Audit Competence and Audit Quality: Case in Emerging Economy

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Abstract
From the bankruptcy filing of Enron on December 2, 2001 for the next 12 months, an unprecedented string of large bankruptcies and corporate scandals emerged. Six of the ten largest corporate bankruptcies occurred in this 12-month period. Of these six, all received unmodified opinions and four of the six (WorldCom, Enron, Global Crossing, and UAL Corp) were clients of Arthur Andersen. As it is very clear external auditors play vital role in our society, on the other words, financial statement users must believe that external auditors are free from others control, or users will doubt the verity of auditors' representations. Auditor independence provides investors confidence in audited financial statements. Further, auditor independence is the cornerstone of the public accounting profession (Mednick, 1990). Any threat to audit independence may undermine this confidence. The impairment or lack of auditor independence is a main cause of many corporate collapses and corporate scandals across the world. Without independence the audit quality and audit detection duty is questionable. The results of this study shows that specialization of IACPA strongly affects on fraud detection, in addition the competency of IACPA member affects on detecting important fraud.

Keywords: Independence, Audit quality, Competence, Detection fraud, Iran

1. Introduction
Professionals are characterised by their unique expertise gained through education and training, a commitment to lifelong learning, service to society, a code of ethics, an agreement to abide by their profession’s code, and participation in the self-governance and monitoring of the profession. Society grants professions autonomy with the condition that the expertise will be used in the public interest and that members will abide by the profession’s code of ethics. Snoeyenbos et al. (1983) have described this as a ‘social contract’, in which the professional discharges his obligation by operating with high standards of expertise and integrity. When the profession does not maintain these standards the social contract is broken, and society may decide to limit the role or the autonomy of the profession. External auditors are also plying very important role in our society which have to complete competence in their duties. According to Percy (2007) the users’ of financial statements looking for audit practice which cover duties as follows:

• The accounts are right;
• Companies will not fail;
• Companies will guard against fraud and error;
• Companies will act within the rules;
• Companies will be competently managed; and companies will adopt a responsible attitude to environmental and societal factors.
Auditor independence is at the heart of the integrity of the audit process that may cover above mentioned duties. When auditors and clients negotiate issues about financial reporting, maintaining the integrity of the independent audit function is mandatory for auditors and required by the standards of the accounting profession. Recently, financial scandals at companies such as Enron and World Com have eroded public confidence in the independence of the accounting profession and the quality of audit services. Auditors have long argued that legal damage are excessive, and have pushed for legal reform to such excesses. Ostensibly the need for imposing legal commitment on auditors arises from the non-observables of audit quality by the users of audited financial statements. Audit quality is the main factor in auditing practice. Without audit quality the audit practice is undermined. In the general sense, the audit quality has positive correlation with audit independence that without audit independence there is no quality for audited financial statements.

It has long been recognized in corporate audit thought that the success of such an audit is largely conditional on the independence of the auditor. If this condition does not exist, the degree to which the audit opinion can be trusted as an objective statement is limited. In addition, as Lee and Stone (1995) recently argued, if the auditor is incompetent, independence is not an audit characteristic to be anticipated. Lack of competence, because of lack of expertise and experience, forces the auditor to rely on client management in terms of asking questions and assessing responses. These matters appear to be of relevance to the SAA proposal, i.e. given the nature of its provision, is the current corporate auditor capable of carrying out such an audit successfully?

1.1 The role of auditors

Auditing of financial reporting status is not a new phenomenon (Salehi and Abedini, 2008). The function of formal auditing of financial reporting existed even before the publication of Luca Pacioli’s method on the double entry accounting system in 1494. Whenever the advance of civilisation brought about the requirement of one person being entrusted to some extent with the property of another, some kind of check upon the fidelity of the former was advised. Auditors and auditing both have been referred to in Italy and in England in the thirteenth century (Brown, 1968). The difference between the audit functions of Luca Pacioli’s days and now is that the contemporary auditing function is made mandatory by the regulators of financial organisations. However, the auditing function can only be perceived as adding value when the public trusts the process, which lends credibility to published financial statements (Rezaee, 2004). In such a condition the audit quality is the main goal for the audited financial statements. Here the question is that do the audit quality has direct relation to audit independence? As a mention earlier according to several researchers there is a positive relation between audit independence and audit quality and audit competence.

