





Designing the Optimal Model for Audit Oversight in the Country

Yadollah Rashidi¹, Mohammad Ghasim Osmani^{2,*}, Ali Mohammadi³ and Ali Bayat⁴



- ¹ Ph.D. Student of Accounting, Islamic Azad University, Zanjan Branch, Zanjan, Iran; 
- ² Assistant Professor, Department of Accounting, Faculty of Management and Economics, Shahid Beheshti University, Tehran, Iran; 
- ³ Assistant Professor, Faculty of Accounting, Islamic Azad University, Zanjan Branch, Zanjan, Iran; 
- ⁴ Assistant Professor, Faculty of Accounting, Islamic Azad University, Zanjan Branch, Zanjan, Iran; 

* Correspondence: m.g.osmani@gmail.com

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Abstract: The aim of this study is to present an optimal model for audit oversight in Iran based on the grounded theory approach. The statistical population consists of audit professors and specialized audit experts who had knowledge and familiarity with the research topic. The sample size was determined as 17 participants, based on the minimum number required to establish content validity. The research method is of a meta-synthesis type. In the qualitative section, the grounded theory method was employed, while in the quantitative section, a questionnaire was used. Data analysis was conducted using content analysis through a three-stage coding process. In this regard, the main categories were formed around the central (core) phenomenon of the study, and after validation, the relationship between the categories and the discovered themes was analyzed quantitatively. This process resulted in the development of an optimal audit oversight model comprising six dimensions: central category, causal factors, intervening factors, contextual factors, strategies, and outcomes. The research findings propose a model in which the central category emphasizes the necessity of an independent oversight body aligned with the country's cultural conditions while being compatible with the indicators of the International Forum of Independent Audit Regulators.

Keywords: Audit, Independent Audit, Audit Oversight

1. Introduction

Accurate, independent, and impartial auditing of financial statements serves as a benchmark for assessing their credibility and legitimacy. If verified, such auditing enhances the value and reliability of these reports for users and improves decision-making quality. Achieving this critical goal is only possible through the employment of committed and specialized professionals and the establishment of an appropriate infrastructure in the auditing domain. Moreover, ensuring high-quality auditing requires meticulous and continuous oversight by a regulatory body that must possess distinct and noteworthy characteristics to effectively monitor auditors' performance [1].

In Iran, the responsibility for overseeing auditors in the Audit Organization lies with the Supreme Audit Oversight Board, while the oversight of independent auditors is entrusted to the Iranian Association of Certified Public Accountants. However, both supervisory bodies suffer from numerous weaknesses, including self-regulation, lack of financial independence, and other structural deficiencies. Currently, the deeply concerning issue

of corruption has undermined the greatest social capital of the auditing profession—public trust. To preserve this social capital, all mechanisms that contribute to transparency and anti-corruption efforts must be reformed. The loss of social capital occurs rapidly, whereas its restoration is a time-consuming process [2].

Preventing, detecting, and investigating fraud in corporate financial statements has become a more pressing concern than ever for auditors worldwide. Professional accountants are increasingly engaged in providing both preventive and reactive services related to fraud across private and public companies, as well as government and quasi-governmental entities [3, 4].

The ease of human communication in today's global village has made control and oversight an imperative in all societies, highlighting the necessity of appropriate organizational structures to fulfill this need. Governments have established independent regulatory bodies to safeguard public interests and ensure the preparation of independent, accurate, and reliable reports. Meanwhile, these regulatory institutions are responsible for overseeing the integrity of auditing and independent auditors [5, 6].

Due to the nature of its services and professional responsibilities, the auditing profession enjoys a high level of credibility and public trust. It has the duty to evaluate and report on the performance of business managers to protect the interests of shareholders and other stakeholders. To fulfill this duty, auditors must consistently adhere to the ethical principles and professional standards of auditing [7]. Strengthening accountability culture and enhancing information transparency in companies and other economic entities—especially those that obtain all or part of their capital from the public—are undeniable necessities. Therefore, ensuring the accountability of economic enterprises to stakeholders requires adequate oversight and supervision, which, in turn, necessitates the establishment of an appropriate regulatory mechanism [8].

The existence of multiple oversight bodies has led to confusion among auditors and companies, resulting in inefficiencies and providing opportunities for opportunism and avoidance of responsibilities [9].

