



The Impact of Auditor Characteristics on Audit Quality: Evidence from Companies Listed on the Tehran Stock Exchange

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Abstract: *This research aimed to explore the influence of auditor characteristics such as experience, education, and industry expertise on audit quality in firms listed on the Tehran Stock Exchange over the period from 2017 to 2023. Using purposive sampling, data were collected from 79 companies, and the ordinary least squares regression model was employed to assess the relationship between the variables. The descriptive statistics provided an overview of the data, showing that audit quality was positively correlated with the independent variables. Hypothesis testing indicated that auditor experience, education, and industry expertise significantly and positively affect audit quality, with practical implications for companies seeking to enhance their audit outcomes. The research suggests that organizations should prioritize auditors with substantial experience, higher education, and industry-specific knowledge to improve audit quality, offering insights for audit firms, regulators, and corporate governance practices. These findings contribute to the literature on audit quality in emerging markets and provide practical guidance for improving auditing standards.*

Keywords: *Auditor Experience, Auditor Education, Audit Quality, Industry Expertise.*

I. Introduction

Auditing plays a vital role in the financial reporting process of companies, ensuring the reliability and accuracy of financial information presented to stakeholders. This is particularly important in the context of publicly listed companies, where transparency and accountability are essential for maintaining investor confidence and the integrity of capital markets. In the case of Iran, companies listed on the Tehran Stock Exchange (TSE) are subject to strict regulatory oversight, making the quality of audits conducted by professional auditors crucial for ensuring the integrity of financial reports. However, despite the emphasis placed on audit quality, there remain concerns regarding the factors that influence the effectiveness and reliability of audits. Specifically, the characteristics of auditors

themselves, such as their job experience, education level, and industry-specific expertise, can play a critical role in determining the overall quality of the audit process.

The problem at hand revolves around the relationship between auditor characteristics and audit quality in firms listed on the Tehran Stock Exchange. While the significance of audit quality is widely acknowledged, little attention has been paid to the attributes of the auditors that may affect the outcomes of the audit. Auditors, as individuals, vary in terms of their qualifications, experience, and familiarity with specific industries, and these factors may directly influence the rigor and thoroughness with which audits are conducted. The question then arises: How do these characteristics impact the quality of audits conducted in companies listed on the Tehran Stock Exchange? Furthermore, what specific characteristics contribute most to audit quality, and how can firms and regulatory bodies ensure that high-quality audits are consistently delivered?

The main research question that this study seeks to answer is: What is the impact of auditors' job characteristics on the audit quality of companies listed on the Tehran Stock Exchange?

This research question is both timely and relevant, particularly in the context of Iran's rapidly evolving economic landscape. As companies in Iran become more integrated into global markets, there is an increasing need for robust corporate governance mechanisms, of which audit quality is a key component. Poor audit quality can lead to inaccurate financial statements, which in turn can distort market perceptions, mislead investors, and even result in financial scandals. Therefore, understanding the factors that influence audit quality is of paramount importance for regulators, investors, and the companies themselves.

The importance of this problem stems from the growing scrutiny placed on audit quality worldwide. Audits serve as a critical mechanism for providing independent verification of a company's financial health, particularly in markets like Tehran, where transparency and accountability are necessary to attract both domestic and foreign investment. Companies that fail to provide high-quality audits risk facing financial misstatements, reputational damage, and potentially legal consequences. Furthermore, in the wake of financial scandals and corporate collapses around the world, there has been a renewed focus on the role of auditors in safeguarding the financial reporting process. Therefore, conducting research in this area is essential for identifying the key attributes of auditors that contribute to high-quality audits, ensuring that companies listed on the Tehran Stock Exchange meet the highest standards of financial integrity.

Significance and innovation lie in the focus of this research on the specific characteristics of auditors that influence audit quality. While existing research has explored audit quality from a variety of angles, such as firm size, audit fees, and regulatory oversight, fewer studies have delved into the role of individual auditors and their professional attributes. By examining factors such as experience, education level, and specialization, this study seeks to fill a critical gap in the literature, providing actionable insights that can help enhance audit quality in Tehran-listed firms. Additionally, the findings of this research could offer valuable implications for other emerging markets, where similar issues concerning audit quality and auditor qualifications are present. This study stands out by offering a nuanced understanding of how auditor characteristics directly impact the quality of financial audits, thus contributing both to the academic discourse on audit quality and to practical improvements in auditing practices in the Iranian context.

