



STUDY AUDITORS' REACTION TO THE RENEWAL OF FINANCIAL STATEMENTS OF COMPANIES ADMITTED TO THE TEHRAN STOCK EXCHANGE

Estudo da reação dos auditores à renovação das demonstrações financeiras das empresas admitidas na Bolsa de Valores de Teerã

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ABSTRACT

The purpose of this study was to investigate how auditors react to the renewal of financial statements of companies admitted to the Tehran Stock Exchange. For this purpose, the impact of the resubmission of financial statements and the year after the resubmission of financial statements on three audit inputs, including audit fees, the number of professional employees of the audit firm, and the number of partners signing the audit report, was investigated as part of auditors' response to an external event. The present study was conducted with a descriptive correlation approach based on multivariate regression analysis. The statistical sample consisted of 143 companies admitted to the Tehran Stock Exchange from 2014 to 2022. After collecting the data from the Codal website and the website of the official Accountants Society, econometric techniques and EViews software were used to analyse the data. The results of the study showed that the audit fees and the number of professional employees of the audit institute contracting with the company increase in the year when the financial statements are renewed. It was also found that the increase in these audit entries continues in the year after the renewal of financial statements. However, the findings show that auditors do not change the signatory partners of the audit report in response to the restatement of financial statements.

Keywords: Auditors' reaction, Renewal of Financial Statements, Tehran Stock Exchange, Audit Entries.

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ESTUDO DA REAÇÃO DOS AUDITORES À RENOVAÇÃO DAS DEMONSTRAÇÕES FINANCEIRAS DAS EMPRESAS ADMITIDAS NA BOLSA DE VALORES DE TEERÃ

Study auditors' reaction to the renewal of financial statements of companies admitted to the Tehran Stock Exchange

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RESUMO

O objetivo deste estudo foi investigar como os auditores reagem à renovação das demonstrações financeiras das empresas admitidas na Bolsa de Valores de Teerã. Para este efeito, o impacto da reapresentação das demonstrações financeiras e do ano seguinte à reapresentação das demonstrações financeiras em três dados de auditoria, incluindo honorários de auditoria, o número de funcionários profissionais da empresa de auditoria e o número de sócios que assinam o relatório de auditoria, foi investigado como parte da resposta dos auditores a um evento externo. O presente estudo foi conduzido com abordagem descritiva de correlação baseada em análise de regressão multivariada. A amostra estatística foi composta por 143 empresas admitidas na Bolsa de Valores de Teerã de 2014 a 2022. Após a coleta dos dados do site Codal e do site oficial da Sociedade de Contadores, foram utilizadas técnicas econométricas e o software EViews para análise dos dados. Os resultados do estudo mostraram que os honorários de auditoria e o número de profissionais do instituto de auditoria contratado pela empresa aumentam no ano em que as demonstrações financeiras são renovadas. Verificou-se também que o aumento destes lançamentos de auditoria continua no ano seguinte à renovação das demonstrações financeiras. Contudo, as conclusões mostram que os auditores não alteram os parceiros signatários do relatório de auditoria em resposta à reformulação das demonstrações financeiras.

Palavras-chave: Reação dos Auditores, Renovação das Demonstrações Financeiras, Bolsa de Valores de Teerã, Lançamentos de Auditoria.

INTRODUCTION

A restatement of financial statements corrects any prior errors by the auditors in identifying accounting procedures and evaluating the financial statements. Also, it explains in detail the auditors' inability to identify prior misstatements. As a result, existing studies generally perceive financial statement restatement as a leading and publicly observable indicator of poor audit quality (Christensen et al., 2016). When a restatement of financial statements is made, it has implications for stakeholders. For example, client firms are likely to face negative market reactions, misreporting may lead to management turnover, and audit firms may face intense pressure to manage client perceptions and prevent client defection or dismissal (Adams et al., 2017).

Therefore, it is important to understand the restatement of financial statements, as the more the awareness in this field is concerned, the better the reaction is shown. Previous studies focus on the causes or consequences of restatement of financial statements. Some of these studies found that audit fees for firms that reveal internal control weaknesses are higher, which often results in a re-presentation (Hennes et al., 2014). These studies usually argue that the restatement of evidence is a strong evidence of the failure of financial reporting, which often leads to change management, dismissal of current auditors, an increase in the estimated cost of capital through debt and equity and even increased audit fees (Chava et al., 2018).