The increasing complexity of information systems, the vast volume of data, and the intricate nature of business transactions have rendered traditional auditing methods inadequate for forming appropriate opinions on financial information. The concept of auditing in governmental institutions remains unclear, regulatory bodies and their staff lack sufficient independence, public interests are not adequately safeguarded, financial support for regulatory institutions is problematic, destructive competition exists within the auditing community, and audit fees remain low [10].

As a result, audit oversight has become a controversial issue in the accounting domain, expected to contribute to the improvement and revision of standards and facilitate the development and implementation of new accounting standards. Currently, there is no standardized or uniform approach to accounting oversight and financial reporting, and the quality of their implementation varies. Additionally, no comprehensive research has been conducted on audit oversight and financial supervision within governmental institutions [9, 11].

At this juncture, the quality of financial reporting, the development and integrity of capital markets, and overall economic health depend on effective audit oversight. The absence of a regulatory body comparable to those in other countries is strongly felt in Iran. Therefore, this study seeks to design an optimal audit oversight model for the country. No research has yet provided a specific model addressing the weaknesses of auditing and financial supervision. Furthermore, previous studies on auditing challenges, grounded in the positivist paradigm, have offered a limited perspective, primarily reflecting the views of independent auditors with an emphasis on "competence," "impartiality," and "audit execution." [7, 12-14]

The significance of this research lies in adopting best auditing practices, providing oversight and advisory services to institutions for the effective execution of their duties, ensuring the proper and optimal use of funds, preventing potential misconduct, preparing and implementing appropriate audit reviews and financial supervision, overseeing the collection and allocation of lawful revenues, enhancing auditing efficiency, and fulfilling stakeholder needs [7-10, 12-16]. Moreover, it highlights the importance of ethical, psychological, and personality factors alongside key attributes such as education and expertise in the recruitment of auditing and financial supervision personnel.

Given these considerations, this study aims to design an optimal audit oversight model that enhances efficiency and effectiveness. The proposed model is structured by identifying causal factors, contextual conditions, intervening factors, strategies, and their consequences. Additionally, one of the primary objectives of Article 19 of the Resilient Economy Policies is to promote economic transparency, ensure financial integrity, and prevent corruption in monetary, commercial, and foreign exchange domains. Effective and efficient auditing and financial supervision play a crucial role in achieving these goals. Consequently, audit and financial oversight, particularly in the public sector, are of paramount importance due to their involvement with public assets. Proper attention to this matter can provide a robust foundation for government accountability regarding the resources at its disposal.

2. Methodology

The present study is a qualitative research that employs the grounded theory approach to examine audit oversight in the country and propose an optimal model. Grounded theory is a qualitative research method that systematically applies an inductive set of procedures to develop a theory regarding the phenomenon under study.

The participants in this study included accounting and auditing experts, managers of auditing firms, and experienced audit professionals, who were selected using purposive sampling. The study focused on participants who had experience in auditing activities or oversight functions, meaning that they were either policymakers in the field of audit oversight or had managerial responsibilities in various auditing domains. Sampling and data collection continued until theoretical saturation was reached.

In this study, data were collected through in-depth, semi-structured interviews, with a total of 17 participants. Ethical considerations were also observed in conducting the research, reflecting the researcher's level of respect and commitment to the participants. In this regard, a signed letter from the researcher was sent along with the interview questions, assuring participants of the confidentiality of their interview content and personal information, as well as the commitment not to disclose any data. Additionally, with the participants' consent, all interviews were recorded and reviewed for the extraction of key points. Data analysis was conducted using open, axial, and selective coding.

3. Findings and Results

a) Open Coding: Open coding is the first stage of coding in the grounded theory method. In open coding, concepts and categories are identified, and their characteristics and dimensions are extracted from interview data. In the first step, words and phrases related to audit oversight and financial performance evaluation were identified through a line-by-line, sentence-by-sentence, and paragraph-by-paragraph analysis of interview transcripts and organizational documents. Each word or phrase was assigned an initial code, which was then repeatedly reviewed and compared. Similarities and differences among the initial codes were identified, and codes with shared content

and meaning were classified under a common concept in the themes column below. After determining the concepts, continuous comparison among concepts and codes established relationships between conceptual categories. Based on this process, the identified concepts were classified into five main categories and 19 themes.

