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Research Article

A Study of Risk-Based Auditing Obstacles

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Abstract

In this study, we investigate the problems and obstacles to implementing risk-based auditing in Iran. We set four hypotheses and used a questionnaire containing 45 questions to collect the required data. The questionnaires were distributed between Iranian certified public accountants who were partners or directors of audit firms and audit organizations member of Iranian certified public accountant institute.

A limited number of questionnaires were distributed between a small sample of respondents to determine the research questionnaire, and their views are taken into account. Cronbach's alpha test is used to measure the reliability of the questionnaire.

The results of this study indicated that lack of the theoretical foundations and regulations of risk-based auditing in Iran, structure and function of auditors and audit firms, and factors related to the clients are the obstacles and limitations on the implementation of risk-based auditing in Iran

Then the most critical factors prioritized using fuzzy hierarchy analysis. For this reason, a questionnaire was developed with 16 factors from approved hypotheses. Results revealed that related factors with the auditors and unfamiliarity of auditors with IT, and lack of educational resources were the most significant obstacles and limitations to implementing the risk-based auditing in Iran.

Keywords: limitations on the implementation of risk-based auditing, auditors, employers, rules and regulations

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1. Introduction

The subject of risk-based auditing was followed up for the first time in statement No.47 of the financial auditing standard board of IACPA called audit risk and its importance in international audit (statement number 25, auditing risk) and IACPA (standard No. 55, checking the structure of internal controls of financial statements).

The main reason that most of the big audit firms are currently looking to implementation risk-based auditing is the close relationship between risk methodology and statistical sampling techniques. In other words, they want to make sure about the adequacy of the extracted samples due to their low percentage in comparison to classic statistical methods. So the auditors should prepare enough evidence for a professional opinion so that their audit reports become reliable. Audit researchers made audit models for providing reliability until the auditing process becomes reliable.

When a new model is introduced during the audit time, it will be replaced with the previous model if it is efficient and effective.

The system-based audit model was introduced in 1940, and the auditors use it until now. After the universal economic growth in the nineties and after auditing has changed rapidly and fundamentally, quantitative growth and complexity of activities related to the business, increased defensive ability of audit reports, increasing public trust about audit reports and client challenges, competition and alternations (generally decrease time and costs) are the significant reasons of changing in the audit process and use of technology in audit risk management.

Today we can see that the auditors have gone beyond their initial aims (verifying the financial statements). New auditing continues to develop by presenting the business risk in its audit approach. The new approach is based on this view that understanding a wide spectrum of clients' trade risks puts the auditors in a better auditing process. Followers of this view believe that lots of uncontrolled risks affect financial statements. Hence, with a comprehensive understanding of the entity's risks, the auditors have a better situation for identifying these risks' size and importance with the auditing profession. (Lee et al., 2008).

Due to the organization risks observation, the effective risk-based auditing program overcomes all the limitations mentioned above and allows the auditor to make the audit more targeted and efficient. This audit program will make risk reduction plans more accurate, faster, and more transparent (Risk Management Magazine, 2015).

Many fraud detection factors are coordinate with the auditing methods used by the auditors. Using an efficient and effective audit method such as risk-based auditing could be a big step in detecting fraud in an independent audit (Naderian and Safar, 2001). Ghorbani 2014) states that auditors in Iran experimentally and with a realistic view have been aware of the importance of recognizing and classifying audit risks. Practically, they have considered audit risks in their planning.

Currently, due to the expansion of economic activities and the complexity of the business environments, the development of ownership of shares of corporate entities among the public, the importance of users' rights to the financial statements, and also lawsuit against auditors, auditing has found more scientific and technical approaches.

However, the implementation of risk-based auditing in Iran has been with difficulties.

In this regard, by setting principles of risk-based auditing through committees of professional people in the auditing field and testing the implementation of risk-based auditing in several auditing environments, we can do something about it. This can leads to a greater understanding of the model and provides the means of implementing it.

