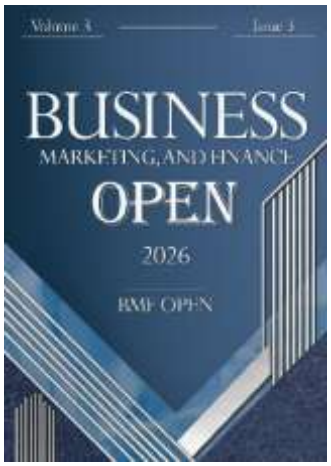
Examining Audit Strategies Affecting the Quality of Financial Reporting

Sajjad Azizi Barani[1], Nader Rezaei [2,*], Rasoul Abdi [3] and Asgar Pakmaram [4]

[1] Department of Accounting, Bon.C., Islamic Azad University, Bonab, Iran;
[2] Department of Accounting, Bon.C., Islamic Azad University, Bonab, Iran;
[3] Department of Accounting, Bon.C., Islamic Azad University, Bonab, Iran;
[4] Department of Accounting, Bon.C., Islamic Azad University, Bonab, Iran;

* Correspondence: nader.rezaeibonab@iau.ac.ir



Citation: Azizi Barani, S., Rezaei, N., Abdi, R., & Pakmaram, A. (2026). Examining Audit Strategies Affecting the Quality of Financial Reporting. *Business, Marketing, and Finance Open*, 3(3), 1-14.

Received: 15 July 2025
Revised: 18 November 2025
Accepted: 25 November 2025
Initial Publication: 04 December 2025
Final Publication: 01 May 2026

Abstract: In today's complex and dynamic world, financial reporting serves as a vital instrument for transparency and accountability in the domains of economics and business, playing an undeniable role. Auditors, by adopting various strategies such as aggressive, conservative, satisfactory, and defensive approaches, can employ different orientations in their auditing processes. The purpose of the present study is to provide an optimal model of audit strategies and examine their effect on the quality of financial reporting. This research is applied in terms of purpose and descriptive-survey in nature, conducted through both quantitative and qualitative methods. The statistical population of the study consists of all auditors who are members of the Iranian Association of Certified Public Accountants. In the qualitative phase, 10 individuals were selected for interviews to identify the components of audit strategy using the theoretical saturation method. In the quantitative phase, a sample size of 373 participants was determined from the statistical population. Data collection tools included interviews for the qualitative section and standard as well as researcher-developed questionnaires for the quantitative section. To analyze the data, content analysis was used in the qualitative phase, and structural equation modeling along with SPSS and SmartPLS software were used in the quantitative phase. The qualitative results indicate the identification of 32 components related to audit strategies. Furthermore, the quantitative findings show that all four audit strategies have a positive and significant effect on the quality of financial reporting.

Keywords: aggressive strategy, conservative strategy, satisfactory strategy, defensive strategy, financial reporting quality

1. Introduction

The quality of financial reporting has become one of the most fundamental pillars of transparency, accountability, and informed decision-making in contemporary economic systems. In increasingly complex and competitive business environments, stakeholders—ranging from investors and creditors to regulators and the broader public—depend heavily on the reliability of financial information to evaluate corporate performance and risk. Consequently, the role of auditors and the strategies they employ have attracted substantial scholarly and professional attention, as audit quality directly affects the credibility of reported financial outcomes [1]. The evolution of audit theory and practice shows that strategic choices made by auditors can profoundly influence how effectively financial misstatements, fraud risks, and reporting irregularities are identified and mitigated [2].

In recent years, an expansion of corporate activities, the global diffusion of capital markets, and the growing diversity of financial instruments have heightened the need for more robust auditing approaches. Research demonstrates that high-quality financial reporting relies not only on the internal systems of organizations but also on auditors' capacity to detect, evaluate, and communicate risks [3]. As firms face increasingly turbulent market conditions, changes in strategic orientation, and fluctuations in macroeconomic indicators, the alignment between audit strategies and reporting quality becomes even more essential [4].

Scholars have highlighted that internal audit quality and external audit mechanisms jointly shape the integrity of financial information. Internal auditors, when equipped with sufficient expertise, independence, and organizational support, significantly reduce misreporting risks and enhance the transparency of financial statements [3]. Similarly, the presence of effective audit committees and well-functioning internal control systems improves reporting practices and reduces the opportunities for earnings manipulation and fraud [5]. The interrelationship between audit efforts, managerial incentives, and corporate governance frameworks creates a multilayered environment within which audit strategies operate.

A growing body of research has examined various determinants of audit quality, particularly within the context of emerging markets. Studies in Iran, for example, have identified several structural and behavioral factors that affect audit performance, including workload pressures, professional competence, reporting incentives, and the governance context [6, 7]. These findings indicate that audit quality is not merely a technical construct but is shaped by social, organizational, and psychological dynamics. For instance, auditors' interactions, communication networks, and professional relationships can either strengthen or weaken the quality of audit judgments [8].