b) Axial Coding: Axial coding is named as such because coding is performed around a central category. Using axial coding, the categories extracted from the open coding stage were classified into causal conditions (factors leading to the core phenomenon), the core phenomenon, strategies (actions or reactions of members aimed at controlling, managing, addressing, and responding to the core phenomenon), contextual conditions (factors that provide the setting for strategies), intervening conditions (features that influence strategies), and outcomes (results of applying the strategies).

c) Selective Coding: In this stage, the categories were refined and integrated into a coherent theory. Selective coding is the most critical stage of theory development, in which the researcher establishes relationships between the core category and other categories, validates these relationships, and revises categories that require improvement. The components of the paradigmatic model are presented in the tables below, extracted from previous coding stages, illustrating the logical relationships among them. This model helped the researcher gain a comprehensive understanding of the theoretical process. The results of selective coding are presented in the following tables:

Table 1. Causal Conditions Related to Audit Oversight in the Country

Category	Theme	Concept
Structural, Executive, and Supervisory Factors	Structural	Clarity and transparency of the responsibilities and authority of the audit oversight body
		Financial independence in audit oversight
Individual Competence Factors	Ethical Characteristics	Independence of the oversight institution and its personnel
		Adherence to ethical values (integrity, honesty, and professional commitment) related to independent and precise oversight
		Lawfulness and regulatory compliance in oversight
	Knowledge, Experience, and Skills	Possession of economic, ideological, social, political, and managerial insight
		Knowledge of laws and regulations governing audit oversight activities
		Comprehensive understanding of regulatory institutions' laws in the auditing profession
Cultural Factors	Cultural Infrastructure of Oversight	Strong analytical and problem-solving skills with the ability to provide solutions
		Competence in organizing and effectively planning audit processes
	Societal Cultural Characteristics	Ability to work both individually and collaboratively
		Existence of policies that support competent auditors and promote a culture of teamwork
Professional Factors	Professional Prominence in Auditing	Absence of a meritocracy culture in managerial appointments, which are politically influenced
		Adherence to independence requirements and a genuine commitment to independent auditing
		Decision-making based instinctively or automatically based on the interests of independent auditing

Causal conditions related to audit oversight in the country include four categories (structural, executive, and supervisory factors; individual competence factors; cultural factors; and professional factors), six themes (structural factors, ethical characteristics, knowledge and skills, cultural infrastructure of oversight, societal cultural characteristics, and professional prominence in auditing), and related concepts such as the clarity of audit oversight

responsibilities, financial independence, the independence of the oversight institution and its personnel, adherence to ethical values in independent oversight, lawfulness, economic, ideological, social, political, and managerial insight, knowledge of audit oversight regulations, a strong ability to analyze and solve problems, effective audit planning, teamwork capabilities, support policies for competent auditors, a lack of meritocracy in management selection, adherence to independence requirements, and professional decision-making in auditing.

Table 2. Intervening Conditions Related to Audit Oversight in the Country

Category	Theme	Concept
Structural, Executive, and Supervisory Factors	Structural	Achieving consensus and cross-sectoral alignment in audit oversight
	Operational	Transparency and accountability of audit oversight authorities Impartiality, absence of conflicts of interest, and adherence to regulations among audit oversight bodies Presence of parallel oversight mechanisms
Individual Competence Factors	Ethical Characteristics	Degree of independence in issuing audit reports
	Personality Traits	Possession of ethical qualities such as self-respect, patience, tolerance, humility, and modesty Having personality stability, high precision, and attention to detail A strong sense of accountability Contentment and modesty Self-confidence and high motivation
		Knowledge, Skills, and Experience
Cultural Factors	Cultural Infrastructure of Oversight	Viewing audit oversight quality as a driver of institutional development and progress Promotion of creativity and innovation in oversight processes and effective reporting Holding cultural and ethical training sessions for auditors and oversight personnel
	Societal Cultural Characteristics	Ethical and cultural challenges in the auditing profession
	Professional Community Characteristics	Reluctance to disclose fraud among individuals and employees in the auditing community Quality of professional education in audit oversight
Professional Factors	Challenges in the Auditing Profession	Functionality of general assemblies of audit firms Deficiencies in audit reporting Lack of clarity in audit reports Low effectiveness of audit reports The negative perception of auditors due to their financial dependence on clients
		Educational Challenges
	Professional Prominence in Auditing	Personal pride in being an auditor Job satisfaction and a strong sense of belonging to the profession

Legal and Economic Factors	Legal Challenges	Prioritizing professional conduct over personal gain The judicial system's disregard for audit oversight reports
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Intervening conditions related to audit oversight in the country include structural, executive, and supervisory factors; individual competence factors; cultural factors; professional factors; and legal and economic factors, affecting the strategies and overall effectiveness of audit oversight.