Therefore, this research seeks to answer the question of what are the obstacles or limitations for implementation of risk-based auditing in Iran, and why auditors have not paid implementation of risk-based auditing in Iran attention, and this method of auditing in Iran has not fully exercised

2. Literature Review

Amahalu et al. (2017) recommend that internal audits based on risk-based audits be approved by adopting a better risk assessment to improve Nigerian commercial banks' internal control quality.

Naimarb et al. (2015) explore the effect of a risk-based auditing approach on implementing internal control systems. This study showed that this system's implementation should be taken into account by both internal auditors and shareholders as the companies' owners. Accordingly, internal auditors should implement risk-based auditing and financially backed by shareholders, mutually the shareholders' expectations about receiving reports from the portfolio's risk-taking sections made by internal auditors.

Messier jr et al. (2014) showed that the role of training in implementing risk-based audits is very influential.

Ayagre (2014)examined the implementation of risk-based audits in Ghana and identified factors influencing the adoption or non-acceptance of internal risk-based audits in Ghana companies. The results showed that at the 5% error rate, internal risk-based auditing was accepted in the country, and its main reason was to help these companies identify high internal risks.

Salehi (2011) shows the individual competency and ability firstly in using statistical methods; secondly, the professional and legislation references effort in selecting risk-based auditing standards; thirdly, the timely financial information prepared by accountants; and finally, the auditors training via risk-based auditing are the main barriers to the members of Iranian Certified Public Accountants to implementing risk-based auditing in Iran.

Amiri et al. (2018) state a significant relationship between the audit committee's size and the type of audit firm and internal control quality. Also, the number of audit committee members (general weakness) has a significant relationship with internal control quality. Finally, the audit firm's type adjusts the relationship between the audit committee (the number of audit committee members) and the quality of internal control (weakness at the general level and weakness at the level of income). According to the results obtained from the hypothesis test, it can be concluded that the size of the audit committee and the type of audit firm is significant on the quality of internal control, but considering the number of audit committee members of this work on the internal control criteria and its useful indicators has not been.

Akrami Moghadam (2016) explains in his research that risk-based auditing stabilizes the value-adding role in auditing for a customer's product and makes audit work more profitable. Absence of sufficient evidence and limitations in audit activity, lack of planning in the audit process, lack of internal control system in companies, size of the company, and its type of operation, limitation in implementing substantive tests with audit risk affect factors the risk-based audit. Since auditors are confronted with limitations in their operations, they can not achieve an ideal outcome and cannot provide reliable reports.

Shokry et al. (2014) argue that companies that follow the risk management process are less risky in auditing, and their review is likely to be less costly. Auditors should monitor the whole organization and its environment to understand the nature of the audit challenges they will face. An internal audit is a necessary mechanism to prevent fraud and errors, ensure compliance with policies and procedures, and increase efficiency and effectiveness. Also, IT requires specific considerations in auditing, especially risk-based audits. Acquiring an understanding in the full sense of IT's role for financial purposes gives the auditor an opportunity to an adequate understanding of how information technology influences inherent risk and control.

Ghorbani et al. (2014) state that a risk-based audit model has more efficiency and effectiveness than a system-based audit model. Based on these, the audit managers can provide more reliable audit reports.

Molainejad et al. (2014) identify and prioritize the barriers and limitations of implementing a risk-based audit project using the fuzzy hierarchy method. This study indicates that most of the obstacles to implementing audits based on Risks are in the early stages, and this suggests that the life of the risk-based audit in Iran is not long. Its completion and implementation require more time and training.

Pourali et al. (2012) state that risk-based auditing is a realistic example of the conditions for mutual benefit from both the auditor and the client. Also, public opinion and financial statements users believe that this audit methodology is more in the auditors' interests because it only reduces audit costs, creates accountability for auditors, and does not increase the ability to detect diversions.

Bagherpour et al. (2012) stated that their main objective was to provide a comprehensive and practical model for implementing risk-based auditing in Iranian companies and organizations. The model is based on the theoretical foundations presented in the scientific sources and related research and the authors' professional experience and considering Iranian companies' specific circumstances and conditions. The model has been implemented in Iran's influential organizations, which adds to its value and implementation ability.