Some studies found that potential investors are willing to invest in a company that have a record of restatement of financial statements by signing an audit partner (Lambert et al., 2018) and firms are likely to reject audit partners who are unable to identify accurately (Hennes et al., 2014). Finally, all the restatement of accounting presentations leads to market reactions with different effects. Usually after the audit partner rotation, the frequency of restatement increases (Laurion et al., 2017).

Singer and Zhang (2018) argue that a new auditor can have a new perspective on audit work and found that audit firms with short tenure are more likely to identify their drivers in less time. However, while the existing analyses show widespread evidence about the restatement of financial statements, few studies actually examine how auditors react. This study examines how auditors respond to a restatement of financial statements (as an external event and a distinct audit risk index) in terms of the decision to allocate audit inputs (for example, audit fees, number of professional auditing employees and the number of partners of audit report).

In fact, this study examines how auditors allocate audit inputs in response to the restatement of accounting presentations. It is argued that auditors will increase audit inputs (audit fees, the number of employees and signatory partners) assigned to the audit team involved in the year of restatement of financial statements.

Due to lack of local empirical evidence in this regard, this study seeks to decrease the existing studies gap and accordingly to evaluate the auditor's reaction to restatement of financial statements. In their annual reports, firms are obliged to disclose the names of the audit partners and the composition of the involved audit team as well as the cost of the audit. This allows auditors to evaluate the use of auditors from the audit fees for each audit work, especially after the restatement of financial statements.

Therefore, following the mentioned issues, the main question of research is: how do auditors react in terms of the inputs used (including audit fees, the number of professional employees of the audit firm and partners of the audit report) to restatement of financial statements of accepted companies in Tehran stock exchange?

1 LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

1.1 Restatement of financial statements

Restatement of financial statements is the focus of discussions about the quality of financial reporting. The American Stock Exchange Organization considers restatement of financial statements as a standard for the false measurement of the presentation of original financial statements before restatement (Rad et al., 2021). Restatement of

financial statements indicates failure of financial reporting quality that raises concerns about the reliability of financial reporting environment (Moradi et al., 2023).

In most cases, the restatement of financial statements reflects the problems in the internal control system and the governance system in the companies whose reputation and value in the market have been damaged and even in some cases it leads to bankruptcy. In fact, restatement of financial statements implicitly presents the message and signs that the financial statements of prior periods and their low quality are attributable to the capital market and subsequently, investors' expectations in relation to future cash flows and their expected return rate change (Casta & Ramond, 2016).

Restatement of financial statements refers to the fact that the entity's report may be incomplete or inaccurate, resulting in making incorrect decisions by users. The definition of restatement of financial statements as an amended form of financial statements is raised in financial statements that are usually caused by the violation of accepted accounting principles. Thus, in accordance with the accepted accounting principles, the financial statements of the past year are restated because of the change in accounting policy and the amendment of the accounting policies.

The restatement of financial statements by presenting a negative signal to the market will attract investors' attention to company performance and integrity. Presentations also may give investors a warning about the potential worsening of the economic situation of the provider. Hence, most investors prefer to stop their investment or demand a higher return (Gond et al., 2023).

In accounting texts several reasons have been proposed for the restatement of financial statements that have a significant relationship with the extent of restatements (McDaniel et al., 2002). Among these reasons, we can mention the reasons for audit quality of financial statements and the reasons for managerial characteristics and corporate governance structure. The restatement companies generate financial statements due to the issues related to the recognition of income, cost incurred, operating costs, assets and inventories mistakes such as computational and mathematical mistakes, mistakes in employing accounting policies, etc. may be the main reasons for the restatement of financial statements (Arrington & Francis, 2019).