The intervening conditions related to audit oversight in the country encompass five categories: structural, executive, and supervisory factors; individual competence factors; cultural factors; professional factors; and legal and economic factors. These categories include 12 themes: structural, operational, ethical characteristics, personality traits, knowledge, skills, experience, cultural infrastructure of oversight, societal cultural characteristics, characteristics of the professional community, challenges in the auditing profession, educational challenges, professional prominence in auditing, and legal challenges.

The associated concepts include achieving consensus and cross-sectoral alignment in audit oversight, transparency and accountability of audit oversight authorities, impartiality, absence of conflicts of interest, and adherence to regulations among audit oversight bodies, the existence of parallel oversight mechanisms, the degree of independence in issuing audit reports, possession of ethical traits such as self-respect, patience, tolerance, humility, and modesty, personality stability and high precision, a strong sense of accountability, contentment and self-restraint, self-confidence and high motivation, willingness to take on complex business challenges without fear of future uncertainties, structuring life based on principles and standards, participation in writing academic papers and attending specialized training workshops in accounting and auditing, maintaining professional skepticism during the audit process, using a risk-based auditing approach, perceiving audit oversight quality as a driver of institutional development and progress, promoting creativity and innovation in oversight processes and effective reporting, holding cultural and ethical training sessions for auditors and oversight personnel, ethical and cultural challenges in the auditing profession, reluctance to disclose fraud among individuals and employees, the state of professional education in audit oversight, the functionality of general assemblies of audit firms, deficiencies in audit reporting, lack of clarity in audit reports, low effectiveness of audit reports, the negative perception of auditors due to their financial dependence on clients, low knowledge and skill levels among university graduates in the auditing profession, the lack of specialized educational content for auditors and oversight professionals, personal pride in being an auditor, job satisfaction and a strong sense of belonging to the profession, prioritizing professional conduct over personal gain, and the judicial system's disregard for audit oversight reports.

Table 3. Contextual Conditions Related to Audit Oversight in the Country

Category	Theme	Concept
Structural, Executive, and Supervisory Factors	Structural	Operational independence of audit oversight authorities
	Operational	Existence of collaboration frameworks between audit oversight bodies and third parties Presence of disciplinary authority within audit oversight bodies Availability of a sufficient number of independent and qualified personnel in audit oversight
	Inspection	Mechanism for reporting findings to the audit firm by audit oversight authorities Mechanism to ensure corrective actions are implemented by the audit firm
Individual Competence Factors	Knowledge, Skills, and Experience	Proficiency in accounting software

Cultural Factors	Societal Cultural Characteristics	Mastery of accounting standards and their updates Relevance of experience, auditor's age, place of experience acquisition, and prior experience in the same audited entity Level of accountability culture among the public and economic entities
	Professional Community Characteristics	Level of accountability culture among public officials Approach to corruption and profiteering in the country Financial reporting and oversight environment
Professional Factors	Challenges in the Auditing Profession	Professional audit environment Level of development of the audit oversight profession in the country Inherent limitations of the auditing profession
	Educational Challenges	Discrepancy between university education and the labor market needs in audit oversight Theoretical nature of training programs for entry-level and in-service auditors
Legal and Economic Factors	Legal Challenges	Weak legal protections for whistleblowing and fraud reports Constraints on mandatory audit oversight
	Economic Structure of the Country	Government structure and its influence on the national economy Presence of quasi-governmental companies under the implementation of Article 44 Poor economic conditions of private sector companies International relations of the country Impact of economic sanctions and overall economic instability Presence of fraudulent and shell companies Dependence of the national economy on oil revenues

The contextual conditions related to audit oversight in the country include five categories: structural, executive, and supervisory factors; individual competence factors; cultural factors; professional factors; and legal and economic factors. These categories consist of 10 themes: structural, operational, inspection, knowledge, skills, experience, societal cultural characteristics, characteristics of the professional community, challenges in the auditing profession, educational challenges, legal challenges, and the economic structure of the country.