Hajiha (2010) conducted a study to differentiate between senior auditors' perceptions of public and private sectors from auditing risk assessment in Iran's auditing environment. His research results indicated a significant difference between public and private senior auditors' perceptions of the influencing factors in assessing control risk and detection risk. Also, there was no significant difference between these two groups to understand the factors influencing audit risk and inherent risk.

Hajiha (2010) showed that there is no significant relationship between inherent risk and control. A separate assessment of risks is preferable to an integrated assessment in Iran's auditing environment.

3. Research hypotheses

1. Non-comprehensiveness guidelines and theoretical basis of risk-based auditing are obstacles to the implementation of risk-based audits.
2. The inadequacy of the rules and regulations is one of the obstacles to implementing risk-based auditing.
3. The structure and performance of auditors and audit firms are obstacles to the implementation of risk-based auditing.
4. Factors related to the clients are obstacles to the implementation of risk-based auditing.
5. The prospects and future conditions represent the implementation of future risk-based auditing.

3.1. Population and sampling selection

The statistical population of this research is the certified public accountants working in audit firms and auditing organizations. The number of members of the community at the time of the research is 1,527 persons. The sampling method is a simple random method. Accordingly, 227 persons are selected using Cochran's method. Four hundred fifty questionnaires were distributed among the firms. Finally, 236 questionnaires were used as a sample of the statistical population.

$$n = \frac{Nz^2pq}{Nd^2 + z^2pq}$$

N: Population size
Z: 1.96
p=q=0.5
d: The allowable value of the errors between 5% and 10%, which is considered 6% in this research.

3.2. Validity and reliability of the questionnaire

This questionnaire's questions consist of a 5-scaled Likert type, which 1 corresponds to disagree, 2 corresponds to disagree, 3 corresponds to indifferent, 4 corresponds to agree, and 5 corresponds to agree. The questionnaire was designed after studying related texts and articles and interview the professional persons related to the risk-based auditing. Then, to determine the validity of the research questionnaire, few questionnaires were distributed to the experts' small sample, and their comments were taken into account in amending the questionnaire questions. Cronbach's alpha test was conducted to measure the reliability of the questionnaire. The high value of 91% of Cronbach's alpha indicates the questionnaire's high reliability.

Table 1 shows the result as follows:

Table 1- The results of Cronbach's alpha test

Number of the distributed questionnaire	Number of questions in the questionnaire	Cronbach's alpha
236	45	0.913

3.2.1. Data analysis

To test the research hypotheses consists of two distinct sections; in the first part, the research data expressed in descriptive statistics. In the second section, using inferential statistics methods, we analyze the data. In the second part, we use the method of the single sample t-test, which compares the **mean** of the sample to a given number of 5, which the mean of the 5-scaled Likert type questions (1+2+3+4+5 / 5 = 5).

3.2.2. Descriptive statistics

Information about independent auditors reflected in terms of field of study, work experience, and educational degrees in Tables 2 and 3.

Table 2- Descriptive statistics

Description	Description	Frequency	Frequency (%)	Cumulative Frequency (%)
Degree	Bachelor	65	27%	27%
	Master	152	64%	91%
	P.H.D	19	9%	100%

Table 3- Descriptive statistics

Description	Description	Frequency	Frequency (%)	Cumulative Frequency (%)
work experience	Between 6 to 10 Years	48	20%	20%
	Between 11 and 15 Years	42	18%	38%
	Over 15 years	146	62%	100%

3.2.3 Inferential statistics

The statistical method of comparing the means of a population is used to the research hypotheses, which are as follows.