International literature corroborates these insights, noting that reduced audit quality practices often stem from stress, inadequate soft skills, or high role conflict among auditors [9]. Auditor well-being has emerged as a relevant determinant of performance, with burnout, pressure, and emotional strain contributing to weakened skepticism and impaired judgment [10]. Moreover, dispositional factors, such as religiosity or ethical orientation, have been found to mitigate quality-threatening behaviors under specific conditions [11]. These findings imply that audit strategies that fail to consider human factors may be insufficient, even when technical proficiency is high.

The economic and market environment also plays a central role in shaping audit strategy. Market concentration, competitive pressure among audit firms, fee arrangements, and audit partner characteristics influence the nature of auditor–client relationships and, consequently, the rigor of audit procedures [12-14]. Research has shown that abnormal audit fees or contingent fees can compromise audit independence and lead to biased reporting outcomes [15]. These relational and economic pressures can motivate auditors to adopt defensive, conservative, or even aggressive auditing strategies, depending on incentives and perceived risks.

The significance of risk considerations in shaping audit quality has also been demonstrated in the financial reporting literature. Various studies emphasize that risk-based auditing frameworks can improve audit outcomes by aligning audit efforts with the material risks facing firms [16]. Furthermore, financial and operational risks inherent in firms themselves have been shown to affect auditors' judgments and the emphasis they place on key audit matters [17]. Thus, the interplay between firm-level risk exposure and audit strategy selection is a critical area of inquiry.

The adoption of advanced technologies is reshaping contemporary audit environments. Artificial intelligence, data analytics, and automated decision systems now hold the capacity to transform audit planning, evidence collection, and risk assessment. These technologies enhance consistency and reduce human bias but also require new strategic considerations on the part of auditors [18]. Digital tools have heightened expectations for audit speed,

accuracy, and predictive capabilities, thereby adding complexity to the selection and implementation of audit strategies. The integration of such technologies represents both an opportunity and a challenge for auditors seeking to preserve or enhance financial reporting quality.

An intriguing perspective is offered by studies analyzing audit quality in diverse regulatory or institutional contexts. For instance, comparative research across countries, such as Iraq and Oman, reflects how differences in governance systems, regulatory oversight, and audit market maturity influence both audit quality and earnings management practices [19]. Likewise, in China, the role of external oversight—particularly independent inspection mechanisms—has been shown to moderate the effectiveness of quality management systems within audit firms [20]. These comparative insights illustrate the importance of institutional context in shaping audit strategies and outcomes.

Other research emphasizes corporate factors that influence the likelihood of fraudulent reporting and how auditors respond to such risks. The identification of internal and external factors driving fraudulent reporting behavior helps auditors refine their strategic focus, risk assessments, and resource allocation [21]. Such fraud-related strategic considerations are essential in ensuring credible financial statements and upholding market trust. Strong organizational culture, ethical norms, and governance mechanisms also moderate the influence of audit quality determinants, reinforcing the relevance of socio-organizational systems in audit performance [22].

Moreover, academic discussions highlight the role of audit quality in broader economic and industrial ecosystems. For example, although not directly related to financial reporting, geochemical audit frameworks—such as those assessing environmental risks from mining waste—demonstrate how sophisticated audit methodologies can be adapted across domains to evaluate and mitigate systemic risks [23]. Such cross-disciplinary insights provide a broader conceptual foundation for understanding how strategic auditing approaches can be optimized for reliability and public accountability.

Given the diversity of influencing factors—ranging from social dynamics and psychological conditions to economic incentives, institutional contexts, and technological evolution—there is a clear gap in the literature concerning the development of an integrated strategic model that encompasses these multiple dimensions of audit performance. Much of the existing research examines isolated determinants of audit quality without integrating them into a cohesive strategic framework [5, 16]. Furthermore, studies often overlook how strategies such as aggressive, conservative, satisfactory, and defensive approaches interact with auditors' behavioral tendencies, organizational conditions, and technological tools [2, 11].

Despite extensive empirical work, the relationship between auditing strategy and financial reporting quality remains fragmented, particularly in emerging markets where institutional structures, regulatory enforcement, and organizational culture vary considerably. The complexity of auditor–client interactions, the diversity of risk environments, and the rapidly changing technological landscape force auditors to make strategic choices that directly affect the integrity of financial reporting [7, 13]. The existing literature does not provide a comprehensive model that integrates human, organizational, technological, and market dimensions into a unified strategy-oriented framework for improving financial reporting quality.

This gap underscores the importance of developing optimal auditing strategies tailored to the specific characteristics of complex business environments, including regulatory conditions, organizational structures, and cultural influences [8, 10]. By understanding how aggressive, conservative, satisfactory, and defensive strategies influence financial reporting outcomes, researchers and practitioners can better align audit efforts with the evolving needs of the auditing profession and its stakeholders [9, 17].

Accordingly, the aim of this study is to develop an optimal model of auditing strategies and to examine their effect on the quality of financial reporting.

