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Exploring the Quality of SME Audits in the UAE

Ahmad Abdul Fattah Odeh

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UNITED ARAB EMIRATES UNIVERSITY

College of Business and Economics

EXPLORING THE QUALITY OF SME AUDITS IN THE UAE

Ahmad Abdul Fattah Odeh

This dissertation is submitted in partial fulfilment of the requirements for
the degree of Doctorate of Business Administration

Under the Supervision of Dr. Rihab Khalifa

December 2015

Declaration of Original Work

I, Ahmad Odeh, the undersigned, a graduate student at the United Arab Emirates University (UAEU), and the author of this dissertation entitled “*Exploring The Quality Of SME Audits In The UAE*”, hereby, solemnly declare that this dissertation is my own original research work that has been done and prepared by me under the supervision of Dr. Rihab Khalifa, in the College of Business and Economics at UAEU. This work has not previously been presented or published, or formed the basis for the award of any academic degree, diploma or a similar title at this or any other university. Any materials borrowed from other sources (whether published or unpublished) and relied upon or included in my dissertation have been properly cited and acknowledged in accordance with appropriate academic conventions. I further declare that there is no potential conflict of interest with respect to the research, data collection, authorship, presentation and/or publication of this dissertation.

Student’s Signature _____ Date _____

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Abstract

[Purpose: The aim of this dissertation is to investigate audit quality in the UAE for small and medium sized companies, using the Framework for Audit Quality proposed by the IAASB]. [Design/Methodology/Approach: The methodology used was to describe the laws and regulations now in place in the GCC and to review some of the existing authorities that are working to regulate the audit industry in the country's private sector. Next, questionnaires were used to measure the perception of audit quality in SMEs, which was analyzed by means of factor analysis. A number of interviews were also conducted over the same variables of the framework and the resulting data were analyzed using NVIVO. Finally, a field experiment was conducted in the UAE]. [Findings: It was noted that the regulation over the audit industry is under-developed. It was also noted that there are differences in the perceptions of audit quality in the SME market. Finally, it was noted that audits are being conducted for SMEs in the UAE without adherence to auditing standards]. [Limitations: Measuring audit quality directly by obtaining confidential audit files is very challenging]. [Originality/Value: It was expected that the study would identify major weaknesses affecting audit quality in the SME market in the UAE].

Keywords: audit, audit quality, small and medium size enterprises (SME's), UAE, governance, GCC, regulation, private sector, social experiment, IAASB audit framework.

TITLE AND ABSTRACT (IN ARABIC)

استكشاف جودة المراجعة : للشركات الصغيرة والمتوسطة في دولة الإمارات العربية

المتحدة

الملخص

الهدف من هذه الدراسة هو استكشاف جودة التدقيق المالي في دولة الإمارات العربية المتحدة

للشركات الصغيرة والمتوسطة الحجم، وذلك باستخدام إطار مراجعة الجودة التي اقترحها IAASB. إن المنهجية المستخدمة في الدراسة هي القيام بوصف للقوانين واللوائح المعمول بها في دول مجلس التعاون الخليجي واستعراض بعض السلطات القائمة التي تعمل على تنظيم مهنة التدقيق في القطاع الخاص في دولة الإمارات العربية المتحدة وبعدها استخدام استبيانات لقياس مفهوم جودة التدقيق لدى الشركات الصغيرة والمتوسطة التي تم تحليلها باستخدام التحليل العائلي. وتم إجراء عدد من المقابلات أيضا في نفس إطار المتغيرات وتم تحليل البيانات باستخدام NVIVO. وأخيرا، تم إجراء تجربة ميدانية في دولة الإمارات العربية المتحدة.

لوحظ أن التنظيم على مهنة التدقيق المالي غير مكتملة و ليست كافية. كما لوحظ أن هناك اختلافات في مفاهيم جودة التدقيق في سوق الشركات الصغيرة والمتوسطة. وأخيرا، لوحظ أن عمليات التدقيق للشركات الصغيرة والمتوسطة في دولة الإمارات العربية المتحدة تجري ويتم العمل بها دون التقيد بمعايير التدقيق العالمية. من الصعب للغاية قياس جودة التدقيق مباشرة لأنه من الصعب الحصول على ملفات التدقيق السرية. من المتوقع أن الدراسة ستحدد نقاط الضعف الرئيسية التي تؤثر على جودة التدقيق في سوق الشركات الصغيرة والمتوسطة في دولة الإمارات العربية المتحدة.

مفاهيم البحث الرئيسية: التدقيق وجودة التدقيق، المؤسسات الصغيرة والمتوسطة الحجم، الإمارات العربية المتحدة، والحوكمة، دول مجلس التعاون الخليجي، التنظيم، والقطاع الخاص، الدراسات الاجتماعية، إطار التدقيق IAASB

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Dedication

To my beloved parents, wife, and daughters

Table of Contents

Title	i
Declaration of Original Work	ii
Copyright	iii
Advisory Committee	iv
Approval of the Doctorate Dissertation	v
Abstract	vii
Title and Abstract (in Arabic)	viii
Acknowledgements	ix
Dedication	xi
Table of Contents	xii
Chapter 1: Introduction	1
1.1 Preamble	1
1.2 Study aims, objectives and questions	7
1.3 Research justification and significance	7
1.4 Research design and theoretical framework	8
1.5 Assumptions and scope.....	9
1.6 Dissertation Plan.....	9
Chapter 2: Literature Review	11
2.1 The Need for the Function of Audit	11
2.2 Defining Audit Quality	14
2.3 Direct and Indirect Approaches to Audit Quality	22
2.3.1 Direct Approach.....	23
2.3.2 Indirect Approach	23
2.4 Audit Quality Frameworks	28
Chapter 3: the context of the Audit Industry in The GCC	35
3.1 Introduction.....	35
3.2 The Regulatory Context of Auditing in the GCC	36
3.2.1 Kingdom of Saudi Arabia.....	37
3.2.2 Kingdom of Bahrain	38
3.2.3 Oman.....	39
3.2.4 Qatar	39
3.2.5 Kuwait.....	40
3.3 The Regulatory and Professional Arena in the UAE.....	40
3.3.1 Accounting and Auditing Institutes	41
3.3.1.1 State Audit Institute (SAI).....	41
3.3.1.2 Abu Dhabi Accountability Authority (ADAA).....	42
3.3.2 Accounting and Auditing Regulators	43
3.3.2.1 Dubai Financial Service Authority (DFSA).....	45
3.3.3 Accounting and Audit Firms in the UAE	47
3.4 SMEs in the UAE	48
3.5 Conclusions.....	52