Table 4 - The results of the first hypothesis test

Description	Comparison test of the mean of the two communities					t-statistic	Degree of freedom	Significance
	Mean	Standard deviation	Deviation error from criterion	95% confidence interval in mean difference				
				low limit	High limit			
hypothesis 1	3.5339	0.63699	0.04146	0.4522	6.6156	12.876	235	0.00
hypothesis 2	3.4004	0.61452	0.04000	0.3216	0.4792	10.010	235	0.00
hypothesis 3	3.4665	0.53220	0.03464	0.3983	0.5348	13.467	235	0.00
hypothesis 4	3.5869	0.56745	0.3694	0.5141	0.6596	15.888	235	0.00
hypothesis 5	3.6025	0.53839	0.03505	0.5335	0.6716	17.193	235	0.00

Testing hypothesis 1

In hypothesis1 of this study, the non-comprehensiveness of guidelines and theoretical fundamentals in the risk-based audits are studied, including four questions. The lack of an audit standard for risk-based audits, the lack of sufficient training resources, lack of experience of auditors, lack of teaching risk-based auditing in universities, and lack of integrity of guidelines, which the results of testing this hypothesis are as follows:

In the table, since the significance level is less than 0.05, then hypothesis 1 is verified. This means that the incompleteness of the guidelines and the theoretical basis of risk-based audits, and the relevant rules and regulations are obstacles to implementing risk-based audits.

Testing hypothesis 2

In hypothesis 2, the inadequacy of relevant rules and regulations is tested by 6 questions in the questionnaire: The lack of supervision and lack of support from the Association of certified public accountants, shortages of supervisor and senior supervisor familiar with risk-based audits due to the rules are the upgrading problems, and the results of testing this hypothesis are as follows

According to the above table, since the significance level is less than 0.05, hypothesis 1 is verified. This means that the risk-based audit's incompleteness based on the guidelines and the relevant rules and regulations is a complete obstacle to implementing risk-based audits.

Testing Hypothesis 3

In the third hypothesis, auditors and audit firms are tested by 20 questions in the questionnaire:

Auditors did not attempt to identify the internal control structure, lack of training transfer to lower grades by auditors. The absence or lack of using risk-based audit software, the cost of early-stage risk-based audits, the smallness of the client's environment, the lack of expertise of auditors on software systems, the inappropriateness of audit firms with international firms, lack of expertise of auditors in identifying areas of client activity, The continuity of the relationship between the auditor and the client is tested, the results of which are as follows:

According to Table 4, since the significance level is less than 0.05, then the second hypothesis is also confirmed. This means that auditors and audit firms are effective factors in not implementing risk-based audits.

Testing hypothesis 4

In hypothesis 4 of this research, the factors related to the client investigated by 10 questions in the questionnaire: These factors include: the high risk inherent to the clients due to the undeveloped and immature economic environment, the lack of mechanisms for corporate governance in companies, the lack of audit committees and internal audit unit effectively in the company, lack of a risk management committee in the client environment, the inability to rely on the internal controls of most of the clients, the absence of a board member with financial expertise with sufficient corporate incentive in companies, the indifference of financial reporting stakeholders regarding the use of risk-based auditing or auditing with common approaches, excessive variety information systems (including hardware and software) on the client's environment. the results of which are as follows:

According to the above table, since the significance level is less than 0.05, the third hypothesis is also confirmed. This means that the agents related to the client are entirely obstacles in implementing risk-based audits.

Testing hypothesis 5

In hypothesis 5, the risk-based audit's future perspective is investigated by 5 questions in the questionnaire. These include implementing a Risk-Based Audit System in the future affordably and necessarily. Using risk-based auditing systems will increase efficiency and effectiveness in the future, as auditors seek financial resources and necessary knowledge to implement risk-based audits. The statistical results of this hypothesis test are as follows:

According to Table 4, since the significance level is greater than 0.05, the fourth hypothesis is also confirmed. This means that auditors believe in the full implementation of risk-based audits in the future.

4. Prioritization

The prioritization of implementing obstacles is complex and uncertain because the business organizations' major decision-makers regard the assessment of implementation obstacles as somewhat simpler and more practical. There is usually a kind of ambiguity and uncertainty in such assessments. In these cases, due to the subject's complexity and the lack of accurate information, it is necessary to consider individuals' judgment. The theory of fuzzy is a powerful tool that can display results appropriately and naturally. In the fuzzy hierarchical method, uncertainty associated with individual judgment in making a decision does not play a role, but combining fuzzy theories with fuzzy hierarchy makes it possible to compensate for these fuzzy hierarchical limitations—the first time Tysus and Kahraman in 2006 used from the fuzzy hierarchy for evaluation.