1.2 Audit competence

Sound knowledge and competence; commands a premium. Similarly there is a demand for competence in auditing and accountancy, including adequate training and experience in all facets of an auditor’s work. Further, nowadays the profession has also placed increasing emphasize on auditing and accounting professional education programs for auditors to ensure that they keep abreast of the latest ideas and techniques in auditing and accounting. Gul et al. (1994, p. 25) state “the audit should be performed and the report prepared with due professional care by persons who have adequate training, experience and competence in auditing”. Auditors are expected by third parties to have academic training in accounting, taxation, auditing, and other areas related to their profession. In addition they should receive further training, both formal and informal, throughout their careers. According to Hermanson et al. (1993, p. 19) “they should pass the CPA examination, they should stay abreast of current developments in accounting, auditing and tax matters. In fact, an increasing number of jurisdictions now require CPAs to engage in continuing education to maintain their right to practice”. According to Noor (1996) the success of any profession may depend on three main points as bellows:
A. Advanced information;
B. Continuing professional education; and
C. Minimum levels of professional qualification.

For auditing profession, the three points are covered through auditing education, research in auditing, training of auditors, and admission to the profession after obtaining desired qualifications. However, how does the independent auditor achieve the adequate technical training, desired qualification, and proficiency required to get this job? Such achievement is usually interpreted to mean college university education in accounting and auditing, substantial public accounting experience, ability to use procedures suitable for computer-based system, and participation in continuing education programs. Mautz and Sharaf (1986, p. 140) point out the qualities of a prudent auditor, stating that “a prudent practitioner is assumed to have a knowledge of the philosophy and practice of auditing, to have the degree of training, experience and skill common to the average independent auditor”. Also they should have the ability to recognize indications of irregularities, and to keep abreast of developments in the preparation and detection of irregularities.
1.3 Audit quality

Right from the days the world recognized “quality” as the weapon to fight the global competitive war (Dunk, 2002). It is applicable to every aspect; especially to auditing and accounting.

Summing up, it turns out that we know more about audit quality than we might have originally suspected:

• Auditing is relatively inexpensive, less than 1/10 of one percent of aggregate client sales;
• Outright audit failures with material economic consequences are very infrequent;
• Audit reports are informative, despite the presence of false positive and negatives;
• Audit quality is positively associated with earnings quality;
• Audit quality is affected by legal regimes and the incentives they create;
• There is evidence of differential audit quality by Big 4 firms and industry experts, and differential audit quality across individual offices of Big 4 firms and across different legal regimes;
• Academic research has had little impact on regulations and policy-making in the US, although it may have had more influence in other countries such as the United Kingdom (Francis, 2004); and

The importance of perceptions of independence

External auditors hold themselves out to be professionals in every sense of the word. They subscribe to codes of ethics which provide guidance in maintaining a professional attitude and stature. In the United States the ethical code calls for auditor independence from client management (American Institute of Certified Public Accountants, 1983). Not only must an auditor be independent, however, but he or she must be perceived as independent as well. The external auditor's professional opinion would be of little value to statement users if they believe the auditor is not wholly independent of management. Users can only have faith in an auditor's representations when confidence exists that the auditor has acted as an impartial judge, basing conclusions on objective evidence. Perry (1984), state that the five most common reasons for audit failures which they are as follows: scope restrictions; incompetence; auditing by conversation; not critically evaluating transactions; and lack of Objectivity and skepticism. Each of the Perry acts can be directly linked to the concept of auditor independence. Which is one element of an auditing firm's quality control system, is defined by the accounting/auditing profession in the United States as "the ability to act with integrity and objectivity" (AICPA, 1985). Independence, Further, if the auditors are independence then they can do the best job in their career.