2. Methodology

This study, in terms of its objective, is a combination of developmental and applied methods, as it seeks to examine optimal auditing models and their effect on the quality of financial reporting. In terms of methodology, the research is descriptive–correlational. The nature of this work is such that, while utilizing the latest conceptual advancements, several new concepts and components are presented both individually and in combination. This study is considered applied because the conceptual model is developed according to the nature and characteristics of the stock exchange.

The statistical population for determining the auditing strategies consisted of members of the Iranian Association of Certified Public Accountants, totaling 3,152 individuals. The statistical population regarding the financial reporting quality questionnaire included financial managers and independent auditors of listed companies. Since many companies have subsidiaries or use multiple audit firms, the exact population size is unknown. Based on the following formula and the size of the population, a sample of 384 individuals was selected.

Descriptive and inferential statistics were used to analyze the data in this research. The first stage, known as the identification stage, was conducted through a review of internal and external electronic and non-electronic documents and, when necessary, interviews with experts and specialists. In addition, theoretical foundations and prior domestic and international studies were examined.

In the data-collection phase, considering that the research process is divided into three main steps, the first step involved independent accountants, and a researcher-developed questionnaire was used for data collection. Subsequently, the TOPSIS method was applied to prioritize the four types of audit strategies. A separate questionnaire was also developed for prioritizing these strategies, and opinions were collected from the same statistical population.

The second step, conducted in parallel with the first step, used the standard Financial Reporting Quality Questionnaire of the Iranian Accounting Association, administered to financial managers and auditors of firms listed on the Tehran Stock Exchange. In the model-testing phase, field methods and questionnaires were used to collect data. In inferential statistics, structural equation modeling techniques were applied.

To assess content validity of the questionnaire, the Content Validity Index (CVI) was used, and 10 experts in the field were consulted. The CVI scores obtained were 0.80 for the aggressive strategy, 0.83 for the competitive strategy, 0.81 for the defensive strategy, and 0.82 for the conservative strategy. For the financial reporting quality variable, the standardized Kavassi (2021) questionnaire was used. The Kavassi (2021) questionnaire consists of 27 items measuring financial reporting quality across six dimensions: comparability (CVI = 0.79), understandability (CVI = 0.78), relevance (CVI = 0.83), fair presentation, timeliness, and verifiability, with CVI values of 0.85, 0.88, and 0.80, respectively.

To assess reliability, 30 questionnaires were distributed among selected auditors within the statistical population. Cronbach's alpha coefficients for aggressive, competitive, defensive, and conservative strategies were 0.782, 0.779, 0.750, and 0.713, respectively. Reliability for the financial reporting quality measure was 0.977.

3. Findings and Results

The main objective of the research is to determine the optimal audit strategy model (aggressive, conservative, satisfactory, defensive) and its effect on the quality of financial reporting.

The interview questions are as follows:

What characteristics do optimal auditing strategies influencing financial reporting quality have?

What characteristics does the aggressive strategy influencing financial reporting quality have?

What characteristics does the conservative strategy influencing financial reporting quality have?

What characteristics does the satisfactory strategy influencing financial reporting quality have?

What characteristics does the defensive strategy influencing financial reporting quality have?

The following themes were extracted through interviews.

Table 1. Thematic Analysis of Interviews

Main Theme	Sub-Themes
Aggressive Strategy	1. Limiting staff responsibilities
	2. Using updated versions of accounting software
	3. Separation of commercial and personal bank accounts
	4. Keeping accounting books up-to-date
	5. Preparing budgets to achieve objectives
	6. Internal controls
	7. Utilization of accurate financial data
Conservative Strategy	8. Auditability
	9. Reducing agency costs
	10. Regulating capital flow
	11. Identifying new markets
	12. Expanding the scope of audit services
	13. Attention and support from senior managers toward investors for providing hardware and software and using modern technologies
	14. Adherence to laws, independence, and professional competence of the auditor
	15. Flexibility to adapt quickly to new technologies
	16. Maintaining independence and avoiding politicization and lack of transparency in auditing activities
Satisfactory Strategy	17. Having logical accounting knowledge
	18. Predictive value
	19. Confirmatory value
	20. Nature and materiality
	21. Substance over form
	22. Maintaining consistency in financial reporting
	23. Transparency in financial reporting
Defensive Strategy	24. Adherence to principles, coherent concepts, fundamental assumptions, and defined standards in preparation and development
	25. Efficiency in producing and distributing specific services or goods
	26. Achieving competitive advantage in the market
	27. Changing the product market mix
	28. Product stability for price-based competition
	29. Developing clear business understanding
	30. Use of financial reporting tools and technologies
	31. Conducting regular reviews and analysis of financial reports
	32. Collaboration between financial and commercial teams

Based on the results of interviews with 10 experts, 32 factors were identified as influential in optimal auditing strategies (aggressive, conservative, satisfactory, defensive) affecting the quality of financial reporting.

Statistical indicators including median, standard deviation, and error percentage (independent and dependent variables) are presented in this section. These indicators help improve understanding of the study variables.