For the advantages of the method, as mentioned earlier and its hierarchical structure, the fuzzy hierarchy approach prioritizes the obstacles to implementing risk-based auditing. A questionnaire is used to collect expert opinions in this regard.

4.1. The statistical population of the research and sampling method in the priority section:

The statistical population of this research is the certified public accountants working in the audit firms. The number of members of the community at the time of the study is about 1,527. The sampling method is simple random sampling. Accordingly, a total of 190 people were selected by the Cochran Method as a sample, and 360 questionnaires were distributed among the community members. Finally, 190 questionnaires were examined as a sample of the statistical population.

4.2. Reliability of the questionnaire

To determine the questionnaire's reliability using the SPSS, Cronbach's alpha was calculated, which is a numerical value of 0.94 that is, in practice, an acceptable result. After designing the questions, several professors and experienced experts in accounting and financial management were discussed in accessing the questionnaire's validity, and after that, desired options were chosen. The information is as follows:

Table 5 - The results of Cronbach's alpha test

Number of distributed questionnaires	Number of questions in the questionnaire	Cronbach's alpha
190	123	0.942

4.3. Framework proposed

This study based on distributed questionnaires to the experts and analyzing their opinions and use of previous studies. The following are considered as obstacles to implementing risk-based auditing in Iran:

5. Fuzzy Hierarchy Analysis

Prioritizing performance barriers is complex and uncertain since the business units' primary decision-makers consider the assessment of implementation barriers in simpler and more practical terms. There is usually a kind of ambiguity and uncertainty in such an assessment. In such cases, due to the subject's complexity and the absence of accurate information, it is necessary to consider individuals' judgments and ideas. Fuzzy theory systems are a powerful tool that can represent knowledge naturally and adequately. In the AHP method, uncertainty related to an individual decision does not play a role in choosing and decision-making. Still, the combination of fuzzy theories with the AHP can compensate for this AHP shortcoming. The first time in 2006, Tysus and Kahraman used Fuzzy AHP to evaluate.