2. Brief history of auditing in Iran

Accounting in the world has a background of 6000 years and the first accounting documents were discovered 3600 years before Christ's birth. Documents of ancient Iran show that in 500 B.C (Mashayekhi and Mashayekh, 2008). Here we are going to explain brief history of auditing in Iran after Revolution.

Islamic Revolution of Iran in 1979 resulted in electing governmental managers for some companies, expropriating companies belonging to a number of capitalists affiliated to the past Shah’s Regimen and nationalizing some of the industrial entities. Proprietorship of public economical entities necessitated the formation of institutes to audit the accounts of the national economic or expropriated companies and entities, and formation of audit institutes of National Industries and Planning Organization, Foundation of the Oppressed and Martyr’s Foundation was necessitated from 1980 to 1983.

The case of merging the audit bodies of public division was propounded in 1983, and law of founding the audit organization was approved. By approving the statutes of the Audit Organization in 1987, public audit bodies merged and the Audit Organization was established.

In the Certified Statutes and Act of Audit Organization, the responsibilities of Certified Inspector and audit affairs of all agencies and apparatuses, which were under the public proprietorship, were ceded to the Audit Organization. Furthermore, the Audit Organization was recognized as a specialized and official reference to compile principles, and regulations of accounting and auditing. Hence, for the first time, legal inspection tasks and audit were in practice consolidated, and an organization to audit the financial institutions of public division and an official reference to compile principles and standards of accounting and auditing were ordained.

After the Islamic revolution of Iran in 1979, according to a bill ratified by the Revolutionary Council, many enterprises were confiscated or came under direct supervision of Government. To audit and perform statutory examination of these enterprises, three audit firms were established in the public sector, i.e., Nationalized Industries and Plan Organization Audit Firm in 1980, Mostazafan Foundation Audit Firm in 1981, Shahed Audit Firm in 1983.

In 1983 an act was ratified by the Parliament, to merge and embody these three audit firms together with Audit Company (established in 1971 to audit government corporations) to establish Audit Organization. Audit Organization's
Audit Organization's by-laws were also approved by the Parliament in 1987 and the Organization was established as a legal entity with financial independence, affiliated to the Ministry of Economic Affairs and Finance to follow those audit firms functions and pursue the activities legislated in the Organization’s Act and by-laws.

The Organization's main objectives are: (i) To provide government with basic needs in the field of auditing and specialized financial services for state owned and government supervised entities; (ii) To set Accounting and Auditing Standards and Professional Ethics in compliance with Islamic Rules as well; and (iii) To conduct research in scientific and practical methods of accounting to enhance accountancy compatible with country’s needs.

The Board of Governors comprises of Minister of Economic Affairs and Finance as chairman, Head of Management and Planning Organization, Minister of Petroleum, Ministry of Industries and Mines and Minister of Commerce. The Board sets policies of the Organization; approves plans, manuals and financial statements of the Organization; and appoints members of the Board of Executives Accounting and Auditing Standards and also the Board of Governors should approve the Organization’s Code of Ethics and its disciplinary rules.

The Board of Executives comprises of Chairman and Chief Executive Officer of the Organization and four or six expert accountants, all appointed by the Board of Governors. The Board is responsible for planning, organizing, preparing manuals, managing and execution of programs. Each Board member directs and supervises a part of the Organization's activities Exposure drafts of accounting and auditing standards should be reviewed and confirmed by the Board of Executives before submission to the Board of Governors.

High Supervisory Council comprises of three expert accountants appointed by the Board of Governors and is responsible for continuous supervision of the Audit Organization's activities, review of internal control system, statutory examination of the Organization's financial statements and reporting its findings to the Board of Governors and where appropriate to the regulatory bodies.