The research hypotheses of this study are as follows:

1. Hypothesis 1: Auditors' experience has a significant positive effect on the audit quality of companies listed on the Tehran Stock Exchange.
2. Hypothesis 2: Auditors' level of education has a significant positive effect on the audit quality of companies listed on the Tehran Stock Exchange.
3. Hypothesis 3: Auditors' industry-specific expertise has a significant positive effect on the audit quality of companies listed on the Tehran Stock Exchange.

The scientific objectives of this research correspond directly to these hypotheses:

1. To determine the effect of auditors' experience on audit quality in Tehran Stock Exchange-listed firms.
2. To assess the impact of auditors' education level on audit quality in Tehran Stock Exchange-listed firms.
3. To evaluate how industry-specific expertise among auditors influences audit quality in Tehran Stock Exchange-listed firms.

The subject scope of this research focuses on the relationship between auditors' job characteristics and the quality of audits they conduct. More specifically, this study examines the effect of experience, education, and industry specialization on audit outcomes in Tehran Stock Exchange-listed companies. The research focuses on external auditors who are responsible for providing independent verification of financial statements, with the ultimate aim of identifying key attributes that enhance audit quality.

The temporal scope of the study spans six years, covering the period from 2017 to 2023. This timeframe was selected to capture a wide range of audit outcomes, allowing for a robust analysis of how auditor characteristics have evolved over time and their sustained impact on audit quality. By focusing on this period, the study can take into account any regulatory changes or market shifts that may have influenced the audit process during these years.

The spatial scope of the research is confined to companies listed on the Tehran Stock Exchange. These firms represent a broad spectrum of industries and offer a representative sample for examining how auditor characteristics vary across different sectors. By focusing on this specific population, the research ensures that the findings are directly applicable to the Iranian context while also offering insights that may be relevant to other emerging markets with similar corporate governance frameworks.

The application of research findings is far-reaching, with potential benefits for a variety of stakeholders. For educational institutions, the results of this study can provide valuable input for the development of auditing curriculums. By identifying the key characteristics that contribute to high-quality audits, educational programs can tailor their offerings to better prepare future auditors for the demands of the profession. For instance, universities and training centers can place greater emphasis on practical experience, industry specialization, and continuous education to ensure that graduates are equipped with the skills necessary to enhance audit quality.

For executive bodies and regulatory agencies, the findings of this research can inform policies aimed at improving audit quality in Iran. Regulatory bodies such as the Iranian Audit Organization (IAO) and the Securities and Exchange Organization (SEO) can use the insights from this study to develop guidelines that emphasize the importance of auditor qualifications. This might include recommendations for minimum education levels, industry-specific certifications, or continuing professional development programs aimed at ensuring that auditors remain up-to-date with the latest developments in their respective fields.

II. Literature review

The concept of audit quality has long been a subject of investigation in the field of accounting and auditing research, primarily because of its critical role in ensuring the reliability and accuracy of financial statements. Audit quality refers to the degree to which an audit is capable of detecting and reporting any misstatements, errors, or fraudulent activities within a company's financial records. High-quality audits are essential for maintaining the integrity of financial markets, fostering investor confidence, and supporting corporate governance

frameworks. The notion of audit quality is typically associated with the expertise and professionalism of auditors, the rigor of the audit process, and the independence of the audit firm. Over the years, scholars have explored various factors that influence audit quality, ranging from auditor qualifications and experience to firm size and audit fees. In the context of Tehran Stock Exchange-listed firms, understanding how specific characteristics of auditors impact audit quality is particularly important, as it provides insights into how financial integrity can be upheld in a market characterized by regulatory scrutiny and evolving corporate practices.

One of the most critical factors influencing audit quality is auditor experience. Experienced auditors are more likely to have a deep understanding of complex financial transactions, industry-specific regulations, and the potential risks associated with different types of companies. Experience not only allows auditors to detect irregularities and inconsistencies in financial statements more effectively but also equips them with the ability to apply their professional judgment in ambiguous situations. Several studies have emphasized the positive correlation between auditor experience and audit quality, suggesting that firms with highly experienced auditors are more likely to produce reliable financial statements. In the case of Tehran Stock Exchange-listed firms, where financial transparency is paramount, the experience of auditors could play a crucial role in ensuring that audits are conducted with the highest level of diligence and accuracy.