1.2 How auditor's reactions (audit inputs)

1.2.1 Audit fees

The economic benefits of the auditor are met through the remuneration that benefits from the conclusion of the contract with business owners (Meidawati & Assidiqi, 2019). Auditors use various factors to pricing auditing services and much research has been done regarding the identification and evaluation of these factors. The audit services shall be paid for the audit services fee (Yen et al., 2019). Audit fees and how to determine according to the role that audit quality is one of the most important issues in professional and professional circles (Arrunada, 2013). Supply and demand drivers of audit services have a direct role in determining audit fees. For example, business owners who have high agency conflicts choose high-quality and high-quality service auditors. Also, high-quality auditors (such as industry specialist auditors) are spent on the fee. However, if the internal mechanisms of the market cannot result in the supply and demand of high-quality audit services and price, it may be necessary to feel the need to intervene in the market, such as mandatory disclosure of public disclosure of audit fees (Vermeer et al., 2009).

1.2.2 Number of professional audit staff

The number of audit workers is defined as the number of people working in an audit firm and doing audit activities for firms (Hoopes et al., 2018) these may include auditors, senior officials, accounting, legal and tax experts, technical experts and other staff required to conduct an audit. The number of audit employees varies depending on the size and scale of the audit firm and the number of firms that audit them (Cohen et al., 2002). Audit team members and the audit plan should not be fixed for a single consideration unit because the auditors and the unit employees are used

to what the auditors do and how they do it or what they are doing or whether they are not important (Otia & Bracci, 2022). if such, it may be possible that some of the unit staff will know that the auditor will not pay attention to a particular case or case, abuse or fraud in that case (Ebai, 2021).

Replacing all of the audit team members over the course of several years can be very useful because each auditor has a different view and has a different experience of other auditors and may focus on a topic in audit that the auditor can no longer pay attention or attention (Westermann et al, 2015). The number of audit workers is very important for an audit firm, as a sufficient number of audit employees allows the company to carry out large and complex projects with high quality for their customers.

In addition, to makes an audit firm adhere to competition with other competitors in the market, it requires an adequate number of high - quality employees .however, it should be noted that the number of audit workers is one of the most important factors in the success of an audit firm and should be accompanied by other items such as experience, technical knowledge, expertise, and organizational culture (Daoust & Malsch, 2019).

1.2.3 Number of audit signatory partners

Signer partners are the people responsible for authentication and signing the company's audit report .these individuals should have a standardized audit certificate and a license to sign the audit report in the audit firm (Lesage et al., 2013).

The number of partners of the audit report is very important to prove the auditor's mission and reliability of the audit report .in other words, the greater the number of partners of the audit report, the more likely it will be (Fakhfakh Sakka et al., 2016). The partner of the audit firm is responsible for very high responsibility and should ensure that the audit report is true and that the financial information of the audit firm is correctly reported and without any changes or deviations (Mock et al., 2013).

1.2.4 Restatement of financial statements and auditors' reaction

The role of external auditors in the first place is to ensure the implementation of the company accounting standards and the protection of the quality of financial statements (Alaraji, 2017). The results show that, on the basis of the intensity of restatement, there is more likelihood that a company will dismiss the auditors and the stock market will react positively to auditors' replacement for more financial statements.

Hence, after the restatement of accounting, the auditors must respond immediately to the pressures to manage customer perceptions and avoid diversion or rejection (Schmidt & Wilkins, 2013). Audit fees reflect the level of services and the efforts provided by the auditor and therefore, the higher level of effort, as reflected by the higher audit fee, may reduce the likelihood of restatement (Causholli et al, 2010).

Previous analyses have provided evidence that the audit fees can be higher for firms that are restated, their data limitations have prevented them from identifying the causes of increased audit fees in the first place. This is important because, as long as the data on audit effort and audit fees are not publicly available, it is difficult to identify the relationship between risk and audit inputs (Datta et al., 2020).