Chapter 4: Research Methodology.....	53
4.1 Research Questions and Hypothesis.....	53
4.2 Research Paradigm, Strategy and Design.....	55
4.3 Audit Quality: a Theoretical Framework.....	61
4.3.1 Model Input Factors.....	64
4.3.2 Model Output Factors.....	65
4.3.3 Model Interaction Factors.....	66
4.3.4 Model Contextual Factors.....	68
4.4 Data Collection Methods.....	71
4.4.1 Interviews.....	71
4.4.2 Survey.....	75
4.4.3 Participant Observation.....	76
4.4.4 Social Experiment.....	79
4.5 Data Analysis.....	80
4.6 Bracketing: Insider Role and Research Bias.....	80
4.7 Validation of procedures.....	82
4.8 Ethical Issues.....	83
Chapter 5: IAASB Audit Quality Framework - Survey Results.....	86
5.1 Introduction.....	86
5.2 Respondents Background.....	86
5.3 Reliability Analysis.....	93
5.4 Results for Input Factors.....	94
5.4.1 Inputs – Values, Ethics, and Attitudes.....	94
5.4.2 Inputs – Knowledge, Experience and Time.....	100
5.4.3 Inputs – Audit Process and Quality Control Procedures.....	105
5.5 Results for Output Factors.....	111
5.6 Results for Interaction Factors.....	115
5.7 Results for Contextual Factors.....	120
Chapter 6: Discussion and Analysis – Input Factors.....	126
6.1 Introduction.....	126
6.2 Input Factors.....	127
6.2.1 Inputs – Values, Ethics, and Attitudes.....	127
6.2.2 Inputs – Knowledge, Experience and Time.....	135
6.2.3 Inputs - Audit Process and Quality Control Procedures.....	138
6.3 Conclusions.....	144
Chapter 7: Discussion and Analysis – Output, Interaction and Contextual Factors.....	147
7.1 Introduction.....	147
7.2 Output Factor Analysis.....	147
7.3 Interaction Factor Analysis.....	151
7.4 Contextual Factor Analysis.....	154
7.5 Conclusions.....	156
Chapter 8: The quality of audits: Evidence from a field experiment in the UAE.....	159
8.1 Introduction.....	159

8.2 Experimental Population and Sample.....	161
8.3 Experimental Design	162
8.4 Experiment Results	163
8.5 Discussion.....	165
8.6 Ethical Considerations	174
8.7 Conclusions.....	176
Chapter 9: Conclusions & recommendations.....	177
9.1 Summary and Main Findings.....	177
9.2 Theoretical Contribution of the Dissertation	184
9.3 Practical Implications and Recommendations – Towards Better Quality Audits for SMEs in the UAE	184
9.4 Further Research	188
9.5 Disseminations of Results.....	189
9.6 Limitations of the Study	190
9.7 Reflections on Meeting the DBA Program Goals	192
Appendices	204
Appendix 1 – Subject Entities as Defined by ADAA.....	204
Appendix 2 - List of the most Productive Free Zones in the UAE.....	206
Appendix 3 – DFSA Findings	208
Appendix 4 - List of Audit Firms	211
Appendix 5 – Interview Protocols	214
Appendix 6 – Circulated Survey – Mid-tier auditors	217
Appendix 7 – Circulated Survey – BIG 4 auditors.....	237
Appendix 8 – Circulated Survey – Professionals	260
Appendix 9 – Circulated Email	283
Appendix 10 – Original Profit and Loss Statement of Company for the period ended 30 November 2014	284
Appendix 11 - Original Balance Sheet of the Company as of 30 November 2014.....	285
Appendix 12 – Modified Profit and Loss Statement of Company for the period ended 30 November 2014	286
Appendix 13- Modified Balance Sheet of the Company as of 30 November 2014.....	287
Appendix 14 – DBA Program Learning Outcomes.....	288

List of Tables

Table 1 - IAASB's Audit Quality Framework	61
Table 2 - Interviewee Characteristics	74
Table 3 - Age Groups of Survey Respondents	86
Table 4 - Distribution of Age among the Sampled Groups of Participants	86
Table 5 - Gender of Survey Respondents	87
Table 6 - Distribution of Gender among the Sampled Groups of Participants	87
Table 7 - Distribution of Ethnicity among the Sampled Groups of Participants	87
Table 8 - Distribution of Academic Qualification among the Sampled Groups of Participants	88
Table 9 - Distribution of Highest Academic Qualifications Attained among the Sampled Groups of Participants	88
Table 10 - Distribution of Remuneration of Survey Respondents	89
Table 11 - Distribution of Remuneration among the Sampled Groups of Participants	89
Table 12 - Organization Size of Survey Respondents	90
Table 13 - Distribution Based on Organization Size among the Sampled Group of Participants	90
Table 14 - Distribution of Survey Respondent by Emirates	91
Table 15 - Distribution of Survey Respondent by Years of Audit Experience.....	91
Table 16 - Distribution of Years of Audit Experience among the Sampled Group of Survey Participants	92
Table 17 - Distribution of Survey Respondents by Year of Audit Experience in the UAE.....	92
Table 18 - Distribution of Survey Respondents by Year of Audit Experience in the UAE among the Sampled Groups of Participants	93
Table 19 - Reliability Statistics of Audit Quality Framework	93
Table 20 - Factor Analysis of Inputs – Values, Ethics, and Attitudes Communalities	94
Table 21 - Component Matrix of Inputs – Values, Ethics, and Attitudes.....	95
Table 22 - Total Variance Explained of Inputs – Values, Ethics, and Attitudes	95
Table 23 - Test of Homogeneity of Variances of Inputs – Values, Ethics, and Attitudes	96
Table 24 - Tests of Normality of Inputs – Values, Ethics, and Attitudes	97
Table 25 - ANOVA Rank of Inputs: Values Ethics and Attitudes	97
Table 26 - Tests of Between Subjects Effects - Dependent Variable: Rank of Inputs: Values, Ethics, and Attitudes.....	98
Table 27 - Factor Analysis of Inputs – Knowledge, Experience and Time Communalities.....	100
Table 28 - Component Matrix of Inputs – Knowledge, Experience and Time.....	101
Table 29 - Total Variance Explained of Inputs – Knowledge, Experience and Time	101

Table 30 - Test of Homogeneity of Variances of Inputs – Knowledge, Experience and Time	102
Table 31 - Tests of Normality of Inputs – Knowledge, Experience and Time	102
Table 32 - ANOVA Inputs: Knowledge, experience and time	103
Table 33 - Tests of Between Subjects Effects - Dependent Variable – Inputs: Knowledge, Experience and Time.....	103
Table 34 - Factor Analysis of Inputs – Audit Process and Quality Control Procedures Communalities.....	105
Table 35 - Component Matrix of Inputs – Audit Process and Quality Control Procedures	106
Table 36 - Total Variance Explained of Inputs – Audit Process and Quality Control Procedures	107
Table 37 - Test of Homogeneity of Variances of Inputs – Audit Process and Quality Control Procedures	108
Table 38 - Tests of Normality of Inputs – Audit Process and Quality Control Procedures	108
Table 39 - ANOVA - Inputs: Audit Process and Quality Control Procedures	108
Table 40 - Tests of Between Subjects Effects - Dependent Variable: Inputs Audit Process and Quality Control Procedures	109
Table 41 - Factor Analysis of Output Communalities	111
Table 42 - Component Matrix of Output Factors	111
Table 43 - Total Variance Explained of Output Factors	111
Table 44 - Test of Homogeneity of Variances of Output Factors.....	112
Table 45 - Tests of Normality of Output Factors	112
Table 46 - ANOVA of Output Factors.....	113
Table 47 - Tests of Between Subjects Effects - Dependent Variable - Output Factors	113
Table 48 - Factor Analysis of Interaction Communalities.....	115
Table 49 - Component Matrix of Interaction Factors	115
Table 50 - Total Variance Explained of Interaction Factors.....	115
Table 51 - Test of Homogeneity of Variances of Interaction Factors.....	116
Table 52 - Tests of Normality of Interaction Factors.....	117
Table 53 - ANOVA Rank of Interaction Factors	117
Table 54 - Tests of Between Subjects Effects Dependent Variable: Rank of Interactions	117
Table 55 - Factor Analysis of Contextual Communalities.....	120
Table 56 - Component Matrix of Contextual Factors	120
Table 57 - Total Variance Explained of Contextual Factors.....	121
Table 58 - Test of Homogeneity of Variances of Contextual Factors	121
Table 59 - Tests of Normality of Contextual Factors	122
Table 60 - ANOVA Rank of Contextual Factors.....	122
Table 61 - Test of Homogeneity of Variances – Culture Variable	122
Table 62 - Tests of Normality of Culture Variable	123

