the new auditors because of achieving a new job (Maltez, Scharaf, 1996).

De Angelo's search (1998) shows that old auditors are more preferable than new auditors because of expense and boss man himself. Also when they want to make a change it incures extra expense.

Also Palmerz (1989) research showed that when the relationship between auditor and boss gets long and endures their actual working hours are under reported. This expected – Quasi _advantage for the boss and the auditors, drives auditors to doing some conservative actions and calculations to not spend a lot, make expense for their boss and retain them. In addition from the economic point of view this phenomenon is an auditors natural competitive response for future profits from that mentioned – above a advantages and puts the auditors independence under doubt and question because of retaining their boss in next time and year while the spent costs in the first year are expired costs and must not be contributed in decision making for next year. But some surveys by Ostave (1976), Rass and Ostave (1987) and Kelinmenze and Pallman (2000) showed that these costs weren't being ignored in decision making for next years. So auditors try to retain their boss to an especial extent, in which they can amortize the above mentioned cost. Nonetheless in recent years, the auditor's professional judgment was affected because they were afaired of losing their boss and manager from this point of view it can be inferred that the long – term relationship between the boss and the auditor is not recommended, and, in term, their periodical charging will increase their unbiasedness and independence. This point of view corresponds with impirical research results. Dye's research (1991) has shown that auditing services valorization process lower than advisable costs, encourage, in their report, to treat in an especial way, so that they show their ability to attaining benefits from quasi – advantages related to retaining their boss. Also summer search (1998) caused to this point that auditor obligatory and periodical deradom his independence rather than improve. Along with these analyses so claim that not only the long – term relationship between auditor and boss affect the auditor independency, but also improve their independence.

They claim that after passing a long time auditor can deepen his insight about boss commercial operations and processing systems, Lpetty and Cogansan, et al 1996. In addition the American chartered accountant point of view and also published papers and articles in Wall Street and in 1950. Another research showed that main part of low – quality auditing in recent years was because of auditors less – sufficient awareness about his boss activity. This research has presented main question on the way of auditor's periodical changing solution.

This claim corresponds with palm rose's research (1998 – 1991). He has found that presence of their ignorance in keeping with auditing standard to the court, in main cases was because of auditors

mis-knowledge about present and related problems to new bosses risks and calamities. Menan and Schwartz (1987) researches showed that firms, having nonclear and ambiguous financial situation are more willing and eager to change their auditor, Krishman (1994). Krishman and Sievense (1995) and Gayger et al (1998) approved previous research, but they added this point that firms changing their auditors have been able to comment suitably rather than those firm that didn't change their auditor.

2. Material and Methods

This present paper, because of its objective is called an applied research and uses the descriptive – cohesion data collecting method. This descriptive research, the cohesion between variable according to research objective is analyzed. In this paper we do pay attention to the survey about relationship between independent variable, i. e, services demand from auditors and dependent variable, i. e, auditors changing.

In respect to the economical departments number and their depression in all over of Iran and also because we don't have accessibility to their audited financial accounts, the sample example between 1390 through 1391. For selection the sample size are determined by using the group sampling, the number of people in every firm will be determined, the clerk's sample population for this research includes 445 active firms in the stock exchange by using the Cokeran Formula. 107 firms were selected as sample size. After determining each sample number of people, the sample people will be selected by random sampling. Questionnaire is used is used as atood for collecting required information.

Inductive and descriptive methods are used for data analysis in this paper. That diagrams and charts are used for descriptive statics and tests and regressions and … are used for inductive methods.

Data Analysis

First Theory, there is relationship between auditing services demand and auditing factorage.

1. Remainders have normal distribution. 2. The theory of errors independences is accepted. 3. Cohesion between independent and dependent variable. 4. 27% out of change of dependent variable is caused by change in the independent variable. 5. In respect to F test significance level (less theory). Then the theory of linear relationship is approved.

Table 1: Dependent variable especifying and prediction Reggression ratios table

Model		nonstandard rations		Standard rations	t	Significance level
1						
Dependent variable	Independent variable	B	Error criteria	beta		
Auditing demand	Fixed – amount	2.145	.64		33.591	.000
	Auditing factorage	.209	.026	.528	7.995	.000

In the above table it can be seen that significant level of fixed amount test was less than 1%. So this theory that α=0 is rejected and fixed amount is influencing on dependent variable. Also T test significant level for auditing factorage variable is less than 1%, and then can be contribute in the equations or on the other hand, it is influencing an dependent variable.
Y=a+(b1x1)(auditing service = 2.1+0.209 (auditing farctorage))

As it clear by on unit changing in the auditing factorage will cause changing in auditing demand by 0.209. Second theory, there is no relationship between auditing services demand and how auditors comment.

