

# Auditors Professional Power and Users' Expectations: Iranian View

Mahdi Salehi (Corresponding author)

Assistant professor of Accounting, Ferdowsi University of Mashhad, Iran, E-mail:  
mahdi\_salehi54@yahoo.com

Bizhan Abedini

Assistant professor of Management Department, Hormozgan University, Iran

## Abstract

The purpose of current study is to identify and evaluate the current state of key factors which influence the professional power of CPA from the perception of users in Iran.

A questionnaire designed and developed in order to gathering data from financial managers of listed companies in Tehran Stock Exchange during 2011.

The results of the study show that there is a huge gap between the current states of auditors' specifications and users' demands. In the other hand users of audit services believe that, CPAs does not have sufficient professional power.

The current paper is the first study which covers professional power of auditors in Iran so; it may help the Iranian condition to improve the auditors' professional powers.

**Key words:** Auditor, professional power, expectation gap, Iran.

## 1. Introduction

Auditors perform a very important task within the context of the affairs of a company because financial reporting can only serve its purpose if stakeholders can rely on its accuracy and reliability (Salehi and Nanjegowda, 2006). An auditor's duty is to opine whether an entity's financial reporting has been done according to the requirements of the law (Salehi, 2007). However when it is subsequently discovered that the financial reporting was incorrect and that fraud has occurred auditors are often blamed and sued for enormous amounts of money for failing to detect material anomalies in the financial reports. These actions are based on the fact that auditors have a duty to exercise reasonable care and skill in the performance of their duties and through their failure to act as such, have caused financial harm to the clients or third parties. The fact that auditors are only required by law to exercise reasonable care and skill and perform an audit according to the standards of the reasonable auditor and not the most meticulous one is often not regarded or is sometimes deliberately ignored. It is claims that the auditor should use the professional powers in order to issuing sound audit report (Salehi and Abedini, 2008).

It is a systematic and ordered process of collecting and fair evaluating of evidences about economic activities, to see how much they are compatible with predefined measures, report them to stakeholders. CPA's do this process according to audit standards and compare the financial reports and accounting entries with predefined measure and

accounting standards and finally make audit reports for stakeholders. Auditors are expected not to provide comments which are on contrary with audit standards and professional judgments to protect their positions (Salehi et al., 2009; Salehi and Rostami, 2010). This may not be possible unless they identify and pay attention to set of effective factors. This set of factors forms the CPA's professional power.

## **2. Research problem**

CAPs should always interact with accounting rules, audit standards, providing public and clients interests'. Each of these factors influences auditor's decisions in proportion. Employers can define terms of competitive environment at contract time, auditors with the mean of transaction costs for substituting auditors, and accounting and auditing rules and the power of their editors (Salehi, 2009). For all these reasons, CPA should make proper decisions to resolve the conflict between auditor and clients which is about selecting, applying, and observing the uniformity of accounting rules. Through information disclosure CPA can assure the accuracy of auditing profession and public interests. The balance between clients, society and auditors is very important for this purpose.

From this view, auditing is a social ordered system which aims to achieve an ideal so called public interest. In this system, the power is a mean for assuring the accuracy, rather than for illegal abuses. In social view auditing is a civil institution which has some degrees of responsibility, wisdom and consideration of public welfare which are not common specification of non-professional people (Mautz, 1988). It's assumed that auditing professional specification affect auditors' tendency for their own interests especially when they are on contrary with professional obligates. Being professional refers to a complicated social structure which aims to increase public welfare of the society and its successful when it can attract public trust and feel to be important for people. Auditing process also protect public interest providing audit reports.

As mentioned before auditing profession is assumed as a social system which adjusts the relationship between auditor and clients, and is expected to be in framework of regulation and profession standards. It aims to provide public interests by means of fair financial reporting. There is a mutual relation between auditor and clients and each of them as a part of organization, affect each other as well to the environment. Audit for their supervisory role, should have a higher position, because in absence of power, there is no meaning for supervision.

For strategy making in this profession, effective factors should be assessed to reinforce the effectiveness of CAP. CPA's professional power is a function of many structural and internal factors, therefore insufficiency of one or more of them causes a failure for audit to achieve its objectives. In current study the main questions are: What is the opinion of users about audit services and related factors in present time? Is it possible to increase CPA's professional power by means of improvement in clients' position and power? Should we trace variables that directly affect to the professional power? Are there work conditions which impress their power or other environmental, social, political, cultural and even historical conditions are involved? Are there any effective moral, behavioral, and conscience variables?