Table 63 - ANOVA – Culture Variable	123
Table 64 - Tests of Between Subjects Effects Dependent Variable: Culture	123
Table 65 - Summary of Experiment Audit Proposals	164
Table 66 - Summary of the Fees of Audit Offers.....	165
Table 67 - Summary of Timeframe of Audit Offers	165
Table 68 - Client Acceptance Assessment Based on Appropriate Audit Procedure	167
Table 69 - Engagement Planning Assessment Based on Appropriate Audit Procedure	170
Table 70 - Minimum Audit Procedures Required.....	172
Table 71 - List of ADAA Subject Entities	204
Table 72 - List of Free Zones in the UAE.....	206
Table 73 - List of Audit Firms in the UAE	211
Table 74 - Experiment: Original Profit and Loss Statement of Company for the period ended 30 November 2014	284
Table 75 - Experiment: Original Balance Sheet of the Company as of 30 November 2014	285
Table 76 - Experiment: Modified Profit and Loss Statement of Company for the period ended 30 November 2014	286
Table 77 - Experiment: Modified Balance Sheet of the Company as of 30 November 2014	287

List of Figures

Figure 1 Francis' Audit Quality Framework (2011).....	28
Figure 2 Public Company Accounting Oversight Board Audit Quality Framework.	30
Figure 3 IAASB Audit Quality Framework Elements.....	32
Figure 4 Dubai SME Definition of SME's	49
Figure 5 Breakdown of SME's by Size in Other Countries.....	50
Figure 6 SME's Contribution to GDP.....	50
Figure 7 Research Philosophy.....	55
Figure 8 Interaction Factors as per IAASB's Audit Quality Framework.....	66
Figure 9 Contextual Factors as per IAASB's Audit Quality Framework.....	68
Figure 10 Mean Average Between Sampled Participants – Input: Values, Ethics, and Attitude	99
Figure 11 Mean Average between Sampled Participants – Input: Knowledge, Experience, and Time	105
Figure 12 Mean Average between Sampled Participants – Input: Audit Process and Quality Control Procedures	110
Figure 13 Mean Average between Sampled Participants – Outputs Factors	114
Figure 14 Mean Average between Sampled Participants – Interactions Factors.....	119
Figure 15 Mean Average between Sampled Participants – Contextual Factors	124
Figure 16 Ethical Principles	131
Figure 17 Summary of DFSA Reviews	208

LIST OF ABBREVIATIONS

AAOIFI	Accounting and Auditing Organization of Islamic Financial Institute
ACCA	Association of Chartered Certified Accountant
ADAA	Abu Dhabi Accountability Authority
AICPA	American Institute of Certified Public Accountants
DFSA	Dubai Financial Service Authority
DIFC	Dubai International Financial Centre
FASB	Financial Accounting Standards Board
GAAP	General Accepted Accounting Principles
GCC	Gulf Cooperation Council
GCCAAO	Gulf Cooperation Council Accounting and Auditing Organization
IAASB	International Auditing and Assurance Standards Board
IAS	International Accounting Standards
IASB	International Accounting Standard Board
ICAEW	Institute of Chartered Accountants in England and Wales
IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standards
ISQC	International Standards of Quality Controls
PCAOB	Public Company Accounting Oversight Board
SAI	State Audit Institute
SEC	Securities and Exchange Commission
SME	Small and Medium Enterprise
SOCPA	Saudi Organization for Certified Public Accountants
UAE	United Arab Emirates

CHAPTER 1: INTRODUCTION

1.1 Preamble

Issues of audit quality and the value of audits have been of prime interest to practitioners and researchers alike for some time now (Francis, 2011). Discussions of quality are often revived in the wake of global financial scandals such as Enron and WorldCom (Francis, 2011). As a result, the value of the auditing profession and quality of audits provided are regularly questioned (Kilgore, Radich, & Harrison, 2011). The general interest in the issue of ‘audit quality’ is evident in the large volume of publications and debates by academics and professionals, as well as the public media in general. Although such attention is vital for a continued discussion on ways to improve the services provided by the profession, such debates rarely extend to the audits performed for small and medium sized clients, or in the context of emerging economies. To add to their number, this dissertation aims to focus discussions of audit quality on an often ignored, but influential sector of SME clients in the context of the UAE.

Financial statements audit are defined as “an examination of the quality of a company’s accounts to reassure shareholders that the information in them is useful and unbiased for the purposes of deciding whether their resources are being used efficiently and to confirm, as far as is reasonable, their freedom from fraud and error” (Sherer & Kent 1983). Although many theories attempt to explain the value of audits, for example, the approaches of Mautz & Sharaf (1961), Flint (1971), and Lee (1972), and market based theories such as the information hypothesis, agency theory and insurance hypothesis (Wallace, 1981), the divergent approaches taken by these theories may explain the emergence of an expectations gap (Humphrey, Moizer, & Turley 1993). In other words, if the persistence of audits even in unregulated

markets can be explained by competing and at times conflicting theories, it is not surprising that the expectations of the role of audits in society will be diverge and hence the quality of the audits provided (Humphrey et al. 1993). The normative approach followed by some of the theories outlined above has led to a new strand of research in the field calling for field studies to “explore the socially constructed nature of auditing and the process by which the conflicts and pressures in the auditor’s working environment are accommodated” (Berger, Humphrey, & Pulley 1997). With this in mind, this dissertation will explore issues of audit quality by examining the field of SME audits in the UAE. Thus, this research takes a field-based research approach, whereby the practices of auditors on SME clients are explored by means of field research.

Audit quality is a complex issue because it is not easily observable, and is often linked only to the final output of the process of auditing, namely, the audit report (Colbert & Murray 1998). Adopting an economic perspective, the independent auditor's aim is to work to make companies more efficient through verifying their financial statements. The process of verification presupposes the accumulation and evaluation of evidence (Balsam, Krishnan, & Yang 2003). This evidence is used also as the basis for forming the auditor’s professional opinion concerning the financial statements. Therefore, the auditor's opinion is considered the key to the credibility and quality of company’s financial statements. Poor auditing leads to misleading financial statements that affect stakeholders’ economic decisions and the perception of auditors (Sawyer, 2006). Proper auditing requires competent individuals who use their knowledge, skills, experience and neutrality to make professional judgments supported by the circumstances and facts.

Audit quality has also been defined as the probability that an independent auditor will identify a failure in the accounting system of a company and will report it (Deangelo, 1981). This means that an auditor should be technically competent in detecting errors during auditing and neutral in ensuring that errors are corrected or noted in the auditor's report. The credibility of the audit function and the perception of its quality are core components of an effective capital market. A high level of expertise and awareness in the tasks are vital for high audit quality.