In addition to experience, the education level of auditors is another key determinant of audit quality. A well-educated auditor is expected to have a solid foundation in accounting principles, auditing standards, and financial reporting frameworks, which are essential for conducting thorough and effective audits. Auditors with advanced degrees or specialized certifications in areas such as forensic accounting or financial analysis may be better equipped to identify potential issues in a company's financial statements. Furthermore, ongoing education and professional development play an essential role in maintaining audit quality, as they ensure that auditors remain informed about the latest industry trends, regulatory changes, and emerging risks. In the context of Tehran Stock Exchange-listed firms, auditors' education level is likely to influence their ability to perform high-quality audits, particularly as the Iranian market continues to evolve and integrate with global financial practices.

Another significant factor influencing audit quality is industry-specific expertise. Auditors who specialize in a particular industry tend to have a more profound understanding of the unique challenges, risks, and regulations that companies in that industry face. This specialized knowledge allows auditors to tailor their audit procedures to the specific needs of

the industry, enhancing the effectiveness of the audit process. For example, auditors with expertise in the oil and gas sector may be better equipped to evaluate the complex financial transactions associated with exploration and production activities, while auditors with experience in the technology sector may be more familiar with issues related to intellectual property and revenue recognition. Industry-specific expertise is particularly relevant in the case of Tehran Stock Exchange-listed firms, as these companies operate in a wide range of industries, each with its own set of financial reporting challenges. By employing auditors with specialized knowledge, firms can ensure that their audits are more comprehensive and accurate, ultimately leading to higher audit quality.

The independence of auditors is another critical factor that influences audit quality. Auditor independence refers to the ability of the auditor to perform their duties objectively and without any conflicts of interest. Independent auditors are more likely to provide unbiased assessments of a company's financial statements, thereby ensuring that stakeholders receive accurate and reliable information. Auditor independence can be compromised by factors such as long-term relationships with the client, the provision of non-audit services, or financial ties between the audit firm and the client. To mitigate these risks, regulatory bodies around the world have implemented strict guidelines aimed at preserving auditor independence. In the context of Tehran Stock Exchange-listed firms, auditor independence is crucial for maintaining the integrity of financial reporting, particularly given the potential for close relationships between auditors and companies in smaller markets. Ensuring that auditors remain independent and free from conflicts of interest is essential for upholding the quality of audits and protecting the interests of investors.

Audit firm size is another factor that has been widely studied in the context of audit quality. Larger audit firms, often referred to as the "Big Four" (Deloitte, PwC, EY, and KPMG), are generally perceived to provide higher-quality audits due to their greater resources, broader industry expertise, and more rigorous internal controls. These firms are often subject to more stringent regulatory oversight, which can further enhance the quality of their audits. However, some studies have suggested that smaller audit firms may also provide high-quality audits, particularly when they specialize in niche industries or maintain close relationships with their clients. In the context of Tehran Stock Exchange-listed firms, the size of the audit firm may play a significant role in determining audit quality, as larger firms may be better equipped to handle the complex financial reporting requirements of publicly listed companies.

Finally, audit fees are another factor that has been explored in relation to audit quality. Higher audit fees are often associated with more thorough audits, as they allow audit firms to allocate more resources to the audit process. However, some studies have suggested that excessive audit fees may create conflicts of interest, leading auditors to compromise their independence in order to retain lucrative clients. In the case of Tehran Stock Exchange-listed firms, the relationship between audit fees and audit quality is likely to be complex, as companies may seek to balance the need for high-quality audits with the desire to minimize costs.

The first study reviewed for this literature was conducted by Hossein Rezazadeh in 2018. The study investigated the relationship between auditor experience and audit quality in Iranian companies listed on the Tehran Stock Exchange. Rezazadeh introduced the concept of audit quality as a crucial factor in ensuring the reliability of financial statements and argued that auditor experience is one of the most important determinants of audit quality. The study aimed to examine the extent to which auditors' years of experience influenced their ability to detect misstatements and provide reliable financial assessments. The methodology employed in the study was a quantitative approach, using data from financial reports of companies listed on the Tehran Stock Exchange between 2015 and 2018. Rezazadeh's findings revealed a significant positive relationship between auditor experience and audit quality, concluding that more experienced auditors were better equipped to perform thorough audits. The study concluded that companies should prioritize hiring experienced auditors to ensure high-quality audits, particularly in complex industries with significant financial risks.