With all these questions in mind we try to find affective factors on CPA's professional power offering several operational indexes.

### **3. Importance of the study**

The clients always think that auditors tend to satisfy the managers interests' more than their interests so they prefer to work with CPA who have the professional power to ensure that managers fairly report the whole reality.

In other hand, investors who may be interested in investing their money in company, pay attention to auditor's report greatly and expect auditors to reflect all of the facts they need for better decisions to minimize their investment risk. Therefore evaluating effective factors on CAP power from the view of users of financial statements is necessary for empowering key factors.

### **4. Review of literature**

Yeganeh and Rajbi's (2006) results showed a model for effective factors on CPA's professional power in Iran and evaluate their current situation. They also showed 39 cases related with CPA's professional power that the type of relationship of 28 cases was direct, 8 cases was reverse, and 3 cases was equal in Iran. The situation of 20 cases was unfavorable, 17 cases were little good and only 2 cases were somewhat favorable.

Several studies were done by professional researchers about the sources of clients power gaining and much of their results state that most factors that clients will gain strength from them rooted in auditor dependence in maintaining clients.

Existence of competitor auditor institution is considered a major source for clients' power and in cases that there are disputes regarding to professional issues, or fees, will undermine the power of auditor (Goldman and Barlev, 1974; Knapp, 1985; Gul, 1991).

The ability of clients in determining the auditors working conditions including: employment opportunities, access to staff and information and set deadline for work will lead to client power (Barlev, 1974). If the client has the ability to depose and nominate the auditors will have more power. If the client has the ability to negotiate over the fees will have more power too (Embay and Davidson, 1998). Users thought that if the audit market is more competitive or large volumes of non-audit services is provided to the employer, employer will have more power (Knapp, 1985).

Reviews about recreating, for detection the certainty of past research results and adding them to a scientific database, absolutely are increasing and essential (Otley and Pollanen, 2000; Lindsay, 1995). He examines this issue with the most severe state: "Successful recreating is the foundation of scientific information and such a process tells us ever results have been achieved or not? Recreating also tells us the range of circumstances that desired results occurrence under those conditions can be expected. "

### **4. Research objectives**

The general purpose of current study is assessing different dimensions of audit professional power from the perspective of users of audit services and their ability to alter CAP power. Knowing users view points' CAP discovers its own strengths and weaknesses and designs an amendment model to gain public trust and comply their interest. This view point helps CAP to identify continuous improvement opportunities and to achieve higher degree of efficiency. This may indirectly decrease cost, time and risk of auditing and increase efficiency and effectiveness accordingly. Identifying distinct dimensions of professional power helps this profession to make more compatible principals and behavioral models with CPAs' society and the public, so it can serve more affective and worthwhile. So, the other objectives of study as follow:

- 1- Assessing the present state of CPAs' professional power in Iran and comparing the related barriers and difficulties with those in developed countries, and identifying basic actions to improve its position
- 2- Identifying and analyzing the theoretical bases of CPAs' professional power which are not studied in prior researches.

Considering present situation of auditing activities in Iran, what is the current state of effective factors on a CPAs' professional power from users' perspective?

## 5. Research methodology

The research covers listed companies on Tehran Stock Exchange which randomly sample selection of the population is employed. Thus, our study population is constituted by 423 companies in Tehran Stock Exchange. In order to collecting usable data the questionnaire designed and developed.

In analysis, first, hypotheses are tested by statistical method " $\chi^2$ " with 95% confidence level, then in grading criteria factors are ranked with using the mean and SD indices. The SD is a smaller sample, responses received is less dispersion. Obviously, higher standard deviation shows scatter incoming frequency response than the sample average.

### 5.1. Reliability and validity of questionnaire

To ensure the results of questionnaire, its reliability and validity following are examined.

#### Reliability of questionnaire

Reliability concept dealing with that measuring tools on the same terms what extent will obtain the same results. To estimate the reliability of this study questionnaire, Cronbach's alpha coefficient was used. This method is used for calculation of internal coordination measuring tools, including questionnaires or tests that measure various features. The questionnaire calculated Alpha coefficients is, 0.892 which ( $0.7 < 0.892$ ) indicate high credit of measuring instrument in the study.