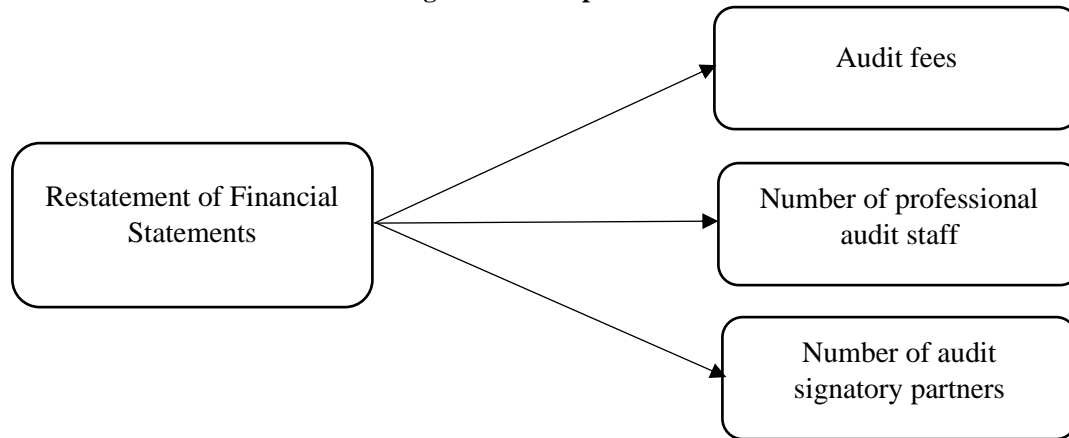
It is argued that restatement of financial statements that may be done for various reasons, including problems in financial reporting, accounting policy, stock price volatility, undesirable economic condition etc. can have a direct impact on the audit inputs, which in this study focus on three inputs including audit fees, the number of professional staff of the audit firm and the number of partners of the audit report. in the case of the effect of restatement of financial statements on audit fees, it is argued that when a company is restatement financial statements, the volume of audit work increases considerably.

One of the reasons for this increase is the need for more detailed and detailed examination of new accounting documents presented in restatement of financial statements. As a result, the audit effort increases and auditors reflect

this audit effort by increasing their fees. This is why restatement of financial statements is expected to lead to an increase in audit fees (Khaksar et al., 2022).

According to the main purpose of this research, A review of the effect of restatement of financial statements on the way of auditors' reaction in the companies accepted in Tehran stock exchange and the variables studied in the theoretical literature, conceptual model and research hypotheses are as follows.

Figure 1- Conceptual model



H1: Restatement of financial statements has a significant effect on audit fees.

H2: Restatement of financial statements has a significant effect on the number of professional employees of the audit firm.

H3: Restatement of financial statements has a significant effect on the number of partners of the audit report.

2 METHODOLOGY

The present study is an applied research, considering that in this study using real data of firms accepted in the Tehran stock exchange, we describe the conditions of the statistical society and on the other hand, through multivariate regression analysis to evaluate the relationships expressed, this study is a descriptive research.

The nature of the data of this study is quantitative and is a combination of time series and time series that presents the present study in a quantitative research group which analyzes relationships through econometric techniques of panel data.

All accepted companies in the Tehran stock exchange during the years 2014-2022 were considered as the statistical population in this study. The method of selecting the sample in this research is a systematic elimination method according to predetermined criteria. That is, firms with the following criteria are selected as a homogeneous sample:

- 1) The companies have been considered to be accepted in the Tehran stock exchange since 2014 and will continue to be in the brunt of the year until 2022.
- 2) In order to increase comparability, firms are selected to not change the financial year of the financial year.
- 3) Due to the differences in performance, firms are selected to be classified as investment companies, banks, premiums and financial brokerage.
- 4) The required information is available, including audit inputs.

In this study for collecting data, auditor reports, financial statements of companies, explanatory variables and reports of board performance have been used to access these resources, the Codal website Iranian Financial Information Processing Center and the Tehran Stock Exchange Archive are used the other hand, the information related to audit

institutions including the number of professional staff of the public accountants' society and the related affairs are gathered; therefore, the method of data collection is library and library research by referring to the information banks.

After the extraction of raw data, the calculation of the variables in the Excel software and the transition to the statistical EViews.12, the analysis in the field of descriptive and inferential statistics has been used. then, in order to test the hypotheses, multivariate regression analysis was performed .in this section, statistical models are estimated using the combined data analysis method.

Then, in order to test the hypotheses, multivariate regression analysis was performed .in this section, statistical models are estimated using the combined data analysis method. The procedure of implementing this method is that the Chow test and F Leamer test are used to investigate the appropriateness of the combined or integrated model of a regression model. If the model has the effects, according to Chow's test, the Hausman test and χ^2 test were used to examine the fixed or random effects method and if the model has the effects, the panel data model is used.

Finally, after selecting the best model, we estimate multivariate regression In order to determine the meaning of the regression model, F Fisher statistics and to examine the significance of independent variables coefficients in each model, t student used addition, the coefficient of determination coefficient of a regression model is used to explain the model power to explain the dependent variable changes. After that, the assumptions of the regressions with the panel data model are studied.