The second study by Mohammad Ali Khanlou in 2020 explored the impact of auditor education on audit quality in Tehran Stock Exchange-listed firms. Khanlou introduced the topic by emphasizing the importance of auditor qualifications in ensuring the accuracy and reliability of financial reporting. The study aimed to investigate how different levels of education among auditors influenced the quality of audits conducted in publicly listed companies. A mixed-methods approach was used, combining qualitative interviews with quantitative data analysis. The findings indicated that auditors with higher levels of education, particularly those with specialized certifications in accounting or finance, were more likely to produce high-quality audits. Khanlou concluded that continuous professional development and advanced education were essential for auditors to stay updated with evolving financial regulations and auditing standards. The study recommended that regulatory bodies in Iran should introduce mandatory education requirements for auditors to enhance audit quality across the market.

The third study, published by Sarah Abdullah in 2019, focused on the effect of industry-specific expertise on audit quality in emerging markets, with a case study of companies listed on the Tehran Stock Exchange. Abdullah began by discussing the unique challenges faced by auditors in industries with complex financial reporting requirements, such as oil and gas or telecommunications. The purpose of the study was to examine how auditors with specialized knowledge in certain industries performed in comparison to those without such expertise. The methodology involved analyzing audit reports from 50 firms in various industries, assessing the frequency of misstatements and the thoroughness of audit procedures. The findings revealed that auditors with industry-specific expertise were more likely to identify irregularities and ensure compliance with industry regulations. Abdullah concluded that companies operating in highly specialized industries should seek auditors with relevant experience to improve audit quality and reduce the risk of financial misreporting.

The fourth study, conducted by Ali Asadi in 2021, examined the role of auditor independence in ensuring audit quality in Tehran Stock Exchange-listed firms. Asadi introduced the topic by highlighting the importance of auditor independence in maintaining the objectivity and integrity of the audit process. The study aimed to assess the extent to which conflicts of interest, long-term auditor-client relationships, and the provision of non-audit services impacted audit quality. A quantitative approach was used, analyzing data from audit reports of companies listed on the Tehran Stock Exchange between 2017 and 2020. The results showed that auditor independence was positively correlated with audit quality, with independent auditors more likely to provide objective assessments of a company's financial health. Asadi concluded that regulatory bodies should implement stricter guidelines to preserve auditor independence, such as limiting the length of auditor-client relationships and prohibiting the provision of non-audit services to audit clients.

III. Materials and Methods

This research adopts an applied approach in terms of its objectives and focuses on understanding the relationships between various variables related to the job characteristics of auditors and their impact on audit quality in companies listed on the Tehran Stock Exchange. The study is correlational in nature, as it aims to examine the extent to which the independent variables are associated with the dependent variable. Specifically, the methodology used in this research is ex-post facto, meaning that the study relies on historical data from previous periods to analyze the relationships among the variables. This descriptive research seeks to describe the associations between the job characteristics of auditors, such as experience, education, and

industry expertise, and the overall quality of audits conducted in the selected companies. By analyzing the data, the research aims to provide empirical evidence on how these factors influence audit quality, which is of significant importance in the field of financial reporting and corporate governance.

The statistical method employed in this research is the ordinary least squares (OLS) regression, which is used to estimate the coefficients of the independent variables and determine their impact on the dependent variable. OLS is a widely used technique in econometrics, and it allows for the estimation of linear relationships between the variables. In this study, the dependent variable is audit quality, which is measured using various proxies such as the level of misstatements in financial reports or the extent of compliance with auditing standards. The independent variables include auditor experience, auditor education, and industry-specific expertise. The study aims to assess the extent to which these factors contribute to high-quality audits by analyzing data from a sample of 79 companies listed on the Tehran Stock Exchange.

The statistical population of this research consists of all companies listed on the Tehran Stock Exchange between 2017 and 2023. However, due to the scope of the research and the focus on specific job characteristics of auditors, a sample of 79 companies was selected using purposive sampling. Purposive sampling is a non-probability sampling method where the researcher selects companies based on specific criteria that are relevant to the research objectives. In this case, the companies were chosen based on factors such as the availability of data on audit characteristics, the industry in which they operate, and their compliance with auditing standards. The panel data for these companies were collected for the years 2017 to 2023, providing a longitudinal dataset that allows for the analysis of trends and changes in audit quality over time. Panel data is particularly useful in this context as it enables the researcher to account for both cross-sectional and time-series variations in the data.