### 5.2. Validity of questionnaire

If a questionnaire measure what should be measured means that it perform its work properly and accurately.

In the first phase of research in order to have enough knowledge about theoretical audit and effective factor in CPA's professional power, a relatively detailed library studies was done. At this stage, following the study of theoretical auditing which mainly from reputable books and articles in accounting and auditing; many effective factors were extracted and based on them 40 question questionnaire was designed. To check its validity we got individual questions in the comments together. Finally, 5 questions of 40 questionnaire questions that have less validity and reliability had been deleted from the questionnaire and the final questionnaire with 35 questions (agent) was distributed among the desired statistical popularity.

### 5.3. Determination of sample size and sampling

Considering that 423 companies are in Tehran Stock Exchange, Selected sample through a relationship

$$n = \frac{N(Z_{\alpha/2})^2 pq}{(N-1)d^2 + (Z_{\alpha/2})^2 pq}$$

with regard to the maximum difference between  $d=0.1$  and the ratio in the worst

condition  $P=1.2$  and error probability ( $Z_{\alpha/2} = 1.96$ )  $\alpha = 0.05$  n value was estimated approximately 80 companies (n=87).

N = Total population

P = estimated population ratio

D = Maximum difference between the ratio population and the estimated ratio

$Z_{\alpha/2}$  = Standard normal distribution

In the first phase with regard to some probabilities 100 questionnaires randomly (using the software S-Pluss) was distributed by post among Tehran stock companies, up to three months after 31 questionnaires were returned totally.

5.4. Research hypothesis

The hypothesis which postulated in the study is:

There is a significant difference between the current status of effective factors on the CPA’s professional power and users’ expectations.

Substantially, the sub-hypotheses as following:

First sub-hypothesis: There is a significant difference between the current status of effective factors on the CPA’s legal power and users’ expectations.

Second sub-hypothesis: There is a significant difference between the current status of effective factors on the CPA’s expert power and users’ expectations.

Third sub-hypothesis: There is a significant difference between the current status of effective factors on the CPA’s reference power and users’ expectations.

Fourth sub-hypothesis: There is a significant difference between the current status of effective factors on the CPA’s reward power and users’ expectations.

Fifth sub-hypothesis: There is a significant difference between the current status of effective factors on the CPA’s punishment power and users’ expectations.

6. Testing of hypotheses

In order to testing of main hypothesis  $\chi^2$  testis employed to check the status of all effective factors on professional power in Iran

$H_0$  : There is no significant difference between the current status of effective factors on the CPA’s professional power and users’ expectations.

$H_1$  : There is a significant difference between the current status of effective factors on the CPA’s professional power and users’ expectations.

The following table shows the results of  $\chi^2$  test about the status of all factors.

Table 1. The results of main hypothesis

No	Effective Factor	Calculated $\chi^2$	D.f	Sig.	Results
1	sufficient regulations for obligating CPA	57.289	4	0.000	$H_1$ rejected
2	The legal responsibility of auditors to apply professional standards	13.067	4	0.012	$H_1$ rejected
3	Culture of accountability in society	12.933	4	0.012	$H_1$ rejected