In this study, the following primary regression model is used to test the hypotheses:

$$\begin{aligned}
 & \text{Audit Inputs}_{it}(\text{Audit Fees}_{it}, \text{Staff}_{it}, \text{Signing Partner}_{it}) \\
 & = \beta_0 + \beta_1 \text{REST}_{it} + \beta_2 \text{PostREST}_{it} + \beta_3 \text{LnAssets}_{it} + \beta_4 \text{Leverage}_{it} + \beta_5 \text{ROA}_{it} + \beta_6 \text{Sales}_{it} \\
 & + \beta_7 \text{Return}_{it} + \beta_8 \text{LnAge}_{it} + \beta_9 \text{BigN}_{it} + \text{industry} + \varepsilon_{it}
 \end{aligned}$$

In this study, in addition to dependent variables (audit entries) and independent variables (representation of financial statements), control variables were also investigated. In the following, these variables will be introduced.

Table 1 - Introduction of variables and how to measure them

Type	Symbol	Name	How to measure
Dependent	Audit Fees	Audit fees	The natural logarithm of the audit fee
Dependent	Staff	Number of professional audit staff	The natural logarithm of the number of professional employees of the audit firm of the contracting party with the company in the financial year, who are members of the community of certified accountants.
Dependent	Signing Partner	Number of audit signatory partners	The natural logarithm of the number of partners signing the audit report is disclosed at the end of the auditor's report.
Independent	REST	Restatement of Financial Statements	The virtual variable takes the value of 1 if the company has re-presented its financial statements this year, and zero otherwise.
Control	PostREST	Year after renewal	Virtual variable in such a way that if the financial year under review is after the year of renewal of financial statements, it takes the value of 1 and otherwise it takes the value of zero.
Control	LnAssets	size of the company	The natural logarithm of the company's total assets
Control	Leverage	Financial Leverage	The ratio of total debt to total assets
Control	ROA	profitability	The ratio of net profit to total assets
Control	Sales	Company sales ratio	The ratio of sales to total assets
Control	Return	Stock returns	The stock price in the current period minus the stock price in the previous period divided by the stock price in the previous period
Control	LnAge	Life of the company	The natural logarithm of the number of years of the company's activity since its establishment

Control	BigN		The size of the audit firm	Virtual variable in such a way that if the company has been evaluated by the audit organization and Mofid Rahbar as the largest audit institution in the country, it takes the value of 1 and otherwise it takes the value of zero.
i symbol of sections; t symbol of statistical years; β coefficients; ε are among the distortions of statistical models.				

3 FINDINGS

In this study, the descriptive statistics and inferential statistics tests were used to analyze the data.

3.1 Descriptive statistics

In order to analyze the data, descriptive statistics were used to analyze the data of the study using central indices (mean and median), dispersion (maximum and minimum and standard deviation) and symmetry (skewness and kurtosis) the results of this analysis are presented in table 2.

Table 2 - Descriptive statistics results

Symbol	Number of observations	Average	Middle	Max	Min	S.d	Skewness	Kurtosis
Audit Fees	1144	7.692	7.581	11.429	2.708	1.090	0.624	4.001
Staff	1144	3.096	2.708	5.613	0.693	1.262	0.679	2.482
Signing Partner	1144	0.922	1.098	1.386	0.684	0.201	-0.240	1.099
LnAssets	1144	15.137	14.882	21.327	11.145	1.732	0.689	3.531
Leverage	1144	0.544	0.535	0.844	0.198	0.191	-0.010	2.122
ROA	1144	0.153	0.128	0.505	-0.299	0.157	0.396	2.766
Sales	1144	0.991	0.837	2.396	0.320	0.539	1.104	3.563
Return	1144	0.447	0.039	4.015	-0.762	1.227	1.649	5.007
LnAge	1144	3.608	3.688	4.290	2.302	0.383	-0.601	2.575

In addition to quantitative and continuous variables, in this study, some virtual and discrete variables that have two consequences of zero and one have also been used, and the results of their analysis can be seen in Table 3.