Professional skepticism, expertise and the auditor's high degree of knowledge are essential factors contributing to the quality of the auditor's judgment (Al-Thuneibat et al., 2011); (Ghosh & Moon, 2005); (Carcello, Hermanson, & McGrath 1992); (Ghosh & Moon, 2005). Moreover, economic pressures and client retention are relevant to this list. High quality auditing ensures reliability and trust in financial reports. In addition, it is closely related to the confidence of the market capital (Ghosh & Moon, 2005). At the same time, market confidence, the reliability of financial statements, and respect for the audit function are related to the perception of audit quality. High quality auditing and the perception of audit quality have been of serious concern in recent years because of the collapses of companies due to auditing failures.

A different way of looking at audit quality focuses on factors such as inputs, outputs, and context (Francis, 2011). One of the most important inputs is the personal characteristics of the auditor, including the ethical norms and values held, experience, skills, thinking, and attitudes. Another audit quality input is the audit process itself. It deals with the effectiveness of the auditor's tools, the audit methodology, the availability of proper technical support, and other factors. Audit quality is also influenced by numerous other outputs, since they are considered by

stakeholders in their audit quality assessment (Colbert & Murray 1998). For example, the report provided by an auditor may be treated as a positive contribution to audit quality, but only if it suggests a clear audit outcome. The degree to which their compliance with auditing standards is a way to define audit quality. In addition, several different contextual factors can impact audit quality. For example, good corporate governance enhances the quality of the audit by creating an environment of transparency and sound ethical behaviors. Moreover, regulations, laws, and the quality of the financial reporting framework may positively influence audit quality.

In general, audit quality can be influenced by additional factors which are not linked to input or output only, such as the culture of the auditing firm; the consulting culture of an auditing firm; the auditor's understanding of business and financial report risks; the quality control of the auditing firm; the auditor's level of training; his/her knowledge of the industry; reviews of auditing firm quality and expertise; and the accountability of partners (Al-Thuneibat, Al-Issa and Baker, 2011), (Arrunada, 1999), (Jong-Hag, Kim, Jeong-Bon, & Yoonseok, 2010), and (Niemi, 2004). All these elements highlight the complex nature of auditing and the judgment that one can make about its quality.

Approaches to judging audit quality also vary. While some emphasize the value of direct approaches (Colbert & Murray 1998), difficulties in the access to audit firms, as well as problems in measuring directly the quality of auditing make this approach difficult to apply in practice (Balsam, Krishnan, & Yang 2003). Indirect approaches are portrayed as alternative ways of measuring the quality of auditing, and as a result greater emphasis falls on assessing the quality of the components of the audit process. The main task is to set up the procedures of formal

and informal quality monitoring through audit reviews, control reviews, compliance reviews, training, and learning (Colbert & Murray 1998).

The limitations of the various approaches outlined above, which focus on one single aspect of an audit as a proxy in measuring its quality, make it prudent to adopt a more holistic approach to examining quality issues. Hence, in defining audit quality this dissertation adopts a more holistic which includes many aspects of an audit. According to the IAASB, high audit quality is likely when “*an engagement team exhibits appropriate values, ethics and attitude and when the team applies a rigorous audit process and quality control procedures. It's also most likely achieved when auditors have sufficient knowledge and experience, have sufficient time to perform the audit work, receive valuable and timely reports and interact appropriately with a variety of different stakeholders*” (cited in Whitehouse, 2013).

Following the above definition, this study adopts the **IAASB audit quality frame** which accommodates all the elements impacting on audit quality at the engagement level, national level and firm level. The framework starts with the input factors impacting on audit quality such as ethics, knowledge, attitude, etc. Second, the framework reviews the output factors that result in the auditor’s opinion and financial reports. Finally, the framework considers audit quality within the contextual factors that are specific to a country’s laws and regulations through the interactions that take place in the auditing process.

A strong contributing factor to the issue of audit quality is **the regulatory framework for auditing in the UAE**, which can be described as unique. Although the UAE has recently experienced considerable growth in financial activities and investment, this has not been accompanied by concomitant development in the regulatory and professional structure of the auditing profession, and the nature of the

profession remains fragmented (Khalifa, 2012). One of the major areas that reflect this is the variation in financial reporting requirements. For example, while companies in the free zone prepare their financial statements according to international financial reporting standards (IFRS), others outside the free zone may choose a different framework for reporting (e.g. GAAP or the German GAAP). Another aspect that reflects the fragmented nature of the audit industry in the UAE is the rivalry in jurisdictional claims by various entities: while governmental entities under the government of Abu Dhabi are audited by ADAA, free zones have different auditing requirements. Banks also play a role, as they ‘informally’ give auditors ‘A’, ‘B’, or ‘C’ ranking, based on their own ideas of quality. The Big 4 are always ranked ‘A’, and the remaining firms either ‘B’ or ‘C’.

The focus on **Small and Medium Enterprises (SMEs)** in this dissertation is justifiable as this segment can be described as the backbone of the UAE economy. SME’s contribute substantially to the GDP and act as the engine for the country’s economic development and growth. In addition, SMEs are the main source of innovation, entrepreneurship, and the creation of employment. The government of the UAE has placed an increased emphasis on enhancing the performance of the SME sector because it makes these enterprises more like their counterparts in other countries. A number of initiatives have been taken to develop SME sector and boost its performance. SMEs in the UAE differ in their needs, capability, and willingness to pay for auditing services.

SMEs as the basis of modern economies contribute to employment, enhance investment, and allow countries to sustain economic growth. The Ministry of Finance supports the growth of SMEs as a means of encouraging entrepreneurship in the country. According to a report issued by the Department of Economic Development

in 2014, Abu Dhabi has put strenuous effort in the past decade into supporting the SME sector. The report identifies this sector as one of the main engines for economic growth in the UAE. It was reported that, of the approximately 300,000 different enterprises that exist in the UAE, 94% are SMEs. It is also reported as of 2014 that these businesses contribute 60% to GDP and 84% to employment in the UAE.

The UAE cares about economic growth and recovery from economic uncertainty. This is especially reflected in the performances of SMEs. The UAE local government has encouraged the SME sector to develop by promising it a percentage of the government entity contracts awarded. In addition, new guidelines have been issued to assist SME growth and reduce the gap between demand and supply of SME finance in the country. However, many SMEs still face difficulties.

1.2 Study aims, objectives and questions

The idea behind this dissertation derives from all the issues that I have faced in my practical experience of working as an auditor in the UAE. The questions below, based on these issues, arise in the field of audit quality in the SME market in the UAE.

Question (1): What is the regulatory and professional context of financial reporting and auditing in the GCC in general, and the UAE specifically?

Question (2): What are the perceptions of audit quality in the market of SME clients?

Question (3): Do the auditors who audit SME clients in the UAE follow auditing standards in accepting and conducting their audits?

1.3 Research justification and significance

The significance of the research focus of this dissertation stems from two shortcomings in the academic and professional arenas. The first is theoretical, and

the other is applied in nature. The theoretical contribution of the study was identified after surveying the literature and identifying areas that the present research could contribute to. Issues of audit quality on audits performed on SME clients, in particular in the context of the UAE, arise in an unexplored area. The study also contributes to the wider debate on audit quality by adopting the comprehensive IAASB audit quality framework, as a way of exploring issues of quality from the perspective of professional auditors (in firms of different sizes), as well as professionals who are linked to the field of audit (e.g. academics, directors). The inclusiveness of the IAASB framework enabled me to explore various useful angles in the issue of audit quality in the UAE.