Table 2. Descriptive Statistics of Research Variables

Variable	Minimum	Maximum	Mean	Standard Deviation	Variance	Skewness	Kurtosis
Aggressive Strategy	1.57	5	2.719	0.809	0.656	1.240	0.470
Conservative Strategy	1.67	5	3.631	0.476	0.227	-0.225	1.024
Satisfactory Strategy	1.57	5	3.967	0.625	0.392	-0.581	0.371
Defensive Strategy	1.22	5	3.991	0.816	0.667	-0.849	0.009
Financial Reporting Quality	2.07	4.96	4.020	0.504	0.255	-0.832	0.869

According to Table 2, the lowest mean value belongs to the "aggressive strategy" variable, and the highest belongs to the financial reporting quality variable. Since skewness values fall within the range of -3 to +3, the data follow a normal distribution. However, the Kolmogorov–Smirnov test showed significance levels below 0.05, indicating non-normal distribution; therefore, PLS software was used.

Figure 1 presents the research model, and Table 3 provides a summary of PLS quality indicators (factor loadings, Cronbach's alpha, composite reliability).

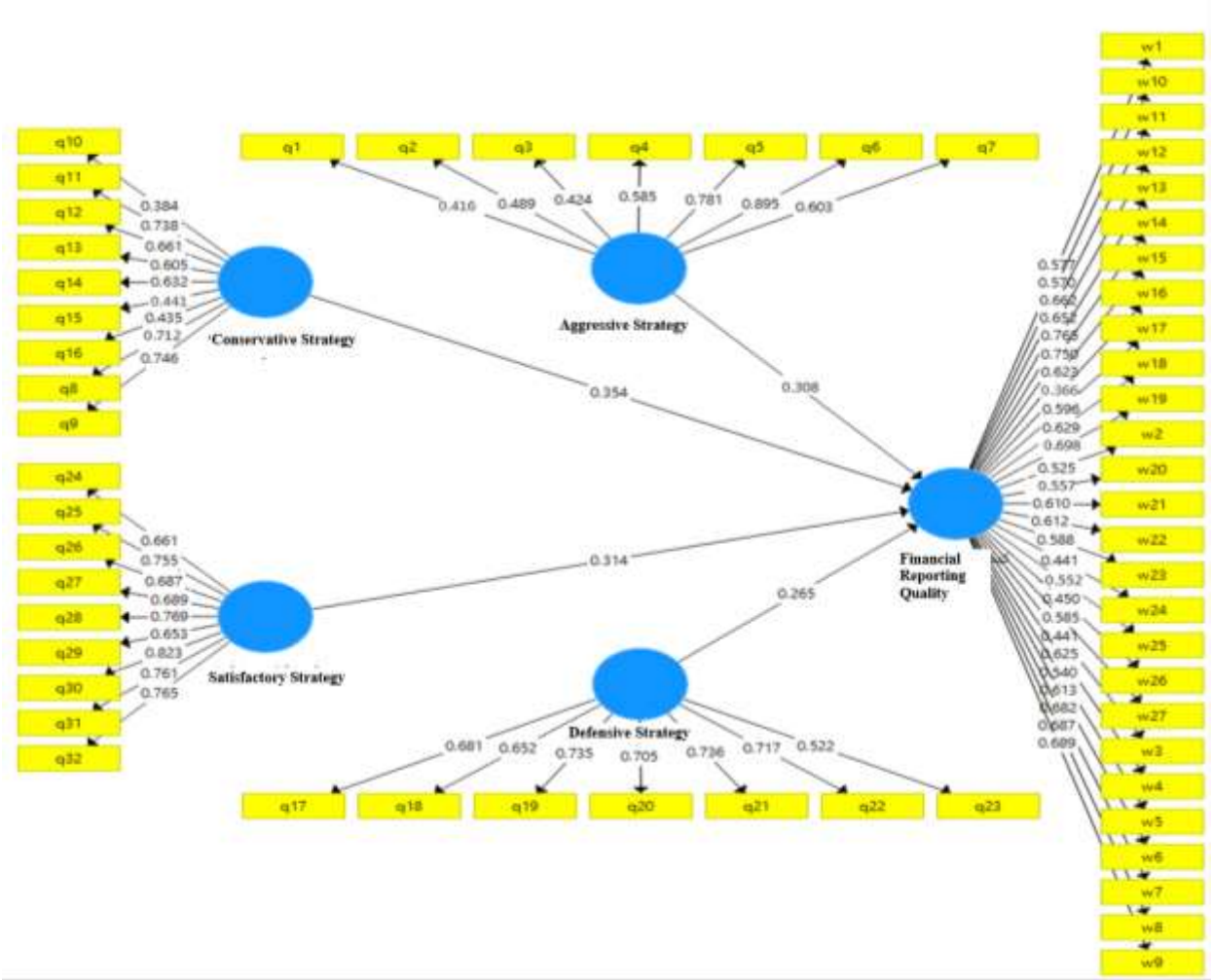


Figure 1. Research Model

Table 3. Summary of PLS Quality (Factor Loadings, Cronbach's Alpha, Composite Reliability)