Table 3 - Descriptive statistics of virtual variables

Variable	Symbol	Number of observations	Abundance of value 1	Percentage frequency of value 1
Financial statement renewal	REST	1144	89	7.78
Year after renewal	PostREST	1144	86	7.52
The size of the audit firm	BigN	1144	283	24.47

3.2 Inferential statistics

In the inferential statistics section, the first step was to check the mean of the variables, and then the correlation of the variables was checked, and finally, the hypotheses were tested by implementing econometric techniques.

3.2.1 Stationary test

The lack of stationary variables can result in false regression; therefore, the variables used in regression models need to be a single degree According to these two statistical assumptions if the significance level of this test statistic

is greater than 0.05, the null hypothesis is accepted and otherwise the hypothesis is confirmed. The results of the stationary test at the level of variables are reported in Table 4. Also, given that the stationary test is not suitable for virtual variables, this test is not performed for virtual variables.

Table 4 - Stationary test on the level scale of the variables

Symbol	The value of the statistic	Significance level	Test result
Audit Fees	-27.403	0.000	stationary
Staff	-30.525	0.000	stationary
Signing Partner	-19.703	0.000	stationary
LnAssets	-2.664	0.003	stationary
Leverage	-23.860	0.000	stationary
ROA	-27.791	0.000	stationary
Sales	-19.520	0.000	stationary
Return	-15.002	0.000	stationary
LnAge	-133.373	0.000	stationary

3.2.2 Correlation test

The correlation test evaluates the degree of two-by-two linear correlation between variables, which can be negative or positive. The higher the linear relationship, the higher the correlation coefficient in table 5, the results of the correlation test are reported, in this table, the figures reported in the first row are the correlation coefficients and the figures reported in the second row are the significance level of these correlation coefficients. If the significance level is less than 0.05, it is said that two variables have a significant correlation with each other, and then based on the sign and value of the correlation coefficient, the direction and intensity of the correlation are checked.

Table 5 - Correlation test

Correlation Probability	AUDIT	STAFF	SIGNIN	REST	POSTRE	LNASSE	LEVER_	ROA	SALES	RETURN	LNAGE	BIGN
AUDITFE	1.000000 -----											
STAFF	0.201714 0.0000	1.000000 -----										
SIGNING	0.141673 0.0000	0.503746 0.0000	1.000000 -----									
REST	0.136009 0.0238	0.178895 0.0076	0.034352 0.2459	1.000000 -----								
POSTRES	0.148753 0.0195	0.133703 0.0249	0.046765 0.1141	0.066970 0.0236	1.000000 -----							
LNASSE	0.567551 0.0000	0.245412 0.0000	0.151426 0.0000	0.016486 0.5777	0.037065 0.2105	1.000000 -----						
LEVERA	0.002571 0.9308	0.160314 0.0000	0.066967 0.0236	0.003127 0.9159	-0.008895 0.7639	-0.075902 0.0103	1.000000 -----					
ROA	0.123760 0.0000	-0.018500 0.5321	0.004687 0.8742	0.014922 0.6143	0.042119 0.1547	0.287518 0.0000	-0.622543 0.0000	1.000000 -----				
SALES	0.045580 0.1235	-0.022505 0.4472	0.000338 0.9909	0.020120 0.4968	0.042866 0.1475	0.007567 0.7983	0.090220 0.0023	0.140891 0.0000	1.000000 -----			

RETURN	-0.028987 0.3275	-0.017252 0.5601	0.001325 0.9643	-0.026048 0.3790	0.004215 0.8868	-0.052866 0.0740	-0.038251 0.1963	0.170413 0.0000	0.131567 0.0000	1.000000 -----		
LNAGE	0.129986 0.0000	0.007662 0.7958	-0.050458 0.0882	0.001975 0.9468	-0.003260 0.9123	0.108691 0.0002	0.055743 0.0596	-0.058044 0.0498	-0.096179 0.0011	0.018419 0.5339	1.000000 -----	
BIGN	0.315066 0.0000	0.697388 0.0000	0.457536 0.0000	-0.038095 0.1981	-0.038981 0.1879	0.218717 0.0000	0.171499 0.0000	-0.032612 0.2706	-0.052704 0.0749	-0.009250 0.7547	0.086035 0.0036	1.000000 -----

3.2.3 Estimation of regression models and hypotheses testing

In this section, we use econometric techniques to estimate the regression models and assumptions of hypotheses using econometric techniques according to the regression base model, since the main concern of the study is identifying how auditors respond to a restatement of financial statements, three dependent variables that indicate the inputs of the audit are considered, including audit fees, the number of professional employees of the audit firm and the number of partners of the audit report .as a result, the model was estimated separately for each of the dependent variables.