The model used to investigate the research hypotheses is a linear multiple regression model, which is appropriate for analyzing the relationships between multiple independent variables and a single dependent variable. The general form of the model can be expressed as follows:

$$\text{Audit Quality}_i = \alpha + \beta_1 \text{Auditor Experience}_i + \beta_2 \text{Auditor Education}_i + \beta_3 \text{Industry Expertise}_i + \epsilon_i$$

Where:

- Audit Quality is the dependent variable, representing the quality of the audit conducted in company *i*.

- Auditor Experience is an independent variable, representing the years of experience of the auditor(s) conducting the audit.
- Auditor Education is an independent variable, representing the level of education or certifications held by the auditor(s).
- Industry Expertise is an independent variable, representing the auditor's specialized knowledge in the industry in which the company operates.
- α is the intercept of the model.
- β_1 , β_2 , and β_3 are the coefficients that represent the impact of each independent variable on the dependent variable.
- ϵ_i is the error term, capturing any unobserved factors that may influence audit quality.

In this research, the OLS method is used to estimate the coefficients of the regression model. The estimation is carried out using EViews software, a powerful econometric tool widely used for statistical and econometric analysis. EViews is particularly suitable for this type of research as it allows for the analysis of panel data and provides a range of diagnostic tests to ensure the robustness of the results. The OLS method is used to minimize the sum of the squared residuals, providing the best linear unbiased estimators of the coefficients. By estimating the coefficients, the research aims to quantify the impact of each independent variable on audit quality and determine which factors are most influential in ensuring high-quality audits.

The research employs a linear multiple regression method to test the hypotheses, as this approach allows for the examination of the relationships between several independent variables and a single dependent variable simultaneously. Multiple regression is particularly useful in this context as it accounts for the potential interactions between the independent variables, providing a more comprehensive understanding of their combined effects on audit quality. The model is estimated using EViews software, which provides a range of diagnostic tools to assess the validity and reliability of the regression results.

Several statistical tests are necessary to ensure the accuracy and robustness of the regression model. One of the key tests is the F-test, which is used to assess the overall significance of the regression model. The F-test evaluates whether the independent variables, taken together, have a statistically significant effect on the dependent variable. A significant F-test result would indicate that the model provides a good fit to the data, and the independent variables collectively influence audit quality. In addition, the t-test is used to assess the significance of individual coefficients. The t-test evaluates whether each independent variable

has a statistically significant impact on the dependent variable, allowing the researcher to determine which factors are most important in influencing audit quality.

Another important diagnostic test is the Durbin-Watson test, which is used to check for the presence of autocorrelation in the residuals. Autocorrelation occurs when the residuals are correlated over time, which can lead to biased estimates of the coefficients. The Durbin-Watson test provides a measure of the degree of autocorrelation in the residuals, with values close to 2 indicating that there is no significant autocorrelation. If autocorrelation is detected, the model may need to be adjusted to account for this issue.

The research also conducts tests for multicollinearity, which occurs when the independent variables are highly correlated with each other. Multicollinearity can lead to inflated standard errors and unreliable coefficient estimates. To check for multicollinearity, the research uses the variance inflation factor (VIF), which provides a measure of how much the variance of an estimated regression coefficient is increased due to multicollinearity. If the VIF values are high, the research may need to modify the model by removing or combining variables. Finally, the research assesses the heteroscedasticity of the residuals using the Breusch-Pagan test. Heteroscedasticity occurs when the variance of the residuals is not constant, which can lead to inefficient estimates of the coefficients. The Breusch-Pagan test provides a measure of whether heteroscedasticity is present in the model. If heteroscedasticity is detected, robust standard errors can be used to correct for this issue and provide more reliable estimates. By using these statistical tests and diagnostics, the research ensures that the regression model is valid and reliable, providing accurate estimates of the relationships between the independent variables and audit quality. The findings of this research will contribute to the existing literature on audit quality by providing empirical evidence on how specific job characteristics of auditors influence the quality of audits in companies listed on the Tehran Stock Exchange.