Component	Item	Factor Loading	Cronbach's Alpha	Composite Reliability (CR)	AVE	Component	Item	Factor Loading	Cronbach's Alpha	CR	AVE
Aggressive Strategy	1	0.416	0.786	0.788	0.433	Financial Reporting Quality	1	0.577	0.901	0.915	0.423
	2	0.489					2	0.525			
	3	0.424					3	0.441			
	4	0.585					4	0.625			
	5	0.781					5	0.540			
	6	0.895					6	0.613			
	7	0.603					7	0.682			
Conservative Strategy	8	0.712	0.760	0.763	0.470		8	0.687			
	9	0.746					9	0.689			
	10	0.384					10	0.570			
	11	0.738					11	0.662			
	12	0.661					12	0.652			
	13	0.605					13	0.765			
	14	0.632					14	0.750			
	15	0.441					15	0.623			
	16	0.435					16	0.366			
Satisfactory Strategy	17	0.681	0.890	0.911	0.415		17	0.596			
	18	0.652					18	0.629			
	19	0.735					19	0.698			
	20	0.705					20	0.525			
	21	0.736					21	0.557			
	22	0.717					22	0.610			
	23	0.522					23	0.612			
Defensive Strategy	24	0.661	0.805	0.858	0.423		24	0.588			
	25	0.755					25	0.441			
	26	0.687					26	0.552			
	27	0.689					27	0.450			
	28	0.769									
	29	0.653									
	30	0.823									
	31	0.761									
	32	0.765									

This model demonstrates acceptable discriminant validity when diagonal values exceed the values beneath them. Since diagonal elements are larger than the corresponding off-diagonal entries, Table 4 confirms acceptable discriminant validity of all questionnaire constructs.

Table 4. Correlation Matrix and Discriminant Validity Based on Fornell–Larcker Criterion

Variable	Aggressive Strategy	Conservative Strategy	Satisfactory Strategy	Defensive Strategy	Financial Reporting Quality
Aggressive Strategy	0.847				
Conservative Strategy	0.643	0.839			
Satisfactory Strategy	0.648	0.561	0.800		
Defensive Strategy	0.538	0.581	0.614	0.861	
Financial Reporting Quality	0.658	0.576	0.605	0.495	0.888

According to Table 4, because the diagonal elements exceed the corresponding off-diagonal values, the constructs demonstrate acceptable discriminant validity.

In examining the structural model test, the significance coefficients of the indicators (t-values) and the R^2 criterion are calculated and interpreted.

The first criterion for assessing the goodness of fit of the structural model is the t-values, the results of which are presented in Figure 2. If the t-value exceeds 1.96, it indicates that the relationship between constructs is valid and, consequently, that the research hypotheses are confirmed at the 95% confidence level.