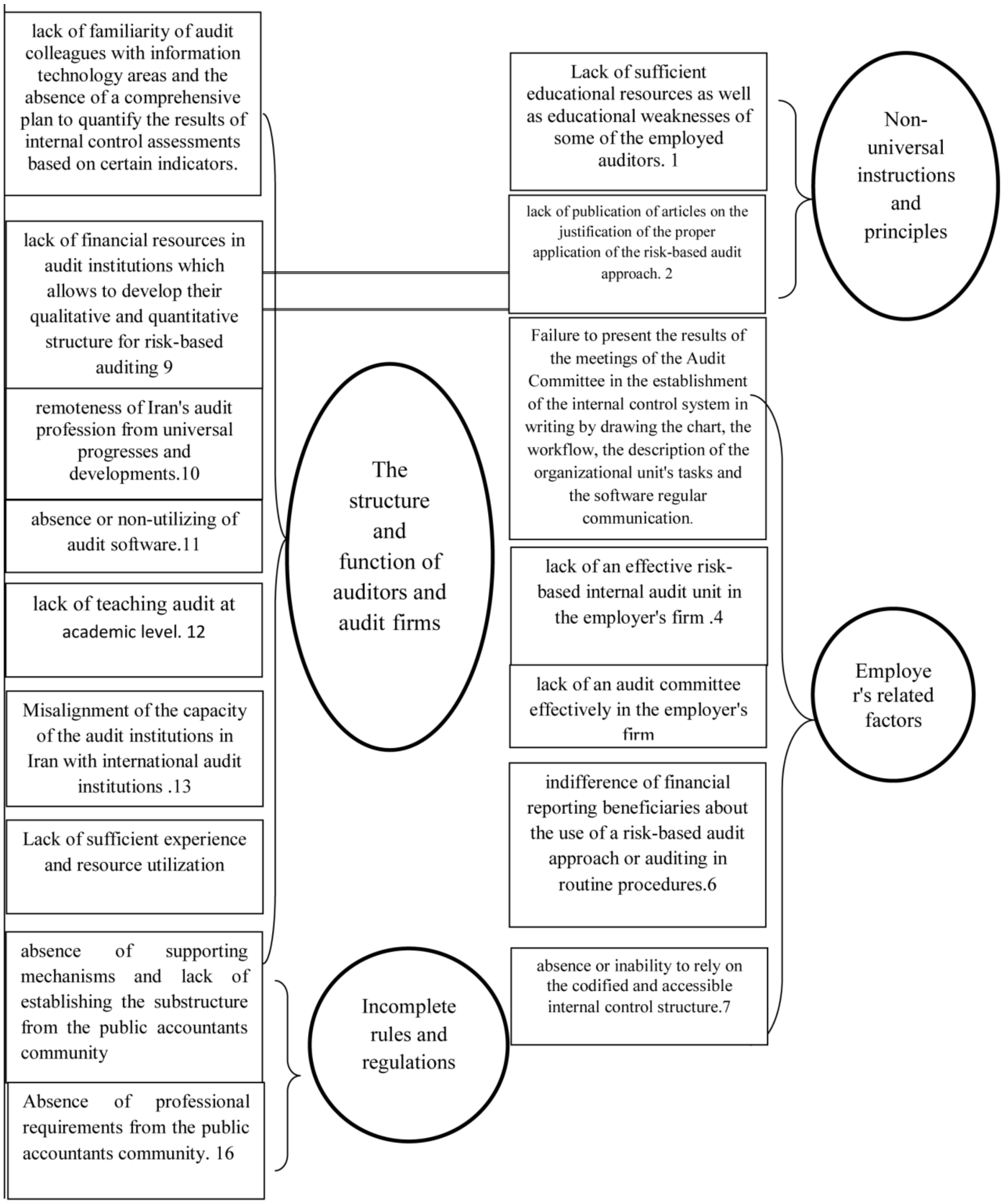

Figure 1: Barriers to the implementation of risk-based audits

Because of the advantages of this mentioned method on the one hand and the hierarchical structure of the introduced framework in this paper, Fuzzy AHP has been used in this research to prioritize the implementation barriers of management accounting. Therefore To collect expert opinions, the questionnaire has been used. The questionnaire was distributed among the directors and financial managers of the companies which were accepted in the Tehran Stock Exchange, and at last, by examining the compatibility rate of the experts' replies, 18 people refused to response to the questions, and the responses of 190 managers were accepted to prioritize the management accounting obstacles.

Table 6 – The characteristics of crucial factors

The first level factor	Weights First Level Factors	Sub-factor number of the second level	Weights of subfactors of the second level	Final weight factors
Non-universal instructions and principles	3.5339	1	0.078138526	0.2761337
		2	0.07565949	0.2673731
Related factors with the employer	3.5869	3	0.063855389	0.2290429
		4	0.059528342	0.2135222
		5	0.055893924	0.2004859
		6	0.055436393	0.1988448
		7	0.050386091	0.1807299
The structure and function of auditors and audit firms	3.4665	8	0.091888667	0.3185321
		9	0.065441456	0.2268528
		10	0.057506394	0.1993459
		11	0.055892903	0.1937527
		12	0.054896898	0.1903001
		13	0.054162811	0.1877554
		14	0.049871132	0.1728783
Incomplete rules and regulations	3.4004	15	0.073570322	0.2501685
		16	0.057871262	0.1967854

As outlined in the table above, the most crucial factor is the lack of familiarity with audit colleagues with information technology. The subsequent factors are mainly due to the lack of training and the lack of educational resources on risk-based audits. Based on the results, the proposed model for risk-based audit is described in Figure 1 in Iran.