The associated concepts include the operational independence of audit oversight authorities, collaboration frameworks between audit oversight bodies and third parties, the existence of disciplinary authority in audit oversight bodies, availability of sufficient independent and qualified oversight personnel, mechanisms for reporting findings to audit firms, mechanisms ensuring corrective actions are implemented by audit firms, proficiency in accounting software, mastery of accounting standards and their updates, relevance of experience, auditor's age, place of experience acquisition, prior experience in the same audited entity, the level of accountability culture among the public and economic entities, the level of accountability culture among public officials, approaches to corruption and profiteering in the country, the financial reporting and oversight environment, the professional audit environment, the level of development of the audit oversight profession in the country, inherent limitations of the auditing profession, the discrepancy between university education and the labor market needs in audit oversight, the theoretical nature of training programs for entry-level and in-service auditors, weak legal protections for whistleblowing and fraud reports, constraints on mandatory audit oversight, government structure and its influence on the national economy, the presence of quasi-governmental companies under **Article 44**, the poor economic conditions of private sector companies, international relations of the country, the impact of

economic sanctions and overall economic instability, the presence of fraudulent and shell companies, and the dependence of the national economy on oil revenues.

Table 4. Strategies Related to Audit Oversight in the Country

Category	Theme	Concept
Structural, Executive, and Supervisory Factors	Inspection	Continuous inspection of auditing firms serving public interest entities to evaluate compliance with professional standards by audit regulators
		Risk assessment in the auditing environment by regulators
Professional Factors	Professional Prominence and Technological Advancement of Audit Oversight Institutions	Implementation of effective review methods at both the firm level and the audit file level
		Adoption and adherence to professional codes of conduct at all levels and across all pillars of audit oversight
		Focusing on stakeholder interests in audit oversight
		Enhancing the reputation and credibility of audit oversight through high-quality service delivery
		Considering the commercialization aspects of audit oversight and fostering public trust (market-driven, customer-focused, process-oriented)
Legal and Economic Factors	Regulatory Reforms	Avoiding financial considerations in the revenue model of audit oversight
		Establishing effective internal controls in audit oversight
		Implementing mechanisms to attract elite professionals into the field of audit oversight

The strategies related to audit oversight in the country include three categories: structural, executive, and supervisory factors; professional factors; and legal and economic factors. These categories comprise three themes: inspection, professional prominence and technological advancement of audit oversight institutions, and regulatory reforms. The related concepts include continuous inspection of auditing firms serving public interest entities to evaluate compliance with professional standards, risk assessment in the auditing environment by regulators, the implementation of effective review methods at both the firm and audit file levels, adherence to professional codes of conduct at all levels of audit oversight, prioritizing stakeholder interests in oversight, enhancing the reputation and credibility of oversight through high-quality services, considering commercialization aspects and building public trust, avoiding financial considerations in audit oversight revenues, establishing effective internal controls, and implementing measures to attract elite professionals to audit oversight.

Table 5. Consequences of Audit Oversight in the Country

Category	Theme	Concept
Professional Factors	Efficiency and Effectiveness	Enhancing the quality of financial oversight reports
		Resisting pressure from clients
		Effective oversight of the proper execution of the audit process
		Ability to detect financial statement misstatements
		Clearly reporting financial misstatements in audit reports
Legal and Economic Factors	Accountability	Planning for the professional development of auditors in oversight roles
		Talent management (identification, recruitment, and development of auditors in oversight roles)
		Ability to justify audit judgments to stakeholders
Legal and Economic Factors	Mandates and Transparency	Ability to defend and substantiate collected audit evidence and documentation
		Improving the transparency of audit reports