In fulfilling its main function to audit and statutory examination of state owned companies in 2003-04, Audit Organization has audited banks; insurance companies; oil, gas and petrochemical companies; regional water and power corporations; post, telegraph and telephone companies; and steel, tobacco and many other large corporations. Social Security Organization, Mostazafan and Janbazan Foundation, Shahid Foundation, and 15th Khordad Foundation and their affiliated companies are another major group of entities audited by the Organization. Investment companies and other enterprises controlled by banking system are also among those entities audited by the Organization.

### 3. Review of literature

Alford and Strawer (1990, p.70) carried out a survey which results shows in the US, points out that with increasing the minimum educational requirements for CPA membership may be a direct result of the recent expansion enjoyed by the accounting profession. Expansion of accounting and auditing services and products requires auditing to expand their technical education. Therefore, the education is directly affected on audit competence which it caused to high quality of accounting and auditing services (e.g. Leuz and Verrecchia, 2000; Asbaugh and Warfield, 2003). Watts and Zimmerman (1986) predict that large audit firms supply a higher quality audit because of greater monitoring ability. These companies may have more resources (Palmrose, 1986) and they may use higher quality staff (Chan et al., 1993). Francis and Wilson (1988) suggest that audit firms invest in their brand name reputation in order to command fee levels for higher quality assurance. Such firms will then provide a high quality audit in order to protect their brand name and also future revenues (Palmrose, 1986). Large multinational audit firms have also been found to be more independent (e.g. Shockey, 1981) which might suggest that they are less willing to negotiate audit matters with clients. Moreover, Teoh and Wong (1993) find that companies audited by Big Eight have higher earnings response coefficients i.e. investors and their announcements more convincing. As regards to relevant research in Greece, Caramanis (1997 and 1998) has found that in the early years after the liberalization reforms of 1992 there was no significant difference between local and international firms in terms of audit quality. However, relatively newer evidence is more in line with the results of research in other markets (Citron and Manalis, 2001).

One factor that may affect to audit quality is fraud detection which Dechow et al. (1996) report that auditors are more likely to have detected accounting problems and Klein (2002) finds that abnormal accruals are smaller (implying less earnings management) when boards are more independent.

According to SAS No. 53 the Auditor’s Responsibility to Detect and Report Errors and Irregularities (AICPA, 1988), the auditor had the responsibility to plan and perform the audit to obtain reasonable assurance that any material misstatements (including those caused by fraud) would be detected. This document also offers illustrative client business risk factors that may indicate an elevated fraud risk. In SAS No. 82 Consideration of Fraud in a Financial...
Statement Audit, the AICPA (1997) attempted to further clarify the auditor’s responsibility by stating that the auditor should specifically assess the risk of material misstatements that are due to fraud. This pronouncement also required the auditor to document the fraud risk assessment. SAS No. 99 Consideration of Fraud in a Financial Statement Audit (AICPA, 2002) is a more recent attempt to spell out what society expects from the auditor with respect to financial-statement fraud. Two of its main innovations require the auditor to brainstorm about the risk of material misstatement due to fraud, regardless of any past honest dealings with entity management. It’s utility for improving the auditor’s assessment of fraud risk, however, remains an open question.