Table 7- The proposed model for conducting risk-based audits is fully implemented in Iran

Row	Description	The proposed model of this research
1	The lack of familiarity with audit colleagues with information technology areas and the lack of a comprehensive plan to quantify internal controls assessment based on specific indicators.	1-1) Conducting training classes by mandatory audit firms for all members of the public accountants' community from the L_ICDL level of information technology fields 1-2)Establishing a committee by the community of accountants responsible for implementing quality audits to address the 150 risk publication shortcomings and providing a domestic control questionnaire with percentages for each internal control concerning their importance coefficients.
2	Lack of sufficient educational resources as well as academic weaknesses of some of the employed auditors	Providing a complete guide to the implementation of the audit risk process, including checklists, forms, along with numerical examples based on the latest audit standards, by the reference authority for the compilation of mandatory annual curricula and compulsory education curricula for all levels of audit, following relevant audit standards

3	The absence of supportive mechanisms and lack of infrastructure from the public accountants' community	Creating a supportive mechanism including significant scoring in quality control review of the work of the audit, the designation of sample audit firms in the implementation of auditing management, the support of the publication of related books and related articles, and the provision of software for users, and conducting ongoing professional seminars concerning audit-risk based also raised the quality control privileges for cases involving risk-based audits.
4	The lack of publication of articles on the justification of the proper application of the risk-based audit approach	Provide topics for risk-based audits from the community of formal accountants for undergraduate and postgraduate students leading to the presentation of applied papers in this regard.
5	The lack of financial resources in audit firms that allow them to develop a qualitative and quantitative structure for risk-based auditing	It is integrating institutions to reduce fixed costs that provide funding for risk-based audits.
6	Not presenting the results of meetings of the Audit Committee in the establishment of the internal control system in writing by plotting the chart, workflow, describing organizational tasks and systematic communication of software	The serious attention of the board of directors and audit committees regarding the implementation of components of internal controls including the discretionary control environment, control activities, information and communications, and monitoring in three levels of financial reporting, compliance with the law, regulations, and cooperation between the internal audit company and independent auditors to control the control system Internal
7	Absence of professional requirements from the public accountants' community	The serious attention of the public accountants' community to the implementation of risk-based auditing when reviewing the quality control of the audit work of the audit firms and the rating of the audit firms if they do not use a scrutiny audit
8	The remoteness of Iran's audit profession from global audit developments	Translation of handbooks, articles, foreign professional and academic theses, inviting foreign researchers and institutions for professional training within and their companies at internal seminars and visiting foreign professional information sites.
9	The lack of an effective risk-based internal audit unit in the company's owner	-Risk-Based Internal Audit Implementation Based on the guidance issued by official authorities such as the Stock Exchange and the Iranian Internal Audit Society.

10	Absence of an audit committee effectively in the company of the owner	The supervision of institutions such as the Stock Exchange regarding the control of internal risk-based auditing by internal audit committees
11	Absence or non-use of risk-based audit software	Insert and audit software based on education, and make them available by official authorities such as the Iranian Public Accountants Association
12	The indifference of financial reporting stakeholders is to apply a risk-based audit approach or audit with common methods.	Training and informing financial reporting stakeholders based on audit risk management will greatly reduce the time and cost of auditing and increase work quality.
13	Lack of teaching risk-based accreditation at the university level	An increase of 2 or 3 units in a higher education system with the prerequisites for auditing 1 and 2 for teaching a risk-based audit and teaching this lesson by experienced risk-based auditors.
14	Inability to rely on the built-in and accessible internal control structure	Demonstrate weaknesses in the client's internal control by auditors and professional bodies and users, including the securities and tax organization, and the tax authorities, companies that lack an internal control system.
15	The disproportionate size of audit institutions in Iranian compare to international audit institutions	The merger of audit firms to increase institutions and training capability and the possibility of investing in a risk-based audit
16	Lack of required experience and lack of training resources	Increasing applied training to raise the level of senior management experience, including supervisors and senior managers

Conclusions

Based on the results obtained in this study, as well as considering the proposed factors, the most critical factors in the first hypothesis are considered as follow: lack of comprehensiveness of the guidelines and theoretical basis of risk-based auditing, lack of adequate educational resources, as well as the educational weakness of some of the employed auditors. Therefore, it is suggested that there is a need to increase educational resources and auditors' continued and specialized training. These findings are similar to the results of Williams Mozilla's (2014).