4	Greater use of audited financial statements for decision-making and accountability	67.333	4	0.000	$H_1$ rejected
5	Binding auditing standards	62.421	4	0.000	$H_1$ rejected
6	Binding auditing standards	58.38	4	0.000	$H_1$ rejected
7	Binding professional conduct regulations	48.605	4	0.000	$H_1$ rejected
8	Periodic and mandatory replacement of auditor	17.733	4	0.001	$H_1$ rejected
9	Employer ability for auditor optional replacement	21.726	4	0.000	$H_1$ rejected
10	Supply sufficient fees for auditing services	32.553	4	0.000	$H_1$ rejected
11	Rendering non-audit services to auditing employer	35.151	4	0.000	$H_1$ rejected
12	More lifetime auditing Institutions	30.321	3	0.000	$H_1$ rejected
13	Larger auditing institutions	39.684	3	0.000	$H_1$ rejected
14	Connection of auditing institution with international auditing institution	12.757	4	0.013	$H_1$ rejected
15	Long-term auditor relationship with an employer	14.267	4	0.006	$H_1$ rejected
16	Auditor dependency to receiving fees from an employer	29.395	4	0.000	$H_1$ rejected
17	Capital market reaction to the type and content of auditors' reports	51.368	3	0.000	$H_1$ rejected
18	Observance of real (inner) apparent independence of auditors	29.067	4	0.000	$H_1$ rejected
19	Observance the apparent independence of auditors	23.474	3	0.000	$H_1$ rejected
20	Several changes and high staff movement of auditing institutions	22.081	4	0.000	$H_1$ rejected
21	Higher technical and professional competence of auditing institute staff	33.067	4	0.000	$H_1$ rejected
22	Competition between auditing institutions to attract employer	28.668	4	0.000	$H_1$ rejected
23	Total auditing quality control	26.933	4	0.000	$H_1$ rejected
24	Job satisfaction of auditing institutions staffs	22.268	4	0.000	$H_1$ rejected
25	Higher academic qualifications of graduated volunteers for entering professional auditing	41.5	4	0.000	$H_1$ rejected
26	More conflict between internal and professional considerations in auditing institutions	26.014	3	0.000	$H_1$ rejected
27	Higher thought of auditing institutions about their professionalism level	22.667	3	0.000	$H_1$ rejected
28	Public attitude about professionalism level of auditing institutions	16.421	3	0.001	$H_1$ rejected

29	The effectiveness of executive auditing process	36.541	4	0.000	$H_1$ rejected
30	The pressure of auditing budget time	26.763	4	0.000	$H_1$ rejected
31	Informal auditors' relationship with employer	9.263	4	0.055	$H_1$ rejected
32	Audit committees in the auditing units	16.946	4	0.002	$H_1$ rejected
33	Existence of internal auditing	33.703	4	0.000	$H_1$ rejected
34	Separation of ownership from auditing units management	44.192	4	0.000	$H_1$ rejected
35	Continuous professional training for all staff categories of auditing institutions	23.211	4	0.000	$H_1$ rejected

**Prioritized based on amount of associated factors with the professional power**

To determine priority of associated factors with professional power standard variable Z is used. The following table shows the sorted results from highest to lowest priority:

Table 2. Prioritized based on amount of associated factors with the professional power

Q	Effective factor	Calculated z	Priority according relationship
35	Continuous professional training for all staff categories of auditing institutions	26.10	1
21	Higher technical and professional competence of auditing institute staff	0.95	2
23	Total auditing quality control	0.86	3
2	The legal responsibility of auditors to apply professional standards	0.71	4
18	Observance of real (inner) apparent independence of auditors	0.70	5
24	Job satisfaction of auditing institutions staffs	0.67	6
25	Higher academic qualifications of graduated volunteers for entering professional auditing	0.64	7
4	Greater use of audited financial statements for decision-making and accountability	0.61	8
14	Connection of auditing institution with international auditing institution	0.58	9
29	The effectiveness of executive auditing process	0.42	10
6	Binding auditing standards	0.40	11
3	Culture of accountability in society	0.39	12
1	sufficient regulations for obligating CPA	0.37	13
17	Capital market reaction to the type and content of auditors' reports	0.34	14

5	Binding auditing standards	0.25	15
7	Binding professional conduct regulations	0.19	16
31	Informal auditors' relationship with employer	0.000	17
16	Auditor dependency to receiving fees from an employer	-0.10	18
33	Existence of internal auditing	-0.10	19
12	More lifetime auditing Institutions	-0.11	20
10	Supply sufficient fees for auditing services	-0.11	21
28	Public attitude about professionalism level of auditing institutions	-0.12	22
32	Audit committees in the auditing units	-0.22	23
26	More conflict between internal and professional considerations in auditing institutions	-0.23	24
27	Higher thought of auditing institutions about their professionalism level	-0.27	25
8	Periodic and mandatory replacement of auditor	-0.33	26
21	Several changes and high staff movement of auditing institutions	-0.36	27
11	Rendering non-audit services to auditing employer	-0.39	28
34	Separation of ownership from auditing units management	-0.40	29
22	Competition between auditing institutions to attract employer	-0.40	30
13	Larger auditing institutions	-0.47	31
19	Observance the apparent independence of auditors	-0.47	32
30	The pressure of auditing budget time	-0.48	33
9	Employer ability for auditor optional replacement	-0.57	34
15	Long-term auditor relationship with an employer	-0.97	35

Table 2 shows that continuous professional training for all categories of staff of auditing institutions has most influence on the CPA's professional power and long term relationship of auditor with employer has the effect.