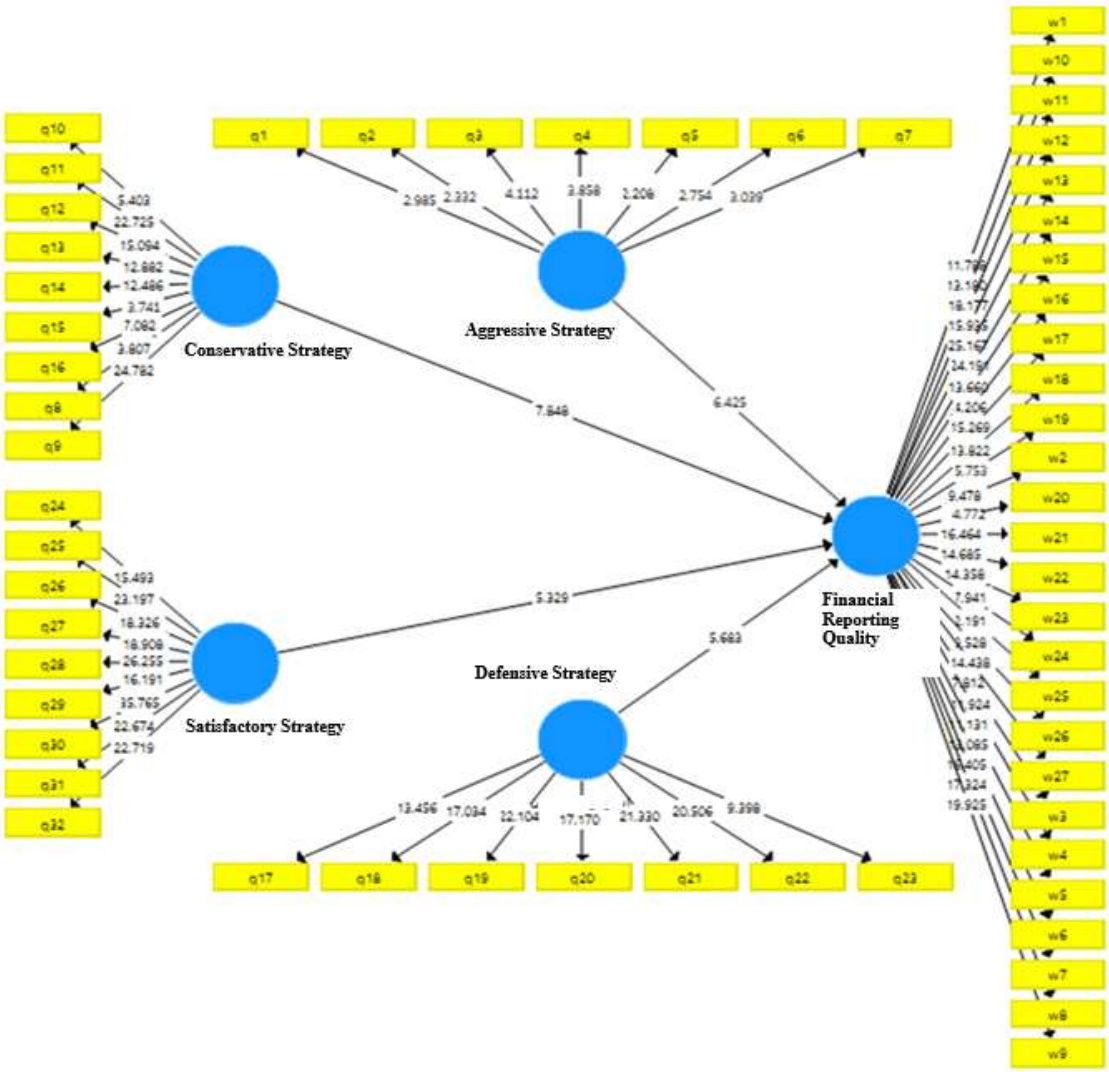


Figure 2. t-values of the indicators

Table 5. Examination of Relationships Between Variables

Relationship	Correlation Coefficient	t-statistic	Result
Determining the effect of aggressive strategy on financial reporting quality	0.308	6.425	Accepted
Determining the effect of conservative strategy on financial reporting quality	0.354	7.848	Accepted
Determining the effect of satisfactory strategy on financial reporting quality	0.314	5.329	Accepted
Determining the effect of defensive strategy on financial reporting quality	0.265	5.683	Accepted

In this stage, the weights of the criteria are multiplied by the normalized matrix.

Table 6. Determining the Weight Vector of Criteria and Alternatives

Weight	Item	Aggressive Strategy	Conservative Strategy	Satisfactory Strategy	Defensive Strategy
0.061	Limiting staff responsibilities	1.759	0.633	1.759	1.759
0.052	Using updated versions of accounting software	1.393	1.393	1.393	2.731
0.061	Separation of commercial and personal bank accounts	1.393	1.393	1.393	2.731
0.043	Keeping accounting books up-to-date	0.766	2.128	0.766	0.766
0.044	Preparing budgets to achieve objectives	1.759	0.633	1.759	1.759
0.043	Internal controls	1.759	1.759	1.759	0.633
0.040	Utilization of accurate financial data	1.759	1.759	1.759	0.633
0.041	Auditability	0.766	2.128	0.766	0.766
0.037	Reducing agency costs	1.759	0.633	1.759	1.759
0.036	Regulating capital flow	1.828	1.828	1.828	0.293
0.031	Identifying new markets	1.874	1.874	1.874	0.075
0.036	Expanding the scope of audit services	0.766	2.128	0.766	0.766
0.038	Attention and support of senior managers toward investors in providing software, hardware, and using modern technologies	1.759	0.633	1.759	1.759
0.026	Adherence to laws and regulations and the independence and professional competence of the auditor	1.828	1.828	1.828	0.293
0.024	Necessary flexibility to quickly adapt to new technologies	1.393	1.393	1.393	2.731
0.028	Maintaining independence and preventing politicization and lack of transparency in auditing activities	0.766	2.128	0.766	0.766
0.017	Having logical accounting knowledge	1.890	1.209	1.890	0.680
0.022	Predictive value	2.838	0.521	2.838	1.448
0.019	Confirmatory value	2.913	0.238	2.913	1.486
0.026	Nature and materiality	0.812	0.361	0.812	2.254
0.025	Substance over form	2.015	0.725	2.015	0.725
0.021	Maintaining consistency in financial reporting	2.743	0.896	2.743	1.400
0.019	Transparency in financial reporting	2.838	0.521	2.838	1.448
0.018	Adherence to principles, coherent concepts, fundamental assumptions, and defined standards in preparation and development	0.812	0.361	0.812	2.254
0.018	Efficiency in producing and distributing specific services or goods	2.015	0.725	2.015	0.725
0.016	Gaining competitive advantage in the market	2.913	0.238	2.913	1.486
0.016	Changing the composition of the product market	2.913	0.238	2.913	1.486
0.015	Product stability for price-based competition	0.812	0.361	0.812	2.254
0.014	Developing a clear understanding of the business	1.039	1.039	1.039	0.462
0.012	Use of financial reporting tools and technologies	2.120	0.339	2.120	0.763
0.012	Conducting regular reviews and analysis of financial reports	0.812	0.361	0.812	2.254
0.011	Collaboration between financial and commercial teams	2.015	0.725	2.015	0.725