A significant contribution made by the dissertation is practical in character. This is crucial for professional doctorates such as the DBA; the dissertation aim is to resolve an issue that is of significance to an organization or industry. This dissertation suggests ways of resolving the issue of audit quality in the market for SMEs in a UAE context.

In summary, the findings from this dissertation should be useful to academics who are interested in issues of audit quality in the SME market, in particular in emerging economies, as well as those interested in the IAASB audit quality framework. The dissertation is equally useful to professional groups, such as auditors and accountants, regulators and policymakers, who have recently been calling for reforms in the area of auditing and accounting in the UAE.

1.4 Research design and theoretical framework

This research adopts the IAASB audit quality framework not only to investigate the norms and values of auditors but also in search of remedies to scientifically enhance audit practices in the UAE. Since it is concerned with the

perceptions and moral disposition of auditors, it draws on interpretivism. However, apart from such subjective considerations, this study also looks for the commonalities of such perceptions and moral characteristics in order to be able to discuss their universal nature in the UAE context. This is a prerequisite for developing regulatory recommendations. Moreover this study adopts a positivistic stance when researching the ethics of UAE auditors through their revealed behavior in a field experiment.

1.5 Assumptions and scope

One of the major assumptions of this research is that respondents, whether in the survey or interviews, are professionals who will endeavor to answer truthfully and to the best of their knowledge, having no incentive not to do so. The scope of the study is limited to audits performed on SME clients in the UAE. The number of interviewees is 14, and the number of survey respondents is 123. The number of firms that responded to the experiment is 27.

1.6 Dissertation Plan

This dissertation is organized into 9 chapters; *Chapter 1*, the present introduction, provides a preamble to the dissertation. *Chapter 2* reviews the literature in relation to audit quality overall, and highlights in particular the IAASB model as a framework that is of particular relevance to addressing issues of audit quality for SME clients in the UAE. This chapter also discusses issues of audit quality in emerging economies.

Chapter 3, through primary sources as well as other documentary evidence, outlines the audit industry in the Gulf Cooperation Council (GCC) countries. It analyzes the GCC context in some depth and investigates the major actors in the field of auditing. Special focus is on the context of the UAE. This chapter also describes

the market of SMEs in the UAE and highlights a unique phenomenon in its markets, namely, the Free Zones phenomenon.

Chapter 4 presents the research methodology identifying the research philosophy, reasons for the choice of subject, research strategy, perspectives, research approach and design. In addition, it proposes a theoretical framework with research hypotheses. The chapter also analyses the nature of the research participants and outlines the role of the researcher, as well as structure of the interviews and surveys. Finally, it presents the method of data analysis, discusses the trustworthiness of the chosen research methods and considers ethical questions.

Chapter 5 provides the results received from the survey. Better understanding of the research data is ensured through the use factor analysis and statistical tools. It is followed by *Chapters 6 and 7* that provides detailed discussions on the results of the survey and interviews, and where possible is complimented by my observations as a researcher who has previously worked in the field. These chapters also make links to the existing literature. Chapter 6 focuses on input factors as compared to chapter 7 that focuses on output, interaction, and contextual factors.

Chapter 8 presents an experiment designed to demonstrate the need for audit regulation in the UAE. In addition, it analyzes the results of its experimental research. *Chapter 9* draws conclusions about the key points of the research, and also discusses the research limitations and challenges, and suggests topics that seem to merit further research.

CHAPTER 2: LITERATURE REVIEW

The purpose of this chapter is to review the literature in the area of audit quality, in particular the literature on SMEs in the Gulf region, with the aim of identifying a framework in which to investigate issues of quality for SMEs in the UAE. This chapter starts with a brief discussion that links accounting and auditing, then reviews the various definitions of audit quality in the literature and any particular elements and factors linked to it. These elements are in general grouped in the literature under direct or indirect approaches to audit quality. The chapter also highlights the clear contribution of the dissertation to the wider literature on audit quality, in particular that within the UAE. The chapter concludes by highlighting and reviewing the framework that will be used in this dissertation.

2.1 The Need for the Function of Audit

According to Hayes et al. (2005) a number of theories explain the need for an audit. The first theory is called the “policeman theory”; it theory states that the auditor’s responsibility goes beyond reasonably assuring those concerned of the fairness of the financial statement and holds the auditor responsible for detecting and preventing fraud. This is an old view of the auditor’s responsibility, which spread in the early 20th century. This theory still holds for a number of users of audited financials, notably the shareholders of a company. The UAE is a one of the newest economies in the world and one of the challenges that the Securities and Commodities Authority (SCA) in the country is facing is that most investors in this region lack proper knowledge of financial matters. The SCA receives a number of complaints from investors in the market who claim that they were not aware of certain facts before they invested in certain companies. It also receives complaints

that the auditors concerned did not mention certain facts about the company which were revealed later. Most of these cases were either reported in the financials, which the investor could not read properly, or they were examples of fraud which were not detected by the auditor. The investors who complain are of the view that it is an auditor's responsibility, as the "policeman" theory implies, to detect and prevent fraud. The SCA is very active in this regard and holds a number of sessions to educate investors on ways to invest and also what to expect from auditors.

The second theory, according to Hayes et al. (2005) is the "lending credibility theory" that focuses on the fact that the auditor's function is simply to add credibility to a firm's financial statements. This gives more confidence to third parties in the company's financial statements and would be a factor motivating investors to invest in the company or for lenders to provide loans. This theory is very common in the UAE, for bankers provide loans to companies only if they present an audited financial statement. The higher the value of the loan required, the stricter the bank becomes in forcing the company to use the Big 4 firms to audit its accounts. The situation in the UAE economy is such that bankers can force a company to use a Big 4 firm for its audit since they believe that the financial statement is more credible if it is audited by a Big 4 firm. A number of audit firms have suffered from losing a number of their big clients to the Big 4 because of the pressure from bankers to change their auditor. The same concept applies when some companies go through private equity to raise funds and investors put the same pressure on companies to deal with a Big 4 firm only.

The third theory is the "Theory of inspired confidence", introduced by Limperg (1932): the need for audit services is derived from the requirement of third parties. These third parties need an independent view far removed from management

bias. This theory covers the demand for an audit service. With regard to the supply of an audit service, Limperg (1932) suggests that auditors must maintain their independence and integrity in order to serve public expectations.

Finally, the most commonly discussed theory in the audit industry is “Agency Theory” as discussed by Watts & Zimmerman (1979) and Watts & Zimmerman (1986) due to the natural conflict of interests that is inherited with the company’s management. A principal-agent relationship is created in which the principal is the party that delegates the work to an agent to act on its behalf.

As explained in the various theories cited above, all financial institutes, investors, shareholders, and bankers may need at any time to decide whether to form a partnership with a company, invest in one or maybe grant one a loan. The decision making process will obviously be based on information and, in order to make a decision, proper information should be available. A bank provides a company with a loan only after it has reviewed the company’s audited financial statements for the past few years and ensured that it has not misbehaved financially and has a cash flow good enough to reassure possible lenders that their loan can be recovered and the debt is not in doubt. A bank analyzes a firm’s audited financial statements to see that it has acceptable profitability margins, liquidity ratios, and a healthy debt to equity ratio. The same can be done when an investor analyzes financials in order to pick an entity to invest in. The same process is followed, too, when companies analyze their customers and suppliers before they enter into contractual obligations with each other.