1. The reminders have normal distributions.
2. The theory of errors independency is not accepted.
3. Cohesion between independent and dependent variable.
4. 15% out of changes in dependent variable is caused by changes in independent variable.
5. In respect to significance level of test F (less than 1%) so, according to this theory the linear relationship is confirmed.

Table 2: specifying andprediction about dependent variable

model		Non – standard ratios		Standard ratios	t	
1						
Dependent variable	Independent variable	B	error	Beta		
Auditing demand	Fixed amount	2.208	.080		27.589	.000
	Comment type	.11	.29	.396	5.545	.000

It can be inferred from the above – mentioned table that significance level of fixed amount test is less than 1% and so the theory their equality (equal) to zero is rejected and the fixed amount is affecting on dependent variable. Also, significance level of test T for commenting type is less than 1%. So this can contribute in equation or on the other hand it is affecting on the dependent variable.

Y=a+(b1x1)(auditing demand = 2.2 +0.160(type of comment)).

As it was seen, one unit changing in the commenting type variable causes a .160 units changing in the auditing demand.

Third theory, there is a relation between auditing services demand and auditing quality:

1. Remainders have normal distribution.
2. The theory of errors independence is accepted.
3. Cohesion between dependent and independent variable.
4. 15% out of change in dependent variable is caused by changing in the independent variable.
5. In respect to significance level of F test class than 1%, so, according to this theory, the presence of linear relationship is confirmed.

*specifying and prediction for dependent variable

Model I		Non – standard errors		Standards errors	t	Significant level
Dependent variable	Independent variable	B	error	beta		
	Fixed amount	2.164	.098		21.534	.000
	Auditing quality	.191	.034	.399	5.593	.000

It can be seen in above table that significance level of fixed amount test was less than 1% and so, the theory of being equal to zero is rejected and fixed amount is affecting on dependent variable. Also, the significance level of T test for the auditing quality variable is less than 1%. So it can contribute in equation or the other hand is affecting on the dependent variable.

(Auditing demand = 2.1 + .191)(Auditing quality)

Y=a+(b1x1)

As it can be seen by one unit changing in the auditing quality variable, will cause changing in auditing demands .191.

Forth theory: there is relationship between auditing services demand and management change.
1. Remainders have normal distribution.
2. The theory of error independence is accepted.
3. Cohesion between dependent and independent variable is caused by changing.
4. 27% out of change in the dependent variable is caused by changing in the independent variable.
5. In respect to significance level of F test (less than 1%). So, the theory of linear relationship is confirmed.

*specifying and prediction for dependent variable

model 1		Non – standard ratios		Standard ratios	t	Significant level
Dependent variable	Independent variable	B	error	Beta		
Auditing demand	Fixed amount	2.058	.075		27.311	.000
	Management changing	.234	.030	.524	7.900	.000

It can be inferred from the above – mentioned table that significance level of fixed amount is less than 1% and so, the assumption of α equals to zero is rejected. Also significance level of T test for management changing variable is influencing on dependent variable. Also significance level of T test for the management changing variable is less than 1%. So, it can contribute in equation or on the other hand, t is influencing on dependent variable.

(Auditing demand = 2.05+0.234)(Management changing)

Y=a+(b1x1)

As it is seen, one unit changing in the management changing variable causes changing in auditing demand as .234.

Fifth theory, there is relationship between auditing services demand and growth:
1. Remainders have normal distribution.
2. The theory of errors independence is accepted.
3. Cohesion between dependent and independent variable.
4. 1% out of change in the dependent variable is caused by changes in the independent variable.
5. In respect to significance level of F test (more than 1%) so the assumption of presence linear relationship in rejected.

*specifying and prediction for dependent variable

Table 3: regression ratios table

model		Non – standard ratios		Standard ratios	t	Significant level
1						
Dependent variable	Independent variable	B	error	Beta		
Auditing demand	Fixed amount	2.584	.057		45.580	.000
	Firms growth	.026	.023	.086	1.45	.267

It can be seen from the above – mentioned table that significance level of fixed amount test is less than 1%. So the assumption of α equals zero is rejected. And fixed significance level of T test for firm's growth variable is more than 5% so this issue can't contribute in equation or on the other hand it isn't influencing on the dependent variable.
Sixth theory, there is relationship between auditing services demand and firms financial situation.
1. Remainders have normal distribution.
2. The theory of error independence is accepted.
3. Cohesion between independent and dependent variable.
4. 7% out of change in dependent variable is caused by change in independent variable.
5. In respect to significance level of F test (less than 1%). So the assumption of linear relationship presence is confirmed.