According to Salehi (2011), which shows the individual competency and ability in using statistical methods; secondly, the professional and legislation references effort in selecting risk-based auditing standards; thirdly, the timely financial information prepared by accountants; and finally, the auditors training via risk-based auditing are the main barriers to the members of Iranian Certified Public Accountants to implementing risk-based auditing in Iran.

The most critical factor in the third hypothesis (the structure and performance of auditors and audit firms), the lack of familiarity of auditor colleagues with information technology, and the lack of a comprehensive plan to quantify the assessment of internal controls based on certain indexes. That shows the auditors do not have enough familiarity with the audit software. Ghaviandam (2014) results show that the complex calculations used to calculate different audit risk levels do not lead to a risk-based audit process performed by audit firms and other auditors. Typically, most audit firms only do the first part of this process related to the audit planning and refuse to continue the instructions' supplementary elements because of saving time. Therefore, it is natural that if the appropriate software is provided to auditors, they fully perform and store the required calculations. It will significantly increase the speed and accuracy of determining the different levels of auditor's risk (Ghaviandam; 2014). Accordingly, Beattie et al. (2005) divided the factors influencing audit risk into two main categories the risk of "auditor" and the risk of

"audited firm."

By "auditor," they mean the inability to detect significant distortions, and also include such factors as professional knowledge of the auditor, professional judgment of the auditor, the willingness of the auditor to the risk, the auditor's understanding of the audited firm, the auditor's relationship with the audited firm, etc., which may lead to the wrong opinion of the auditors.

"Audited firm" includes the impact of the incorrect audit report that is given to the users of the financial statements by auditors, also the size of the audited firm, the level of importance, the degree of reliance of financial statements users.

Indeed, the quantitative growth and complexity of business activities, increasing the ability to defend the auditing reports in the case of lawsuits, raising public confidence in auditing reports and the presence of customer challenges, competition, and change (mainly reducing the time and cost of doing work) are the main reasons for changing audit technology and the use of audit risk management technology. Today, we can see that the auditors have exceeded their primary purpose, that is, the approval of financial statements.

The new auditing continues to develop with the presentation of the client's business risk approach. The new approach is based on the idea that a wide range of business risks of their clients' are related to auditors. Proponents of this approach believe that there are too many uncontrolled business risk effects on financial statements. Therefore, with a comprehensive understanding of the range of risks in the client's unit, auditors will be in a better position to identify the size and significance of these risks to the audit profession (Lee et al., 2008)

The fourth hypothesis (factors related to the client) is the absence of an audit committee that has been required by the client company. Since auditors are not continuously present at the audited firms, an effective audit committee can smoothly implement risk-based auditing.

Accordingly, Asadi et al. (2014) state that auditors should make and develop written guidelines on the use of risk assessment tools and review these guidelines with the audit committee and the board of directors, the reliability and formalize the guidelines for the firms individually depending on the size, complexity, activities area, geographic diversity, and different technologies used. The firm can rely on industry-standard or its experiences in risk rating. Auditors should use guidelines for a rating or assessing the main areas of risk and specifying the scope of privileges or evaluations (Asadi et al., 2014).

Accordingly, the results of various research studies show that in general. However, audit committees have seen in some companies' structure that this committee's organizational structure and responsibilities appear to have effective results in strengthening the internal control system by promoting the internal audit unit's status. And will significantly reduce the problems and obstacles in implementing adequate internal controls, and will make effective internal control of the priority of entities that more exposed to the risk and help effectively to business processes in adherence with the rules governing financial reporting and the operational activities of the business unit as well as the performance of independent auditors.

Given the importance and position of the audit committees and the role of the internal control system and risk management in business entities, if these mechanisms are dim, the implementation of risk-based audits is naturally tricky, and the auditor will have to use a different approach. (Shalile, 2009).

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