For the financial analyses to be of any use, the information that is being analyzed and the audited financial statements that are being provided should be reliable and should always reflect the true status of the company. If this basic

assumption of reliability fails to be true, then all subsequent decision making will be based on unreliable information and an untrue image of the entity being analyzed and will inevitably lead to an uninformed decision that might have very severe economic implications. In the previous example of the bank lending decision, if a bank were to approve a loan to a company that provided unreliable financial information, the bank would risk losing both principal and interest. Moreover, some other entity that was worth trusting might have been deprived of a loan.

The audit industry was created to simply reassure decision makers that an independent third party has verified the financial statements of a given entity and has provided a professional opinion on the accuracy of the financial information being disclosed. Auditing has developed into a complicated industry with many regulations and standards for all auditors to abide by for the sake of unifying the audit process. It has the financial information to provide consistency and comparability of information between entities and industries alike.

2.2 Defining Audit Quality

The modern world relies heavily on the accounting function as one of the cornerstones of international economics. It was created in order to manage businesses and developed to facilitate the fast growing pace of commerce throughout the world. The accounting function is based on the “Double-entry” concept that was created in 1494 by an Italian merchant called Luca Pacioli; he was a famous mathematician and based his concepts on the Hindu-Arabic arithmetic available at the time (Gleeson-White, 2012). The double-entry concept was developed over subsequent centuries and based on the successive needs of the economy. By the year 1900 accounting societies were established in most of Europe and the United States of America (Gleeson-White, 2012). The accounting function has enabled business

owners and managers to record transactions in a way that can be translated into financial reports and can be used for justifying the rationale of decision making. Once the transactional process was created, it also became possible to audit it in such a way as to avoid mistakes and/or help to detect fraud.

The concept of auditing is not new but has appeared in the course of such ancient civilizations as the empires of Egypt, Greece and Rome. Auditing was a practice to insure that selected public officials were performing their duties without abusing their powers to enrich themselves. (Flesher, Previts, & Samson, 2005). The conflict of interest for officials who are put in place to perform certain tasks for an owner or principal has always been a factor. But it was not described in the literature until its introduction by Adolf Augustus Berle and Gardiner Coit Means in the early 1930s. Adolf and Gardiner discussed the relationship between principal and agent and showed how the two parties have different goals and different appetites for risk in their decision making process. However, the concept of Agency theory was not fully developed as a concept until the work of Michael C. Jensen and William Meckling in the 1960s and 1970s.

The body of research discussing the issue of audit quality is varied, dealing with numerous aspects, such as issues of audit committees, policy makers and independence. Audit quality can be defined as *“market-assessed joint probability that a given auditor will both (a) discover a breach in the clients accounting system and (b) report the breach.”* (Deangelo, 1981, p. 186). This definition is one of the most often cited definitions relating to audit quality. However, Krishnan & Schauer (2000a’) criticize this definition as hard to detect and often unobservable. In a similar vein, Francis (2011, p.127) argues that audit quality *“is achieved by the issuance of the “appropriate” audit report on the client’s compliance with generally accepted*

accounting principles.” Both definitions remain broad and fail to identify particular elements of quality that can be observed, for example, before the issuance of the audit report.

According to the IAASB’s Chairman Arnold Schilder *“the IAASB believes audit quality is most likely achieved when an engagement team exhibits appropriate values, ethics and attitude and when the team applies a rigorous audit process and quality control procedures. It’s also most likely achieved when auditors have sufficient knowledge and experience, have sufficient time to perform the audit work, receive valuable and timely reports and interact appropriately with a variety of different stakeholders”* (cited in Whitehouse, 2013). Although this take on audit quality is more detailed and offers particular points at which quality can be observed or measured. Research has established that a simple definition of audit quality cannot be agreed upon, given the complexity of the concept.

An attribute is usually defined as something that is inherent in a case. The auditor is able to conduct a quality audit when meeting the auditing standards and requirements. These standards are as follows: 1) general standards (auditor’s sufficient technical training, expertise, mental attitude, proficiency and independence); 2) the standard of field work implementation (audit planning and supervision, proof of sufficient and competent audit, as well as an adequate understanding of the internal control structure); 3) reporting standard (financial statements related to the generally accepted accounting principles, statements regarding the application inconsistencies of generally accepted principles of accounting, informative financial statement disclosures and an overall financial statement opinion) (Buuren, 2009).

According to Sawyer (2006), an increase in audit quality conducted by the auditor can be measured by the increasing number of audit working requests, useful findings and recommendations, as well as the attainment of goals and audit objectives. Arrunada (1999) claims that the audit quality dimensions include independence (the auditor's willingness to reflect all the problems and defects of the financial statement in the audit report) and technical competence (the ability of an auditor to detect shortcomings or errors in the financial statement).

Audit quality may be affected by a number of variables. Al-Thuneibat, Al-Issa and Baker (2011) have covered two main variables namely, the length of the auditor-client relationship and the size of the audit firm. In the context of Jordan, Al-Thuneibat et al. (2011) manage to provide enough evidence to validate previous studies that assert an adverse relationship between audit tenure and audit quality. This emphasizes the need for audit firm rotations so as to avoid jeopardizing the objectivity of audit firms and the possibility of an increased confidence in the client's business by the audit firm. Even though Carrera, Gómez-Aguilar, Humphrey and Ruiz-Barbadillo (2007) show how a mandatory policy in Spain for audit rotation was never applied, their work demonstrates that the effects of the audit firm-client relationship on quality are still adverse, regardless of the audit firm size (Al-Thuneibat et al., 2011). Zerni, Haapamäki, Järvinen, & Niemi (2012) suggest that joint audits might be a way to improve audit quality. They found that companies opting to take up joint audits have a higher degree of earnings conservatism, lower abnormal accruals, better credit ratings and lower going concern issues than other firms. Chi, Lisic, Long, & Wang (2013) find that the law in China requiring management to retain the same auditors for at least 2 years and 5 years at most is a

successful formula for improving audit quality. However, this rule is applicable only to a state-owned enterprise controlled by the central government such as China's.

Moreover, audit firm size shows a positive direct relationship with both audit fees and audit quality, even when the industry expertise variable of the audit staff is controlled (Jong-Hag, Kim, Jeong-Bon, & Yoonseok, 2010) and (Niemi, 2004). This suggests the need for regulatory authorities to focus on the behavior of small audit firms, because they might be inclined to compromise audit quality due to their financial dependence on certain clients (Jong-Hag et al., 2010) and (R. M. Frankel, 2002).

Traditionally, researchers have categorized audit firms as big or small ones. Niemi (2004) shows how small firms' fees might vary depending on the perceived audit quality, which can be influenced by factors such as the level of education, years of experience, education and certification of staff. The Big 4 audit firms were found to issue more accurate audit reports than the smaller firms (C. Lennox, 1999). However, Lennox's framework (1999) was devised in the US where, according to Francis, (2011) auditors face a higher risk of exposure to litigation than those in European countries.

According to Francis (2011), the main outcome of an audit is the auditor's opinion or auditor's report and the audited financial statements. When audited financial statements were tested for abnormal accruals. It was found that the Big 4 audit firms produced financial statements that had fewer abnormal and unexpected accruals than those from smaller audit firms (Francis, Maydew, & Sparks, 1999). This approach, which ties audit quality with the accruals on the financial statements (as in Francis et al., 1999) is based on the model of Jones (1991) and is probably suitable in the context of his research, since Jones looked at companies which were

trying to take advantage of the import relief system by reducing their profits, hence having higher accruals. Moreover, companies in the US and other countries which have a tax law will probably use this notion to try to reduce their disclosed profits in order to avoid tax. However, this model may not be the best for the UAE context, given that it is a tax free country. On the contrary, companies are more inclined to show higher profits in order to get access to better facilities from the banks or to be ranked higher by the government authorities which will allow them to bid for higher value projects.