Regulatory Reforms	Strengthening the culture of managerial accountability Enhancing financial discipline Effectively combating financial corruption and money laundering Establishing an effective quality control system in audit oversight Strengthening the enforcement of audit oversight laws and regulations Enhancing university education systems related to audit oversight Establishing an independent regulatory body for unbiased and effective oversight of auditors Developing and improving the selection and appointment process for certified public accountant auditors
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The consequences of audit oversight in the country include two categories: professional factors and legal and economic factors. These categories consist of four themes: efficiency and effectiveness, accountability, mandates and transparency, and regulatory reforms. The related concepts include improving the quality of financial oversight reports, resisting pressure from clients, effectively overseeing the proper execution of audits, detecting financial statement misstatements, clearly reporting misstatements in audit reports, planning for auditor development in oversight roles, talent management for oversight auditors, the ability to justify audit judgments to stakeholders, defending and substantiating collected audit evidence, enhancing audit report transparency, strengthening managerial accountability, improving financial discipline, combating financial corruption and money laundering, establishing an effective quality control system in audit oversight, strengthening the enforcement of oversight regulations, improving university education in audit oversight, establishing an independent regulatory authority for unbiased oversight of auditors, and enhancing the selection and appointment process for certified public accountants.

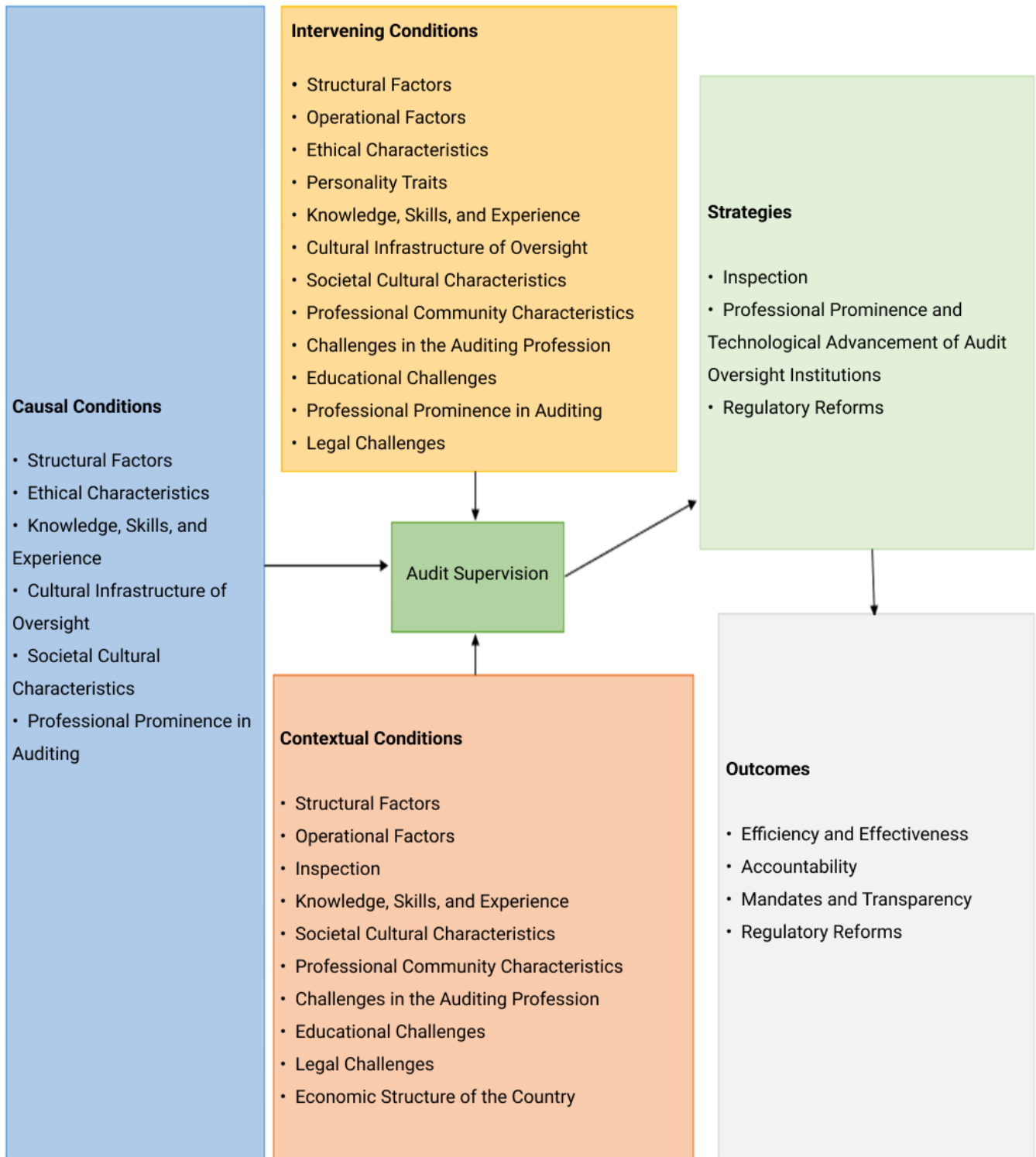


Figure 1: Optimal Model for Audit Oversight in the Country

4. Discussion and Conclusion

The objective of this study was to develop an optimal model for audit oversight in the country. Among qualitative research strategies, the grounded theory approach was employed. The views and experiences of experts, senior accounting and auditing managers, and regulatory officials were examined through in-depth interviews,

serving as the primary data collection tool. Data saturation was achieved. To answer the study's key research questions and analyze the data, selective coding was utilized as the main stage of grounded theory, building on the results of the previous two coding phases. The primary categories surrounding the central phenomenon of the study were identified, validated through quantitative analysis, and structured into six dimensions: core category, causal conditions, intervening conditions, contextual conditions, strategies, and outcomes, forming an optimal model for audit oversight in the country.

Based on expert opinions, the proposed model identifies five main categories: structural, executive, and supervisory factors; individual competence factors; cultural factors; professional factors; and legal and economic factors. The findings suggest that the central category of the proposed model is the establishment of an independent regulatory body. This independent oversight entity must ensure that audit regulators are mandated to enhance audit quality to serve the public interest and protect investors. The responsibilities and powers of audit regulators must, at a minimum, include independent oversight of audits conducted for public interest entities (i.e., publicly traded companies, banks, insurance firms, and other entities that rely on public funds).

