ABSTRACT

The potential conflicts of interests among owners, managers, and other security holders create an environment in which an outside auditor may contribute significant value to investors. In fact, recent corporate scandals such as Enron and WorldCom have focused the world’s attention on whether auditing firms are supplying audits of sufficiently high quality. The Sarbanes–Oxley Act (2002), the Securities and Exchange Commission (SEC, 2000), and the Independence Standards Board (ISB, 2000) suggest that audit quality can be impaired when executives previously worked for their companies’ audit firms (i.e., when executives are ‘affiliated’). Regulators and stakeholders in worldwide capital markets have observed a great concern on the potential threat of joint provisions of audit and non-audit services to audit clients on perceived auditor independence. However, as evidenced by the debate surrounding the Sox recent restrictions on the provisions of the NAS.

This study experimentally investigated investors', auditors' and brokers' perceptions of auditor knowledge, auditor independence, audit quality, audit size, financial statement reliability, and fraud, in the presence and absence of various types of NAS. The results of the study shows that all respondents believe provisions of the NAS by independent auditors' do not threaten auditor independence and the majority of the respondents decelerated Iranian auditors practicing NAS. Also providing of NAS cannot improve detection of fraud. Regarding results that show large audit firm cannot supply a higher level of auditing quality. I suggest that considering penalties and punishment for auditors in case of breaking the auditing regulations, activating audit committees in corporations and Mandating auditor rotation.