Given to the top table, it is obvious that there is a significant difference between the status quo of all the effective factors on the CPA's professional power in Iran and users' expectations of auditing services except the factor 31 (question 31) that if for this factor we assume  $\alpha=0.056$ , then the hypothesis  $H_1$  will be accepted with 0.94 confidence.

**Prioritizing in order of the current status**

Prioritizing the status quo of identified effective factors on CPA's professional power from users' perspective is sorted by status from the best to the worst.

Table 3. Prioritizing in order of the current status

Q	Effective factor	Calculated Z	Number of priority in order of relation amount
6	Binding auditing standards	0.58	1
4	Greater use of audited financial statements for decision making and accountability	0.47	2
5	Binding auditing standards	0.43	3
12	More lifetime auditing Institutions	0.40	4
17	Capital market reaction to the type and content of auditors' reports	0.36	5
1	Sufficient regulations for obligating CPA	0.3	6
13	Larger auditing institutions	0.27	7
29	The effectiveness of executive auditing process	0.27	8
10	Supply sufficient fees for auditing services	0.15	9
18	Observance of real (inner) apparent independence of auditors	0.14	10
28	Public attitude about professionalism level of auditing institutions	0.10	11
21	Higher technical and professional competence of auditing institute staff	0.09	12
20	Several changes and high staff movement of auditing institutions	0.05	13
7	Binding professional conduct regulations	0.04	14
19	Observance the apparent independence of auditors	0.03	15
2	Legal responsibility of auditors to apply professional standards	-0.06	16
35	Continuous professional training for all staff categories of auditing institutions	-0.08	17
8	periodic and mandatory replacement of auditors	-0.08	18
30	The pressure of auditing budget time	-0.09	19
26	More conflict between internal and professional considerations in auditing institutions	-0.12	20
9	Employer ability for auditor optional replacement	-0.12	21

33	Internal auditing existence	-0.12	22
25	Higher academic qualifications of graduated volunteers for entering professional auditing	-0.12	23
27	Higher thought of auditing institutions about their institution professionalism level	-0.13	24
31	Informal auditors' relationship with employer	-0.20	25
23	Total auditing quality control	-0.21	26
24	Job satisfaction of auditing institutions staffs	-0.22	27
32	Audit committees in the auditing units	-0.29	28
11	Rendering non-auditing services to auditing employer	-0.29	29
34	Separation of ownership from auditing units management	-0.31	30
3	Culture of accountability in society	-0.31	31
15	Long-term auditor relationship with an employer	-0.31	32
22	Competition between auditing institutions to attract employer	-0.32	33
14	Connection of auditing institution with international auditing institution	-0.39	34
16	Auditing dependency to the receiving fees from an employer	-0.4	35

Table 3 shows that binding auditing standards has the best and the Auditing dependency to the receiving fees from an employer has the worst status quo.

#### Sub- hypotheses testing

$H_0$ : There is no significant difference between the current status of effective factors on the CPA's legal power and users' expectations.

$H_1$ : There is a significant difference between the current status of effective factors on the CPA's legal power and users' expectations.

Using  $\chi^2$  test and concerning that the calculated  $\chi^2$  value (31.657) is higher than the critical  $\chi$ -value in 0.05 level and two degrees of freedom that is equal to 5.99, so  $H_0$  is rejected then  $H_1$  with 0.95 confidence is approved.

$$\sum_{i=1}^3 \frac{(O_1 - E_1)^2}{E_1} = 31.657$$

$$X^2 = 31.657 > 5.99 \rightarrow H_0 \text{ is rejected with 95\% confidence}$$

Table 4. Results of first sub-hypothesis

	Expected frequency $E_1$	Visited frequency $O_1$	Frequency without considering the missing data
Little good	23.30	20	28.60
No comment	23.30	44	62.90
Slightly undesirable	23.30	6	8.60
Missing data		10	0.00
Total	69.90	80	100

Second sub hypothesis testing:

$H_0$ : There is no significant difference between the current status of effective factors on the CPA's expert power and users' expectations.

$H_2$ : There is a significant difference between the current status of effective factors on the CPA's expert power and users' expectations.

Using  $\chi^2$  test and concerning that the calculated  $\chi^2$  value (31.914) is greater than the critical  $\chi$  value in 0.05 level and 2 degrees of freedom that is equal to 5.99, so  $H_0$  is rejected then  $H_2$  with 0.95 confidence is approved.