Groveman (1996) explored how the auditors can detect misstatement in financial statements. The author highlighted that the most frequent causes of audit failures are due to inexperienced staff assigned to audits and a lack of professional scepticism. In order to maintain the appropriate degree of scepticism, auditors should not assume client management is dishonest and also should not unquestioningly expect honesty. However, the audit team must evaluate evidence objectively to determine whether or not financial statements are free of material misstatement. Regarding to the audit independence and audit quality Lacy (1990) examined the effects of investment by the CPA partners and client principals on the perception of auditor independence. Specifically examined were the effects of a joint investment by a CPA partner and a client’s Chief Financial Officer (CFO) in a limited partnership unrelated to the audit client, and a direct investment by a CPA in a client company. The results showed an inconsistency between the respondents’ perception of risk of losing the independence and the AICPA independence rules. The respondents were more concerned about the certain joint investments, which were acceptable under the AICPA rules, than they were about small percentage, financially immaterial direct investments which were unacceptable under the AICPA rules. The CPAs perceived that the risk of losing the independence when there was a direct ownership of stock by a CPA was greater than that of any other group who perceived the risk to be. A survey was conducted by Abu Bakar et al. (2005) among 116 loan officers in Malaysia. The results showed that 75.60 per cent of the respondents indicated that the size of the audit firm did affect the auditor independence and 74.40 per cent of them mentioned that the level of competition in the audit service market influenced the auditor independence. Furthermore, the results indicated that the provision of MAS had a negative effect on the auditor independence in Malaysia. Sajadi and Ebrahimimand (2005) elicited 98 Iranian Certified Public Accountants’ viewpoints on the factors increasing auditors’ independence. The objective of the study was to identify the factors which increased/would increase the auditors’ independence. The results showed that the factors such as audit committee, client size, the size and experience of audit firms increased the auditors’ independence, and other factors, namely, competition among the auditing firms decreased the auditors’ independence. A survey was carried out by Sajadi and Nasab (2003) in Iran regarding the effectiveness of certified auditing of financial statements among 51 managers. The conclusion was that independent auditors would be effective in the detection and reduction of illicit acts and offences as well as the exercise of precise appraisal of bases used in accounting estimates. However, such auditing would not serve the purpose of improving internal control system reducing the likelihood of errors omission.

The study by Mojtabahzadah and Aghaei (2005) focused on the factors influencing independent audit quality. The study covered the perceptions of 90 investors, 71 creditors, and 92 auditors in Iran selected on the basis of random sampling. The study showed that the investors and the creditors strongly believed that any other services affected auditor independence.

Another survey was carried out by Hassas-Yeganeh and Khaleghi (2004) in Iran regarding the attest function of the independent auditors and the respondents included auditors and investors. The results indicated that there was an expectation gap between the auditors and users on the attest function of the independent auditors. The results also showed that there were significant differences between the auditors and users regarding the reliability of the audited financial statements and the comparability of the audited financial statements. The users believed that if the audited financial statements were re-audited by others, they would show a different picture.

4. Research methodology and objective

Since the main objective of this research is determination of relationship between audit competence and audit quality in Iranian environment, therefore the research question as follows: Q1: Do audit expertise detect more fraud in auditing?

Q2: Do audit Effectiveness can detect major distortions?

Q3: Do more audit competence cause more fraud detection?

According to the above literature and the objective of this study the useful data was collected. So far accurate answer to this question, the authors design and developed a questionnaire based on method used in previous researchers. The questionnaire contains two parts namely (A) bio-data and (B) this section includes some questions regarding to audit expertise and fraud detection, audit effectiveness and fraud detection, and audit competence and fraud detection.

In this research at first step the important factor that is related to auditing quality were explored by studying technical contexts; further, the validity of explored title assessed by Delphi group that includes Iranian Association of Certified Public Accounting (IACPA) members. in the Delphi session title in Iran environment. Using gained viewpoints the
elementary group asked to determine the relation and importance of detected index regulated. Hence we can say, those factors that conduct research hypotheses are those factors that are completely compatible to Iran environment. In this research participants at the first step requested to determine their idea (agreement or disagreement to the effects of independent variable on detecting important distortions), then according to their ideas requested to determine degree of agreement and disagreement for assessing degree of disagreement and agreement we used the Range of integer number from -9 to 9 which -9 represent highly disagreement and 9 represent highly agreement to the hypotheses while zero represent none of them.

To the bases of important factor we conducted three hypotheses including:

H1: Specialization of IACPA member affects on their ability on detecting important fraud.
H2: Audit efficiency (audit profit to expenditure ratio) affects on IACPA member auditing to detecting important fraud.
H3: The competency of IACPA member affects on detecting important fraud.