Table 7. Final Rank of Components

Components	Rank
Limiting staff responsibilities	0.552
Using updated versions of accounting software	0.552
Separation of commercial and personal bank accounts	0.486
Keeping accounting books up-to-date	0.462
Preparing budgets to achieve objectives	0.408
Internal controls	0.378
Utilization of accurate financial data	0.372
Auditability	0.312
Reducing agency costs	0.294
Regulating capital flow	0.240
Identifying new markets	0.210
Expanding the scope of audit services	0.174
Attention and support of senior managers toward investors in providing software, hardware, and using modern technologies	0.150
Adherence to laws and regulations and the independence and professional competence of the auditor	0.132
Necessary flexibility to quickly adapt to new technologies	0.126
Maintaining independence and preventing politicization and lack of transparency in auditing activities	0.126
Having logical accounting knowledge	0.114
Predictive value	0.108
Confirmatory value	0.090
Nature and materiality	0.078
Substance over form	0.072
Maintaining consistency in financial reporting	0.072
Transparency in financial reporting	0.072
Adherence to principles, coherent concepts, fundamental assumptions, and defined standards in preparation and development	0.066
Efficiency in producing and distributing specific services or goods	0.054
Gaining competitive advantage in the market	0.054
Changing the composition of the product market	0.048
Product stability for price-based competition	0.042
Developing a clear understanding of the business	0.042
Use of financial reporting tools and technologies	0.042
Conducting regular reviews and analysis of financial reports	0.042
Collaboration between financial and commercial teams	0.024

Based on the results, it can be concluded that the component "collaboration between financial and commercial teams" is the least important factor influencing financial reporting quality, whereas "using updated versions of accounting software" and "limiting employees' responsibilities" are the most important components affecting financial reporting quality.

4. Discussion and Conclusion

The purpose of this study was to develop and test a model of optimal auditing strategies—aggressive, conservative, satisfactory, and defensive—and examine their effects on the quality of financial reporting. The findings demonstrated that all four strategies exert a significant and positive influence on financial reporting quality. This indicates that the way auditors approach their tasks, structure their procedures, and navigate organizational and environmental constraints can substantially enhance or weaken the reliability of financial

information. The results are consistent with a broad body of literature emphasizing the central role of auditors' strategic orientations in improving audit quality and, ultimately, the credibility of financial reports [1].

The positive effect of the aggressive strategy on financial reporting quality aligns with studies suggesting that auditors who adopt proactive and risk-sensitive approaches are more capable of detecting misstatements and identifying hidden irregularities. Research underscores that when auditors intensify their scrutiny, employ updated technologies, and enforce stricter procedures, the likelihood of detecting fraud and ensuring transparency increases [21]. Aggressive strategies, which include expanded testing and heightened professional skepticism, correspond with findings that emphasize the importance of auditor vigilance in environments where misreporting risks are substantial [4]. Similarly, the relationship between aggressive auditing and enhanced reporting quality supports studies identifying the significance of internal audit effectiveness and strong oversight functions in reducing the risk of manipulation and financial fraud [3].

Despite occasional concerns in the literature that overly aggressive approaches may strain auditor–client relationships or increase conflict, several scholars affirm that such approaches can enhance the overall credibility of audits by limiting opportunities for earnings management [19]. Furthermore, by incorporating advanced digital tools and analytics into aggressive strategies, auditors heighten their ability to identify discrepancies that may not be apparent through traditional audit procedures, an observation consistent with recent research on AI-driven audit enhancement [18]. Therefore, this study reinforces the notion that assertive and forward-leaning audit strategies can serve as effective mechanisms for preserving the integrity of financial reporting.

The significant impact of the conservative strategy on financial reporting quality highlights the importance of prudence, regulatory compliance, and risk aversion in audit processes. Conservative strategies align with the cautionary stance auditors must adopt when evaluating complex transactions, ambiguous judgments, and high-risk estimates. Prior studies have demonstrated that conservatism in audit planning reduces opportunities for aggressive accounting practices and limits managerial discretion in areas prone to manipulation [2]. The positive influence of conservative strategies found in this research is consistent with evidence that emphasizes the role of regulatory adherence, professional competence, and auditor independence in strengthening reporting outcomes [6].

Conservatism is also connected to the broader framework of governance structures and organizational culture. When auditors adopt conservative procedures, they implicitly reinforce a culture of compliance and ethical reporting within organizations. This observation aligns with studies showing that strong ethical commitments and organizational culture significantly moderate the influence of audit quality determinants on reporting integrity [22]. Moreover, the study's finding that conservative strategies improve reporting quality is supported by international research on the effectiveness of internal control systems and audit committees in promoting transparency and preventing financial irregularities [5].