Table 5. Expert power frequency

	Expected frequency $E_1$	Visited frequency $O_1$	Frequency without considering the missing data
Little good	23.30	17	24.30
No comment	23.30	25	64.30
Slightly undesirable	23.30	8	11.40
Missing data		10	0.000
Total	69.90	80	100

According to Table 5, 24.30% of respondents said that CPAs' situation is little good, 11.40% said it is slightly undesirable, and 64.3% didn't have any comments, Therefore results show that CPAs' specialty power situation from the audit service users' perspective is not satisfactory.

Third sub-hypothesis testing:

$H_0$ : There is no significant difference between the current status of effective factors on the CPA's reference power and users' expectations.

H<sub>3</sub>: There is a significant difference between the current status of effective factors on the CPA’s reference power and users’ expectations.

Using  $\chi^2$  test and concerning that the calculated  $\chi^2$  value (70.971) is greater than the critical  $\chi$  value in 0.05 level and two degrees of freedom that is equal to 5.99, so H<sub>0</sub> is rejected then H<sub>3</sub> with 0.95 confidence is accepted.

$$\sum_{i=1}^3 \frac{(O_1 - E_1)^2}{E_1} = 70.971$$

$X^2 = 70.971 > 5.99 \rightarrow H_0$  is rejected with 95% confidence

Table 6. Reference power frequency

	Expected frequency E <sub>1</sub>	Visited frequency O <sub>1</sub>	Frequency without considering the missing data
Little good	22.70	11	16.20
No comment	22.70	55	80.90
Slightly undesirable	22.70	2	2.90
Missing data	-	12	0.00
Total	68.10	80	100

According to Table 6, 16.20% of respondents said that CPAs’ situation is little good, 2.9% said it is slightly undesirable and 80.90% didn’t have any comments, Therefore results show that CPAs’ reference power situation from the audit service users’ perspective is not satisfactory.

Fourth sub-hypothesis testing:

H<sub>0</sub>: There is no significant difference between the current status of effective factors on the CPA’s reward power and users’ expectations.

H<sub>4</sub>: There is a significant difference between the current status of effective factors on the CPA’s reward power and users’ expectations.

Using  $\chi^2$  test and concerning that the calculated  $\chi^2$  value (46.76) is greater than the critical  $\chi$  value in 0.05 level and two degrees of freedom that is equal to 7.81, so H<sub>0</sub> is rejected then H<sub>4</sub> with 0.95 confidence is approved.

$$\sum_{i=1}^3 \frac{(O_1 - E_1)^2}{E_1} = 46.76$$

$X^2 = 46.76 > 7.81 \rightarrow H_0$  is rejected with 95% confidence

Table 7. Reward power frequency

	Expected frequency E <sub>1</sub>	Visited frequency O <sub>1</sub>	Frequency without considering the missing data
Little good	23.3	17	24.3
No comment	23.3	25	64.3
Slightly undesirable	23.3	8	11.4
Missing Data		10	0
Total	69.9	80	100

According to Table 7, 46.70% of respondents said that CPAs' situation is little good, 6.70% said it is slightly undesirable and 46.70% didn't have any comments, Therefore results show that CPAs' reward power situation from the audit service users' perspective is not satisfied.

Fifth sub-hypothesis testing:

H<sub>0</sub>: There is no significant difference between the current status of effective factors on the CPA's punishment power and users' expectations.

H<sub>5</sub>: There is a significant difference between the current status of effective factors on the CPA's punishment power and users' expectations.

Using  $\chi^2$  test and concerning that the calculated  $\chi^2$  value (98.394) is greater than the critical  $\chi$  value in 0.05 level and two degrees of freedom that is equal to 5.99, so H<sub>0</sub> is rejected then H<sub>5</sub> with 0.95 confidences is approved.

$$\sum_{i=1}^3 \frac{(O_1 - E_1)^2}{E_1} = 98.394$$

$$\chi^2 = 98.394 > 5.99 \rightarrow H_0 \text{ is rejected with 95\% confidence}$$

Table 8. Punishing power frequency

	Expected frequency E <sub>1</sub>	Visited frequency O <sub>1</sub>	Frequency without considering the missing data
Little good	23.30	17	24.30
No comment	23.30	25	64.30
Slightly undesirable	23.30	8	11.40
Missing data		10	0.000
Total	69.90	80	100

According to Table 8, 8.50% of respondents said that CPAs' situation is little good, 2.80% said it is slightly undesirable, and 88.70% didn't have any comments, Therefore results show that CPAs' punishing power situation from the audit service users' perspective is not satisfactory.