4.1 Results of the study

180 respondents were completed the research questionnaire. Among these 180 participants, there were 29 expert or having auditing knowledge (16.10 percent) which they worked as an independent auditor, the rest 30 (16.8 percent) were worked as an internal auditor, 60 were in financial and banking management (62.40 percent participants), 30 numbers of them were in faculty member and 31 of them were accounting student. According to Table 1 out of 180 participants 55 were male (30.60 percent) and 125 were female (69.4 percent). Further, 135 participants were younger than 40 (75.00 percent) and 45 participants elder than 40 (25 percent). Among these 52.50 percent had less than one year experience, 36 percent had experience between 10 to 20 years and 21.50 percent had more than 20 years experience.

As Table 1 reveals the majority of participant had sufficient academic degrees. Out of 180 participants 113 participant, were holding bachelor degree in accounting or related subjects (62.5 percent) and 67 were holding M.A or PhD degrees (47.50 percent). Demographic characteristics of participant are summarized in Table 1.

Insert Table 1

The binomial test was first conducted to assess how many percent of participant accept the effects of independent factors on dependent ones. For this purpose we divided participants into two groups including agreeing and disagreeing with hypotheses. The results revealed that 171 participant (95.00 percent) were agree that the effect of specialization on detecting important fraud (H1); then the effect of specialization on detecting important fraud significantly confirmed (p<0.05). Mean degree of agreement for this hypothesis was 3.94 (SD= 2.21, 95 percent of confidence interval from 3.6 to 4.26).

For the second hypothesis 105 participant (58.00 percent) were disagree to the effect of audit efficiency on auditor willingness to detecting important fraud; then this hypothesis rejected (H2) and mean degree of disagreement for this hypothesis was -0.644 (S.D= 6.61, 95 percent of confidence interval from -1.6 to 0.32).

About third hypothesis, majority of participants confirmed the effect of auditor competencies on exploring important distortion (H13). 151 participants (84.00 percent) agreed to this hypothesis, then this hypothesis were significantly confirmed (p<0.05) and mean degree of agreement was 4.25 (S.D= 3.8, 95.00 percent of confidence interval from 3.68 to 4.88).

The result of testing hypotheses by binomial test showed in Table 2.

Insert Table 2

In this stage as mentioned before, participants requested to determine degree of agreement or disagreement to the questions. Table 3 represents the mean degree of agreement or disagreement according to their idea to the research questionnaire with calculating Mean Value, S.D, and interval confidence.

Insert Table 3

As Table 3 shows positive numbers represent mean degree of agreement while negative number represents mean degree of disagreement.

As shown in upon table the competency of auditor has the most effect on detecting important fraud by auditors.

5. Conclusion and remarks

Shaw (1995) expressed that recent high profile and unexpected corporate collapses were not created by audit failures. However, it was created by a number of failures of the executive management and of corporate bonds. But the audit failures, at least, delayed corrective action and often allowed the guilty to escape the punishment. However, unexpected collapse of an important company listed on a stock exchange (i.e. Enron collapse) will undermine the credibility and reliability of the information and the regulatory system, which is put in place to protect the investors. Therefore the
auditors should do in a manner that they keep audit prestige. In such a condition they have to follow as well as obey their regulations and framework. Further Arruñada (1999, 2000), has argued that audit regulation should consider three basic characteristics of auditing: professional judgment, the specific nature of audit quality and the existence and effectiveness of private quality-assurance techniques. The results of this study showed that from the viewpoint of participants’ specialization of IACPA member affects on the ability of IACPA member for detecting important frauds. In such a condition the Iranian legislators should force the IACPA member for attending up-to-date accounting and auditing short time courses. In addition, as results showed the second hypothesis is rejected, furthermore, regarding to the third hypothesis, the majority of strongly believe that competency of IACPA member affects on detecting important fraud. By the way, as mentioned before the independence of auditors also may cause to detection fraud. One of the weaknesses of Iranian accounting and auditing environment is the lack of audit committee which audit committee can keep external auditors independence; in fact as well as in appearance. For solving such a problem it is highly suggested to Iranian legislators form audit committee which it improve audit independence as well as audit quality.