The need for higher audit quality declines when the management ownership in the company increases, because management self-interest aligns itself with the interest of the stockholders at the expense of other stakeholders (Niskanen, Karjalainen, & Niskanen, 2011).

Audit quality is highly dependent on the independence of the firm providing the auditing services. And since auditor firms are basically for profit organizations, they are motivated to recruit new clients and to retain the clients in hand. These factors create a direct pressure on audit firms that might impair their independence. Umar and Anandarajan (2004) found that the pressure to retain clients forms a more insidious and fine pressure than the pressure to conform to a client's needs. They note that if the pressure is indirect and not clear the auditor displays greater independence than if the pressure were explicit and direct.

In the audit process, the audit committees of public companies face two types of independence: independence in appearance and independence in fact (Arens, Elder, & Beasley, 2006). Both types are required to consider the evidence from all sources objectively and place the management interests behind those of stakeholders (Boylan, 2004). Many researchers have explored the effects of independence in the

audit committee and the auditor. Turley and Zaman (2004) found that if an organization adopts the introduction of an audit committee this does not necessarily mean that higher governance prevails. The main issue of concern is the future impairment of auditor independence that results from high client fees (Ashbaugh, LaFond, & Mayhew, 2003; R. Frankel, Johnson, & Nelson, 2002; R. A Shockley, 1981) and (Krishnan & Ye, 2005).

A highly disputed matter is whether the auditing industry gets regulated at an international level or at a national level (Trombetta, 2003). Trombetta (2003) takes the quality of audit firms by looking at the qualifications of its staff and questions whether full harmonization is better than a mutual recognition approach at a global level and finds that in some particular cases the mutual recognition approach may be superior.

Auditors continue to face different challenges as companies start to expand their corporate disclosures to include risks, social responsibilities and corporate responsibilities (Fraser & Pong, 2009). In addition the accounting profession is progressively relying on fair value based methods in building financial statements, a reliance which challenges the current auditing model, since a more continuous reporting method can be argued to be more representative (Fraser & Pong, 2009).

The audit industry has been criticized by various scholars in their never-ending search for a model that will solve all the current deficiencies in the auditing industry as we know it. One of the most obvious criticisms is the concept of audit shopping. As defined by Banimahd & Beigi (2012), audit shopping “is a situation in which a client tries to receive a favorable audit report by switching its audit firms. In other words, the auditor assists a client to achieve its reporting objectives by supporting the accounting practices used by the client, even though the reliability of

reporting is affected by these practices.” Moreover, according to Martin (1989), “The problem of opinion shopping arises out of the inherent tension of the accountant’s position – balancing the obligation to the client against the duty owed to the investing public. To avoid a potentially disastrous opinion, a registrant characterizes its financials, such that this new auditor may render an unqualified opinion.” Banimahd & Beigi (2012) and (Krishnan & Stephens (1995) are some of the researchers who show that opinion shopping does not take place when companies change their auditors, as opposed to Lennox (2000) who shows that in the context of the UK some firms do practice opinion shopping. Opinion shopping is viewed very seriously and has major implications for an auditor’s independence and his/her responsibility to the public. A more dangerous phenomenon than opinion shopping is the existence of audit firms who are not ethically bound to the profession and are not practicing the audit as they are supposed to. This phenomenon is most probably more widespread in the developing countries which are not regulated by a professional body. Certain audit firms do fulfil the minimum requirements for practicing audit and, rather than actually following proper audit procedures, they sell their services at a very cheap price to whoever is looking for a clean, unqualified opinion. These companies are properly registered as audit firms and are never held responsible for their actions because they deal only with small and medium sized entities which are not subject to monitoring by any single authority. This has extremely severe implications for the reputation of audit firms and their importance. Companies will start looking for these lower priced audit firms who get the job done without any complications and will not see the need for a proper audit firm to carry out a proper audit. If companies still believed that they needed a proper audit, a reputable audit firm would have to reduce its fees in order to compete with the illegitimate audit

firms. This is very widespread in the UAE, as recently discussed by the Abu Dhabi Accountability Authority, which described the illegitimate audit firms as “professional outsiders” and “intruders” (Jamal, 2015). It is the opposite of what was found by Zaman & Chayasombat (2014) in a study specific to Thailand where it was noted that SMEs pay a premium to audit firms for their services, which shows a higher perception of and respect for CPAs in the country.

2.3 Direct and Indirect Approaches to Audit Quality

Making distinctions between direct and indirect approaches to auditing is established in the literature. For example, Kilgore, Radich, & Harrison (2011) show that audit quality was historically measured by means of either a direct or an indirect method. The direct approach assumes that all breaches will be evident in the audit outcomes in the form of audit opinion errors or financial statement errors. Historically, quite a number of studies take this direct method approach, such as Colbert & Murray (1998); Balsam, Krishnan, & Yang (2003) and others.

A direct perspective on audit quality, however, focuses more on analyzing the reviews of quality control in actual audit engagements (Deis & Giroux, 1992). Studies of audit quality focus not only on the private sector, but also extend to include discussions of audit quality at the level of the public sector. The quality of audits following this approach is linked to forecasts; Davidson & Neu (1993) measured audit quality by using the errors of management forecasts, because they were the absolute values of the differences between management forecast earnings and reported earnings. They found that higher errors of forecast indicate higher audit quality. At the same time, lower forecast errors result in lower audit quality. Lam & Chang (1994) follow the same idea of audit quality measurement. These researchers investigated the relations between audit quality and auditor size, using forecasts of

mean errors in earnings. The indirect approach to measuring audit quality has mainly been found empirically unsuccessful.

2.3.1 Direct Approach

Although it seems more reliable as a method of measuring audit quality, it has been argued that direct audit quality measures pose empirical challenges because of the difficulty of generalizing results, the proprietary nature of the data and the low occurrence rates (Geiger & Raghunandan, 2002). For instance, bankruptcies which have no previously modified opinions can be taken as a direct indicator of audit quality, but their occurrence is considered to be infrequent (Geiger & Raghunandan, 2002). Geiger & Raghunandan (2002) measured low quality audits, using a sample of 117 bankruptcies. The researchers found that auditors were less likely to express concern during the initial engagement years. Other direct audit quality measures included reviews (O Keefe, King, & Gaver, 1994); (Colbert & O Keefe, 1995), quality control reviews (Deis Jr & Giroux, 1996), SEC enforcement actions (Dechow, Sloan, & Sweeney, 1996) and compliance with GAAP financial reporting in a not-for-profit environment (Krishnan & Schauer, 2000b). However, these direct measures may be inappropriate and/or unavailable. This leads to the implementation of indirect audit quality measures. A literature analysis has shown that direct measures of audit quality are often used as benchmarks to test its indirect measure performance.