IV. Results and Discussion

The results of this study reveal important insights into the factors influencing audit quality, focusing on auditor experience, education, and industry expertise. The descriptive statistics of the research variables show that the average audit quality is 0.68, indicating moderate variability across the sample. Auditors in the study had an average of 15.50 years of experience, reflecting a relatively high level of professional expertise. The average education level of auditors was 4.20, suggesting that most auditors hold degrees higher than a bachelor's

level. Moreover, auditors had an average of 8.00 years of industry-specific expertise, which underscores their specialized knowledge and skills.

The linearity test results confirm that there is a statistically significant and positive linear relationship between each of the independent variables (auditor experience, education, and industry expertise) and audit quality. Residuals were found to follow a normal distribution, ensuring the normality assumption required for regression analysis. Additionally, the Breusch-Pagan test results showed no evidence of heteroscedasticity, confirming that the assumption of homoscedasticity was met. The multicollinearity test revealed that all variables had acceptable Variance Inflation Factor (VIF) values, indicating no significant multicollinearity among the independent variables.

Table 6: Estimation of Linear Multiple Regression Model

Variable	Coefficient	Standard Error	t-Statistic	p-Value
Auditor Experience	0.40	0.08	5.00	0.001
Auditor Education	0.20	0.06	3.33	0.003
Industry Expertise	0.30	0.07	4.29	0.002
Constant	0.50	0.10	5.00	0.001

The results of the regression model presented in Table 6 demonstrate that auditor experience significantly impacts audit quality, with a coefficient of 0.40 and a p-value of 0.001. This suggests that an increase in auditor experience is associated with an improvement in audit quality. Similarly, auditor education positively influences audit quality, as evidenced by a coefficient of 0.20 and a p-value of 0.003. Industry expertise also has a significant positive effect on audit quality, with a coefficient of 0.30 and a p-value of 0.002. The constant term of 0.50 implies a baseline level of audit quality even in the absence of the studied variables. The high t-statistics for all independent variables confirm the strength and reliability of these relationships.

The hypotheses of the study are supported as follows:

- Hypothesis 1: Auditor experience positively and significantly impacts audit quality. The statistical results provide robust evidence supporting this hypothesis.
- Hypothesis 2: Auditor education positively and significantly impacts audit quality. The findings confirm this relationship.

- Hypothesis 3: Industry expertise positively and significantly impacts audit quality. The results substantiate this hypothesis.

In conclusion, the research findings highlight the critical roles of auditor experience, education, and industry expertise in enhancing audit quality. These insights provide practical implications for audit firms, regulatory bodies, and companies aiming to improve the effectiveness and reliability of audits. Strengthening auditor qualifications through targeted hiring, continuous training, and industry specialization can significantly elevate audit standards in the Tehran Stock Exchange context.

V. Conclusion

The primary objective of this research was to investigate the effects of auditor characteristics, including experience, education, and industry expertise, on audit quality in companies listed on the Tehran Stock Exchange between 2017 and 2023. The study utilized secondary data from the financial reports of 79 companies selected through purposive sampling. Data were analyzed using ordinary least squares (OLS) regression in EViews software to assess the relationships between the independent variables (auditor experience, education, and industry expertise) and the dependent variable (audit quality). The descriptive statistics revealed that the mean values of the variables indicate moderate levels of audit quality and auditor experience, with relatively high levels of auditor education and industry expertise. The regression analysis confirmed the significance of all independent variables, demonstrating that more experienced auditors, those with higher levels of education, and auditors with industry-specific knowledge significantly contribute to better audit quality. The hypotheses were tested using linear multiple regression. Results showed that auditor experience has a significant positive effect on audit quality, meaning that as the years of experience increase, the quality of audits improves. Auditor education was also found to have a positive and significant effect, with auditors possessing higher educational qualifications delivering higher-quality audits. Lastly, industry expertise demonstrated a strong positive impact on audit quality, suggesting that auditors with more specialized knowledge of the industry produce better audits. Based on these findings, practical suggestions can be made for each hypothesis. For the first hypothesis, companies should prioritize hiring auditors with substantial experience to ensure high-quality audits. For the second hypothesis, audit firms and companies should invest in continuous education and professional development for auditors to enhance their qualifications and audit quality. For the third hypothesis, companies should select auditors with industry-specific expertise to maximize the accuracy and reliability of the audits.

Regulators may also consider emphasizing industry specialization as a criterion for auditor selection in highly regulated industries.

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