*specifying and prediction of dependent variable.

Table 4: regression ratios table

model		Non – standard ratios		Standard ratios	t	Significant level
1						
Dependent variable	Independent variable	B	error	Beta		
Auditing demand	Fixed amount	2.474	.49		56.431	
	Firms financial situation	.070	.019	.276		

It can be seen from the above mentioned table that significance level of fixed amount test is less than 1%, so the assumption for their equalness to zero is rejected. Also, significance level of T test for the firm's financial situation variable is less than 1%. So this can contribute in the equation or it is influencing on the dependent variable situation.
$Y = a+(b_1x_1)$(auditing demand $= 2.47*0.07$(firm's financial))
As it is seen by one unit changing in the firm's financial situation variable it causes changing in the auditing demands as 0.07.
Seventh theory, between auditing services demand and firm's size there is relationship.
1. Remainders have normal distribution.
2. The theory of errors independence is accepted.
3. Cohesion between dependent and independent variable.
4. 18% out of change in the dependent variable is caused by changing in the independent variable.
5. In respect to significance level of F test (less than 1%), so, according to this theory. The linear relationship preserve is confirmed.

*specifying and prediction for dependent variable

model		Non – standard ratios		Standard ratios	t	Significant level
1						
Dependent variable	Independent variable	B	error	Beta		
Auditing demand	Fixed amount	2.394	.042		56.431	.000
	Firm's growth	.114	.018	.437	6.230	.000

It is seen from the above – mentioned table that significance level of fixed amount test has been less than 1%. So, this assumption that α equals zero is rejected and the fixed amount is influencing on dependent variable. Also the significance level of T test for the firm size variable is less than 1%, so this issue can participate in the equation, or, on the other hand, it is influencing on the dependent variable.

$Y=\alpha+(b1x1)$ (auditing demand $=2.34+0.114$)(firm's size)

As it is can be though, by one unit change. In the auditing demands as 0.144.

*eight theory, there is relationship between auditing services demands and complexities of surveyed unit.
1. Remainders have normal distribution.
2. The theory of errors independence is accepted.
3. Cohesion between dependent and independent variable.
4. 18% out of change in the dependent variable is caused by changing in the independent variable.
5. In respect to significance level of F test (less than one percent), so the assumption for the presence of linear relationship is confirmed.

*specifying and prediction for dependent variable

Table 5: regression ratios table

model		Non – standard ratios		Standard ratios	t	Significant level
1						
Dependent variable	Independent variable	B	error	Beta		
Auditing demand	Fixed amount	2.335	.070		33.432	.000
	Unit complexities	.137	.030	.333	4.539	.000

We can see from the above – mentioned table that significance level of fixed amount test has been less than 1%, so the assumption that says α equals to zero is rejected. Also, significance level of T test for the surveyed unit complexities is less than 1% then it can participate in the equation or, on the other hand it is influencing on the dependent variable.

(Auditing demand = 2.33+0.137)(Unit complexities)
$Y=a+(b1x1)$

As it can be seen by one unit change of in the surveyed unit complexities. It'll cause change in the auditing demands as 0.137.

4. Discussions & Conclusion
1. In the designed equation it can be seen that by one unit changing in the auditing factorage variable, it will cause changing in the auditing demands by 0.204.
2. In the designed equation it can be seen that by one unit changing in the commenting type variable, it will cause changing in the auditing demand by 0.160.
3. In the designed equation it can be seen that by one unit change in the auditing quality variable, it'll cause changing in the auditing demand by 0.191.
4. In the designed equation it can see that by one unit changing in the management changing variable it will cause changing in the auditing demands variable by 0.234.
5. Test of firm's growth ratio is more than 5% (0.267) then this part can't participate in the equation.
6. In the designed equation it can be seen that by one unit change in the financialso is it nation variable it will cause 0.070 changing in the auditing demands variable.
7. In the designed equation it can be seen that by one unit changing In the firms size variable it will cause changing in the unit complexities variable will cause changing in the auditing demands variable by 0.114.
8. In the designed equation it can be seen that by one unit changing in the unit complexities variable, it will cause changing by 0.137. then we can have this general conclusion that: there was direct relationship between auditing services and factorage variable, commenting type, auditing quality, management changing,

firms financial situation, firm's size and firm's complexities, but there was no relationship between auditing demands and firms growth.

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