Due to the high volume of calculations in the analysis of the hypotheses, in the following in the form of the sample, the results of the calculations related to the first hypothesis are presented.

The first hypothesis of the research is explained: a restatement of financial statements has a significant effect on audit fees to test this hypothesis the following model is used:

$$Audit\ Fees_{it} = \beta_0 + \beta_1 REST_{it} + \beta_2 PostREST_{it} + \beta_3 LnAssets_{it} + \beta_4 Leverage_{it} + \beta_5 ROA_{it} + \beta_6 Sales_{it} + \beta_7 Return_{it} + \beta_8 LnAge_{it} + \beta_9 BigN_{it} + industry + \epsilon_{it}$$

First, the diagnostic tests of choice are the best method, and the result is shown in Table 6.

Table 6 - Results of diagnostic tests

Test type	value of statistics	significance level	test result
Chow test	15.740	0.000	The model is fit with effects (panel data).
Hausman test	15.832	0.070	The model is suitable for random effects.

According to the results of the diagnostic tests, it was found that the best estimation method for model number one is the use of random effects regression; therefore, the estimation of this model has been done with the random effects method, the result of which is reported in Table 7.

**Table 7 - Estimation of a model by stochastic effects method
(Dependent variable: audit fees)**

	Symbol	Coefficient	Standard error	t statistic	Significance level
Fixed coefficient	β_0	0.629	0.581	1.082	0.314
Restatement of Financial Statements	REST	0.120	0.036	3.282	0.013
Year after renewal	PostREST	0.290	0.121	2.395	0.016
size of the company	LnAssets	0.374	0.026	13.939	0.000
Financial Leverage	Leverage	0.038	0.177	0.219	0.832
profitability	ROA	-0.466	0.149	-3.119	0.016
Company sales ratio	Sales	0.181	0.040	4.429	0.003
Stock returns	Return	0.007	0.014	0.530	0.612
Life of the company	LnAge	0.325	0.186	1.744	0.124
The size of the audit firm	BigN	0.338	0.089	3.787	0.006

industry	industry	controlled	
Fisher	47.141	The significance level of Fisher's statistic	0.000
coefficient of determination	0.572	Adjusted coefficient of determination	0.566
Durbin-Watson Test	1.676	Standard error of the regression	0.510

In the same way, the mentioned tests were also done for two other hypotheses. The summary of the test results of research hypotheses is presented in Table 8.

Table 8 - Summary of hypothesis test results

The path of the hypothesis			Coefficient	t -statistic	Significance level	Result
Independent	→	Dependent				
Restatement of Financial Statements	→	Audit fees	0.120	3.282	0.013	confirmation
Restatement of Financial Statements	→	Number of professional audit staff	0.126	3.245	0.014	confirmation
Restatement of Financial Statements	→	Number of audit signatory partners	0.002	0.212	0.838	rejection

4 DISCUSSION AND CONCLUSION

A restatement of financial statements corrects any prior errors by the auditors in identifying accounting procedures and evaluating the financial statements and also explains in detail the auditors' inability to identify prior misstatements. Consequently, it is argued that financial statement users generally perceive financial statement restatements as a leading and publicly visible indicator of poor audit quality. Most importantly, when a restatement of financial statements is made, it has implications for stakeholders. For example, client firms are likely to face negative market reactions, misreporting may lead to management turnover, and audit firms may face intense pressure to manage client perceptions and prevent client defection or dismissal. Due to this issue, limiting the provision of financial statements may increase the client's risk for audit institutions.