The positive effect of the satisfactory strategy on financial reporting quality highlights the importance of auditors' technical knowledge, judgmental capabilities, and adherence to reporting principles. Satisfactory strategies involve the effective application of accounting standards, maintenance of reporting consistency, emphasis on relevance and reliability of information, and ensuring that the substance of transactions prevails over form. The results of this study reinforce the argument that audit quality is not solely dependent on procedural rigor but also on the cognitive and interpretive skills of auditors [8]. When auditors demonstrate a strong grasp of accounting concepts, predictive and confirmatory value assessments, and materiality judgments, they provide higher-quality assurance to users of financial statements.

Previous research confirms that soft skills, technical aptitude, and reduced stress levels among auditors contribute positively to audit judgment accuracy and reduce tendencies toward low-quality audit practices [9]. Moreover, the significance of satisfactory strategies aligns with literature suggesting that auditors with strong knowledge bases and balanced judgmental approaches are better equipped to navigate complex reporting environments and provide more reliable audit outcomes [11]. This finding is also consistent with studies emphasizing the importance of predictive and confirmatory value in evaluating the usefulness and credibility of financial information [4].

The substantial effect of the defensive strategy on financial reporting quality indicates that auditors' emphasis on adherence to standards, maintaining efficiency, and developing a clear understanding of clients' business models enhances the reliability of audit outcomes. Defensive strategies involve a structured and principle-based approach aimed at ensuring consistency, reliability, and comparability of financial information. This finding aligns with evidence that auditors who engage in thorough risk assessments, regular reviews, and structured analytical procedures significantly improve audit quality and reporting transparency [16].

The defensive strategy's influence is also consistent with research pointing to the role of audit market dynamics, audit fee structures, and firm-level incentives in shaping audit outcomes. Studies have shown that well-structured audit processes and adherence to professional guidelines help mitigate the negative effects of abnormal audit fees or concentrated audit markets on reporting quality [12, 15]. Furthermore, defensive strategies enhance the auditor's ability to achieve competitive advantage and strengthen professional independence, a trend consistent with findings related to audit partner characteristics and audit firm incentives [13, 14].

The results of this study collectively suggest that the four strategic approaches examined—aggressive, conservative, satisfactory, and defensive—each play unique but complementary roles in enhancing financial reporting quality. These findings correspond with broader international evidence highlighting the multi-dimensional nature of audit quality and the importance of aligning audit strategies with organizational culture, auditor characteristics, technological systems, and governance frameworks [10, 20]. By confirming that all strategies significantly contribute to reporting quality, this research provides empirical support for the development of holistic audit models integrating behavioral, technical, ethical, and environmental dimensions.

Additionally, the prioritization analysis revealed that certain components—such as limiting employee responsibilities, updating software systems, separating personal and business accounts, and maintaining up-to-date financial records—play particularly influential roles within these strategies. These findings align with research emphasizing the importance of precise data, effective internal controls, and technological sophistication in improving financial reporting practices [17]. The identification of these priority components contributes to refining strategic audit models that can adapt to dynamic environments and increasingly complex business structures.

Overall, the findings underscore that audit strategy selection is not merely a procedural choice but a multidimensional decision influenced by economic, organizational, personal, and technological factors. The integration of all four strategies, as supported by extensive prior literature, enhances the robustness of audit performance and strengthens the credibility of financial reporting [7, 18]. This study contributes to advancing theoretical perspectives on audit strategy while offering practical insights into how auditors can better align their approaches with stakeholder expectations and contemporary professional standards.

This study, despite its contributions, is limited by its reliance on self-reported data from auditors and financial managers, which may be affected by response biases or subjective interpretations. The use of cross-sectional data restricts the ability to infer causal relationships between audit strategies and financial reporting quality.

Additionally, the study was conducted within the specific institutional and regulatory environment of Iran, which may limit the generalizability of the findings to other contexts with differing audit market structures or governance systems. The qualitative phase involved a relatively small number of experts, which may not capture the full diversity of professional viewpoints across the auditing field.

Future studies could employ longitudinal designs to investigate how changes in audit strategies over time influence financial reporting outcomes. Researchers may also explore comparative analyses across different countries to examine how institutional contexts moderate the relationship between audit strategy and reporting quality. Further work could incorporate experimental designs or behavioral audits to capture real-time auditor decision-making. In addition, integrating machine learning models or AI-assisted audit tools into future frameworks could offer deeper insights into how technology reshapes strategic auditing behaviors.

Auditors should consider integrating multiple strategic approaches to enhance the robustness of their audits, combining proactive risk assessment with conservative judgment and strong adherence to standards. Audit firms may benefit from increasing investments in training programs focused on soft skills, ethical reasoning, and technological competencies. Organizations should strengthen internal control environments and improve communication channels between financial and operational units to support more effective audit engagements.

Authors' Contributions

Authors equally contributed to this article.

Ethical Considerations

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

Acknowledgments

Authors thank all participants who participate in this study.

Conflict of Interest

The authors report no conflict of interest.

Funding/Financial Support

According to the authors, this article has no financial support.

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