Audit regulators must be operationally independent, meaning they should be able to perform their legal duties and implement decisions without interference from the entities they oversee. Regulators must operate independently in executing their responsibilities, free from external political influence, commercial interests, or other vested interests. Furthermore, their governance should not be controlled by practicing auditors. The audit oversight body must have a stable and reliable funding source that is not influenced by auditors or audit firms and is sufficient to fulfill its responsibilities. This principle is crucial for implementation in Iran. Practicing auditors should neither control the regulatory body nor be involved in its financial support.

One of the fundamental concepts in the comprehensive audit oversight model is inspection. Audit firms serving public interest entities must be subject to continuous inspection by audit regulators to assess compliance with professional standards. Additionally, audit regulators must assess risk levels in the auditing environment. However, a critical aspect of inspection is ensuring that corrective actions are taken based on the findings and data obtained from inspections and evaluations. Therefore, a mechanism must be established to ensure that audit firms implement necessary corrective measures.

The research findings indicate that one of the key factors in audit oversight is the individual competence of auditors. Effective audit oversight requires auditors to possess ethical characteristics such as adherence to ethical values (integrity, honesty, and professional commitment), maintaining independence in issuing audit reports, adherence to legal and regulatory standards, self-respect, patience, tolerance, humility, and social responsibility. Additionally, auditors must have economic, ideological, social, political, and managerial insight.

In the proposed audit oversight model, auditors should possess personality traits such as stability, precision, attention to detail, accountability, modesty, self-confidence, high motivation, willingness to engage in complex business transactions without fear of future challenges, and a structured approach to life based on principles and standards. Furthermore, auditors must demonstrate expertise in audit oversight regulations, accounting software, accounting standards and their updates, authoring and reviewing academic papers in accounting and auditing, attending specialized accounting and auditing training programs, in-depth knowledge of regulatory institutions governing the auditing profession, strong analytical and problem-solving skills, effective organizational and planning capabilities, ability to work both individually and in teams, maintaining professional skepticism throughout the audit process, adopting risk-based auditing approaches, and having relevant experience in the same audited entity.

According to the research findings, three aspects of cultural factors must be considered in audit oversight: cultural infrastructure of oversight, societal cultural characteristics, and characteristics of the professional community. In the cultural infrastructure of oversight, essential aspects include viewing audit oversight quality as a driver of institutional development, fostering a culture of creativity and innovation in audit oversight, establishing policies to support competent auditors, promoting teamwork, and organizing cultural and ethical training for auditors and regulators. In societal cultural characteristics, factors such as the level of public and corporate accountability culture, the level of governmental accountability, ethical and cultural challenges within the auditing profession, reluctance to disclose fraud, responses to corruption and profiteering, and the absence of a meritocracy in managerial appointments must be addressed. In the professional community, focus areas include the financial reporting and audit oversight environment, the professional auditing environment, weaknesses in corporate governance systems, the level of audit oversight development in the country, the state of professional audit oversight education, and the functionality of audit firm general assemblies.