The results of the first hypothesis test showed that the resubmission of financial statements has a positive and significant effect on audit fees, and even the year after the resubmission of financial statements is associated with an increase in audit fees. Accordingly, it is argued that auditors increase the audit inputs allocated to the audit team involved for the year of financial statement renewal. One of the audit inputs is the audit fee. Since restatements indicate deficiencies in the original financial statements and the client's risk, and the auditor may need to do more work and review more closely, he will increase his fee in response. Also, due to the changes in the conditions and the establishment of new policies in the organization, the renewal of the financial statements may require changes in the audit report, which also increases the audit fee. The findings of this study support these arguments and show that in the Iranian environment, both in the year of the renewal of financial statements and in the year after that, the audit institutions set the audit fee higher and the companies pay a higher audit fee. In fact, when a company re-presents its financial statements, the audit workload increases significantly. One of the reasons for this increase is the need for a more detailed and detailed examination of the new accounting documents that have been presented in the renewal of financial statements. As a result, the audit effort is increased and the auditors reflect this audit effort by increasing their fees. This result is in line with the findings of Habib & Xie (2017) and Chi & Pan (2021).

The results of the second hypothesis test showed that the resubmission of financial statements has a positive and significant effect on the number of professional employees of the auditing firm contracting with the client

company, and even the year after the resubmission of financial statements is associated with an increase in the number of professional employees of the auditing firm. The renewal of financial statements of companies may require the use of new and additional expertise in the field of auditing due to changes in auditing laws and regulations. Additionally, in some cases, companies need to conduct newer and more extensive reviews due to changes in functions, organizational structure, and business processes. As a result, audit firms may need more staff with different expertise to fully meet the needs of client companies. Regarding the impact of resubmission of financial statements on the number of audit institute employees, there is an argument that the increase in audit workload due to resubmission of financial statements can increase the need for audit staff to perform a correct and comprehensive audit. Also, in some cases, the need for employees with special expertise and experience, such as accountants and financial specialists, can be anticipated to review the new accounting documents presented in the restatement of financial statements; therefore, auditors increase the number of their professional staff in response to financial statement restatements.

The results of the third hypothesis test showed that this hypothesis is not accepted and the renewal of financial statements does not have a significant effect on the number of partners signing the audit report. In other words, auditors do not change the number of partners signing the audit report in response to the re-presentation of financial statements and respond to this through other entries. One interpretation of this result could be an increase in audit risk. Renewal of financial statements due to the need for more and more detailed audits can increase audit risks; As a result, some audit partners may not want to sign the audit report due to the prevention of audit risk.

The results of this study indicated that, in general, in the year of restatement, auditors assign professional staff to companies that resubmit their financial statements, the audit fee for resubmitted companies is higher, and professional staff and audit fees is increased for at least one year after the renewal of financial statements. It is possible that changes in audit inputs are related to audit risk and more audit effort.

4.1 Executive suggestions

1) Company managers are advised to prepare their financial statements accurately and with high quality and correct them if there are any errors. This will reduce the need to re-present the financial statements, and thus the need to increase the audit fee, at least for this issue.

2) According to the findings of this study, it is possible that the employment of professional audit staff is one of the factors in increasing audit quality; Therefore, it is suggested to the legislators to require the use of the optimal number of professional employees in determining the audit regulations, so that by increasing the quality of the audit, the re-presentation of financial statements will be reduced and there will be no need to react in the periods after that.

3) The auditors are suggested to improve their auditing methods and improve their working methods by complying with all the auditing requirements and also considering the weak points of the financial statements in order to reduce the need to resubmit the financial statements.

4.2 Limitations and Future Research

Since the present study was an exploratory study, the research findings are limited to the size of the statistical population under study, i.e. the companies admitted to the Tehran Stock Exchange, and the results may change if the size and location of the statistical population change. The present research was active companies in the Tehran stock exchange, therefore the results obtained are specific to these companies and cannot be generalized to all organizations and companies. Other limitations include the presence of other factors affecting the research process, which are assumed to be constant in this study, while they may have an important effect on the results. Since in the current study, the impact of restatement of financial statements on audit inputs was investigated, it is suggested that in future studies, researchers examine the moderating effect of some corporate governance mechanisms, including institutional ownership, on how auditors react to restatement of financial statements. Investigate, because it seems that strong corporate governance mechanisms that have a supervisory role can reduce auditors' reactions. Also, considering that

this study examines the re-presentation of financial statements from the perspective of auditors, it is recommended to examine this issue from the perspective of investors in future studies and examine the reaction and response of the capital market, including abnormal stock returns, to the re-presentation of financial statements.

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