References


Table 1. Frequency table of participants

<table>
<thead>
<tr>
<th>Case</th>
<th>Label</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>Male</td>
<td>55</td>
<td>30.60</td>
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<tr>
<td></td>
<td>Female</td>
<td>125</td>
<td>69.40</td>
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<tr>
<td>Age</td>
<td>Less than 30</td>
<td>28</td>
<td>35.60</td>
</tr>
<tr>
<td></td>
<td>30 to 45</td>
<td>98</td>
<td>54.60</td>
</tr>
<tr>
<td></td>
<td>More than 45</td>
<td>18</td>
<td>9.80</td>
</tr>
<tr>
<td>Experience</td>
<td>Less than 10</td>
<td>75</td>
<td>42.50</td>
</tr>
<tr>
<td></td>
<td>10 to 20</td>
<td>64</td>
<td>36.00</td>
</tr>
<tr>
<td></td>
<td>More than 20</td>
<td>38</td>
<td>21.50</td>
</tr>
<tr>
<td>Education</td>
<td>Bachelor degree</td>
<td>113</td>
<td>62.80</td>
</tr>
<tr>
<td></td>
<td>Master</td>
<td>58</td>
<td>32.20</td>
</tr>
<tr>
<td></td>
<td>PhD</td>
<td>3</td>
<td>1.70</td>
</tr>
<tr>
<td>Post</td>
<td>Independent Auditor</td>
<td>29</td>
<td>16.10</td>
</tr>
<tr>
<td></td>
<td>Internal Auditor</td>
<td>30</td>
<td>16.80</td>
</tr>
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<td>Financial and Banking Management</td>
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<td>33.60</td>
</tr>
<tr>
<td></td>
<td>Faculty member</td>
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<td>16.80</td>
</tr>
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<td></td>
<td>Student</td>
<td>31</td>
<td>17.50</td>
</tr>
</tbody>
</table>

Table 2. Dependent variable effects on detecting distortions and test result by binomial test

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Category</th>
<th>Frequency</th>
<th>Observed prop.</th>
<th>Test prop.</th>
<th>Asymp.sig.</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1(Specialty)</td>
<td>Disagreeing</td>
<td>9</td>
<td>0.05</td>
<td>0.5</td>
<td>0.000</td>
<td>Confirmed</td>
</tr>
<tr>
<td></td>
<td>Agreeing</td>
<td>171</td>
<td>0.95</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>H2(Efficiency)</td>
<td>Disagreeing</td>
<td>105</td>
<td>0.58</td>
<td>0.5</td>
<td>0.42</td>
<td>Rejected</td>
</tr>
<tr>
<td></td>
<td>Agreeing</td>
<td>75</td>
<td>0.42</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>H3(Competency)</td>
<td>Disagreeing</td>
<td>29</td>
<td>0.16</td>
<td>0.5</td>
<td>0.000</td>
<td>Confirmed</td>
</tr>
<tr>
<td></td>
<td>Agreeing</td>
<td>151</td>
<td>0.84</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 3. Mean degree of participants and other statistical calculation

<table>
<thead>
<tr>
<th>Independent variable</th>
<th>Mean degree</th>
<th>Standard deviation</th>
<th>95 percent of interval confidence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Specialty</td>
<td>3.94</td>
<td>2.21</td>
<td>3.61 - 4.21</td>
</tr>
<tr>
<td>Efficiency of Auditing</td>
<td>-0.64</td>
<td>1.61</td>
<td>-1.61 - 0.32</td>
</tr>
<tr>
<td>Competency of auditor</td>
<td>4.25</td>
<td>2.8</td>
<td>3.68 - 4.88</td>
</tr>
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