The audit oversight model faces four major challenges: challenges in the auditing profession, educational challenges, legal challenges, and challenges related to the economic structure of the country.

1. Challenges in the Auditing Profession include inadequate audit reporting, lack of clarity in audit reports, low effectiveness of audit reports, inherent limitations of the auditing profession, financial dependence of auditors on clients, and the negative perception of auditing.
2. Educational Challenges include discrepancies between university education and market needs in audit oversight, low knowledge and skill levels among accounting graduates, the theoretical nature of pre-service and in-service training programs, and the lack of specialized educational content for auditors and regulators.
3. Legal Challenges include weak legal protections for whistleblower reports, restrictions on mandatory audit oversight, and the judicial system's disregard for audit oversight reports.
4. Challenges Related to the Economic Structure of the Country include government influence on the economy, the presence of quasi-governmental companies under Article 44, unfavorable economic conditions of private sector firms, international relations, the impact of economic sanctions and instability, the existence of fraudulent and shell companies, and the country's dependence on oil revenues.

According to the research findings, strategies related to audit oversight in the country include continuous inspection of audit firms serving public interest entities to evaluate compliance with professional standards, risk assessment by regulators, implementing effective review methods at both the firm and audit file levels, adherence to professional codes of conduct at all levels, prioritizing stakeholder interests in oversight, enhancing the reputation and credibility of audit oversight through high-quality services, focusing on commercialization aspects and building public trust (market-driven, customer-focused, process-oriented), avoiding financial considerations in audit oversight revenues, establishing effective internal controls in audit oversight, and implementing measures to attract elite professionals into the audit oversight profession.

The establishment of an audit oversight system has several outcomes, including improving the quality of financial oversight reports, resisting client pressures, effective monitoring of audit process execution, detecting and transparently reporting financial misstatements, planning for the development of auditors in oversight roles, talent management (identifying, recruiting, and developing oversight auditors), justifying audit judgments to stakeholders, defending and substantiating audit evidence, increasing audit report transparency, fostering managerial accountability, improving financial discipline, effectively combating financial corruption and money

laundering, implementing an effective quality control system in audit oversight, strengthening the enforcement of oversight regulations, enhancing university education in audit oversight, establishing an independent regulatory authority for unbiased audit oversight, and improving the selection and appointment process for certified auditors.

The designed model aligns closely with findings from comparative studies [12, 15, 17-19]. However, it has been localized based on practical research methodologies and expert opinions within Iran's audit oversight sector. It must be implemented based on prioritized decision-making in public sector management.

Some prior studies have examined audit oversight structures. For instance, Habashi et al. (2017) analyzed the supervisory and audit functions of the Supreme Audit Court, concluding that public budgeting, auditing procedures, and audit independence significantly differ between developed and developing countries [16]. Similarly, Babajani (2019) focused on the gap between expected and actual audit performance in executive agencies, proposing solutions such as forming interactive committees, training specialized performance auditors, implementing management accounting, and designing a national financial audit framework [12].

The study faced limitations, particularly in accessing primary sources. To mitigate this, academic resources were utilized. Experts included senior managers and renowned scholars in management, accounting, and auditing.

Findings suggest that legal and economic challenges impact audit oversight implementation. It is recommended that audit oversight laws be revised and a comprehensive, permanent, and binding legal framework be enacted, ensuring systematic and integrated audit oversight.

Moreover, the study emphasizes auditor independence as a key requirement for effective audit oversight. It is recommended that operational and financial independence mechanisms be developed and that professional regulators be independent from governmental and private entities.

Finally, the study highlights the importance of professional competence in audit oversight. It is suggested that pre-service and in-service training programs focus on ethical, personal, academic, and technical education, alongside a robust evaluation system for auditors.

Authors' Contributions

Authors equally contributed to this article.

Ethical Considerations

All procedures performed in this study were under the ethical standards.

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Conflict of Interest

The authors report no conflict of interest.

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