Five test results can be seen briefly in the table below:

Table 9. Summary table of results of five sub-hypotheses

Hypotheses	D.f	Critical alpha	Calculated X2	X2 table	Results
First hypothesis	2	0.05	31.657	5.99	H <sub>0</sub> rejected
Second hypothesis	2	0.05	31.914	5.99	H <sub>0</sub> rejected
Third hypothesis	2	0.05	70.971	5.99	H <sub>0</sub> rejected
Fourth hypothesis	3	0.05	46.760	5.99	H <sub>0</sub> rejected
Fifth hypothesis	2	0.05	98.394	5.99	H <sub>0</sub> rejected

## 7. Conclusion

This contradiction in the views can be interpreted that the users expectation of CPAs is to provide a professional and high quality work that must be based on a set of professional standards but CPAs look at the issue from the professional aspect and because of the importance of independence to obtain community's trust and therefore survival of profession, auditors priority is their actual independence. On the other hand, users of audit services consider the long duration of associating the auditor with an employer and the optional ability of an employer to change the auditor as the minimal impact on a CPA's professional power. The findings showed that there is a huge gap about audit professional power from the users, view points. This may alarm some serious problems in auditing environment in Iran. Because without power in any position there is no authority; so without authority nothing will happen. The out comes of the study strongly suggest that the auditors should improved their professional power by hock or crock.

## References

- Chung DY & Lindsay WD (1988) The pricing of audit services: The Canadian perspective. *Contemporary Accounting Research* 5(3): 19-46.
- Emby, C., and Davidson R (1993). External auditors' evaluation of client systems: bias effects from systems consulting. Presented at the Spring 1993 Conference of the Northwest Accounting Research Group, Leavenworth, WA, April 16 - 17.
- Goldman, A. and Barlev, B. (1974). The Auditor-Firm Conflict of Interests: Its Implications for Independence, *The Accounting Review*, October, pp. 707-718.

- Gul, F. A. (1991). Size of Audit Fees and Perceptions of Auditors' Ability to Resist Management Pressure in Audit Conflict Situations, *ABACUS*, Vol 27 No 2, pp.162-172.
- Knapp, M. (1985). "Audit Conflict: An Empirical Study of the Perceived Ability of Auditors to Resist Management Pressure", *The Accounting Review*, Vol LX No 2, pp. 202-211.
- Mautz, R.K., (1988). Public Accounting: Which Kind of Professionalism, *Accounting Horizons*, 2(3):121-125.
- Otley, D.T., & Pollanen, R.M. (2000). "Budgetary Criteria in Performance Evaluation: A Critical Appraisal Using New Evidence.", in: *Accounting, Organization & Society*, Vol. 25(4/5), pp.483-496.
- Salehi M (2007). Reasonableness of Audit Expectation Gap: Possible Approach to Reducing, *Journal of Audit Practice*, Vol. IV, No. 3, pp.50-59.
- Salehi M (2009). In the Name of Independence: With Regard to Practicing Non-Audit Service, *International Journal of Business Research*, Vol. 2, No. 2, pp. 137-147.
- Salehi M, and Abedini B (2008). Iranian Angle: Worth of Audit Report, *SCMS Journal of Indian Management*, April- May, pp. 82-90.
- Salehi M, and Nanjegowda K., (2006). Audit Expectation Gap: the Concept, *Journal of Audit Practice*, Vol.3, No. 4, pp. 69-73.
- Salehi M, and Rostami V (2009). Audit Expectation Gap: Some International Evidence, *International Journal of Academic Research*, Vol. 1, No. 1, pp. 140-146.
- Salehi M, Mansouri A, and Azary Z (2009). Audit Independence and Audit Expectation Gap: Empirical Evidence from Iran, *International Journal of Economic and Finance*, Vol. 1, No. 1, pp. 165-174.
- Yeganeh Y and Rajabi A (2005), factors affecting the professional power of CPA, *Journal of Accounting Studies*, No. 8, p. 55-86.