2.3.2 Indirect Approach

There are two indirect approaches to audit quality. The first type measures attributes that relate to the audit firm rather than the audit personnel. The most common attributes that were researched independently were audit firm size; this was studied by many researchers (Al-Thuneibat et al., 2011; G. Colbert & Murray, 1998;

L. Deangelo, 1981; Palmrose, 1986), audit tenure (Al-Thuneibat et al., 2011; Ghosh & Moon, 2005), non-audit services (Craswell, 1999; Patel & Prasad, 2013; Quick & Warming-Rasmussen, 2009) and industry specialization (Hogan & Jeter, 1999). The second type of indirect approach is a behavioral approach which focusses on audit quality attributes in audit firms and teams. There are several examples of such an approach (Beattie, Brandt, & Fearnley, 1999; Michael C. Knapp, 1987; Mkhael C. Knapp, 1985; McKinley, Pany, & Reckers, 1985; Philmore Alvin Alleyne, 2006; Randolph A. Shockley, 1981).

At the firm level, Sun and Liu (2011) study the influence of client-specific litigation risk on audit quality. These researchers developed their hypothesis on the basis of the potential monetary and reputational losses of auditors, studying the data from US companies and conducting a regression analysis. It has also been suggested that the high risk of clients' litigation could force big auditors to more effective performance. According to Carcello, Hermanson, & McGrath (1992), the audit team characteristics were usually perceived as more important for audit quality than were the audit firm characteristics.

A link between low audit quality and the restating of financial statements is supported (Palmrose & Scholz, 2000); (Raghunandan, Read, & Whisenant, 2003); and (Anderson & Yohn, 2002). According to Raghunandan et al. (2003), there is a close relationship between subsequent restatements and non-audit fees, constituting a direct test on the association between audit quality and non-audit fees. Revenue recognition as a frequent cause of restatement is noted (Anderson & Yohn, 2002). Abbott & Peters (2002) provide indirect support for the link between low audit quality and certain financial statement restatements.

Literature analysis has shown that there are different perceptions of audit quality, including the perceptions of auditors, shareholders, analysts, audit committee chairperson, clients, preparers, federal inspectors and others. Thus, audit quality is considered to be a concept that has a range of definitions. Audit reports are usually perceived by the users of financial statements as needing to ensure that financial company statements do not perpetrate fraud and have no material misstatements. Audit quality is a widely investigated concept over a variety of perspectives in the literature. It has been found that there are several gaps in the literature that suggest future studies. The importance of high quality auditing requires more research in areas such as customer loyalty, customer service satisfaction, auditor switching and auditor turnover. In addition, the incorporation of the corporate characteristics of governance may shed more light on the question. According to Carcello et al. (1992), the audit team's characteristics are usually perceived to be more important for audit quality than those of the audit firm. However, the individual characteristics of auditors as audit team members may be the most important feature of audit quality. It has become evident that further research is needed to investigate the influence of different auditors on audit quality and also of the relationship between job performance, job stresses, moral reasoning and audit quality. Moreover, future research needs to be carried out to understand the reasons for auditors' behavior, if they seem likely to threaten audit quality (Watts & Zimmerman, 1983). Other relevant variables that can occur in the working environment of auditors should be further examined. It is evident that the area of audit quality is fruitful for investigation. Research in this area could help audit professionals, government, clients and users of financial statements.

Audit quality is indirectly measured by Teoh & Wong, (1993), who use the coefficients of earnings response. Chow & Wong-Boren (1986) use the perception of loan officers to show high audit quality. Schauer (1999) measures audit quality with the help of a client bid-ask spread, indicating the difference made to the stock of a client's company. Peer review results were used by Colbert & Murray (1998) to measure audit quality. Hence, indirect measures of audit quality include the size of the audit, auditor tenure, audit fees, industry expertise, dependence on economic factors, as well as reputation and the cost of capital. The most commonly used indirect measure is audit size. Ghosh & Moon (2005) argue that the auditor's tenure may have a negative influence on the quality of audit. The reason is that auditors who have served for a long time in the sphere may surrender their independence so as to remain close to their clients. Wooten (2003) claims that firms with multiple clients in the same industry show a deeper understanding of the risks of audit. Other audit quality proxies used in research are the economic dependence of auditors and the audit fee. Choi, Kim, Kim, & Zang (2010) examine whether the association between audit quality and audit fees is asymmetric and nonlinear. They find that audit quality proxy was related to abnormal audit fees from the client's firm. This association is considered to be insufficient.

A number of researchers have tried to measure audit quality. Deangelo (1981) demonstrates that auditor size has a positive influence on audit quality. The researcher followed the idea that auditor size might be measured by a number of clients and argued that auditors earned client-specific quasi-rents that were related to the number of clients and misstatements in the financial report. The research was taken as a basis for other studies that used auditor size (the Big 8/6/5) vs. the non-Big 8/6/5) to make a difference between the levels of audit quality (Clarkson & Simunic,

1994); (Bauwhede, Willekens, & Gaeremynch, 2000); (Zhou & Elder, 2001); (Krishnan & Schauer, 2000a). Other studies (Palmrose, 1986) and (Copley, 1991) use audit fees to measure audit quality. Palmrose (1986) emphasizes the significant association between auditor size and audit fees. However, a number of studies suggest alternatives for measuring audit quality.

A strand of research has focused on discussing the conflict between the commercial goals of audit firms as associated to professional goals of the audit industry. Sweeney & McGarry, (2011) examined the perceptions of senior auditors of the goals of audit firms as implied by audit partners to clients as compared to their real motives and goals that are highly commercially driven. Khalifa et al. (2007) found that in the last decade there has been more focus on audit quality rather than business value, signifying that audit firms are more concerned with audit quality and to de-emphasize commercialism aspects.

It is argued that the perception of audit quality differs among stakeholders. It depends on the stakeholder's level of direct audit involvement and the lens through which s/he assesses audit quality. The understanding of different views and actions is vital because it influences the perception of audit quality. It is suggested that a possible perception of audit quality through the lens of investors includes audit reporting, audit reputation and audit expectations. However, a possible perception of audit quality through the lens of the audit committee members presupposes the assessment of the auditor's quality, of the audit process quality and of the auditor's interactions and communication (International-Auditing-and-Assurance-Standards-Board, 2011).

2.4 Audit Quality Frameworks

This section discusses three of the frameworks that deal with the issue of audit quality, combining several factors of quality, which make no explicit reference to ‘direct’ and ‘indirect’ approaches to audit quality. The first framework is a model by Francis (2011), the second is that of the PCAOB (2013) and the third is proposed by the IAASB (2013). The advantage of looking at audit quality in this holistic manner stems from the fact that these components are often interrelated and to isolate the impact of each one will impair the complex nature of the issues that are often present in the audit industry.

In 2011 the Francis model (see Figure 01 below) brings several elements to audit quality such as audit input, processes, accounting firms, the audit industry and audit market, institutions and the economic consequences of audit outcomes.

Figure 1 – Francis’ Audit Quality Framework (2011)

Units of Analysis in Audit Research
Audit Inputs
Audit tests
Engagement team personnel
Audit Processes
Implementation of audit test by engagement team personnel
Accounting Firms
Engagement teams work in accounting firms
Accounting firms hire, train and compensate auditors and develop audit guidance (testing procedures)
Audit reports are issued in the name of accounting firms
Audit Industry and Audit Markets
Accounting firms constitute and industry
Industry structure affects markets and economic behavior
Institutions
Institutions affect auditing and incentives for quality, e.g., State Boards of Accountancy, the AICPA, FASB, SEC and PCAOB, as well as the broader legal system
Economic Consequences of Audit Outcomes
Audit outcomes affect clients and users of audited accounting information

(Francis, 2011, p. 126)

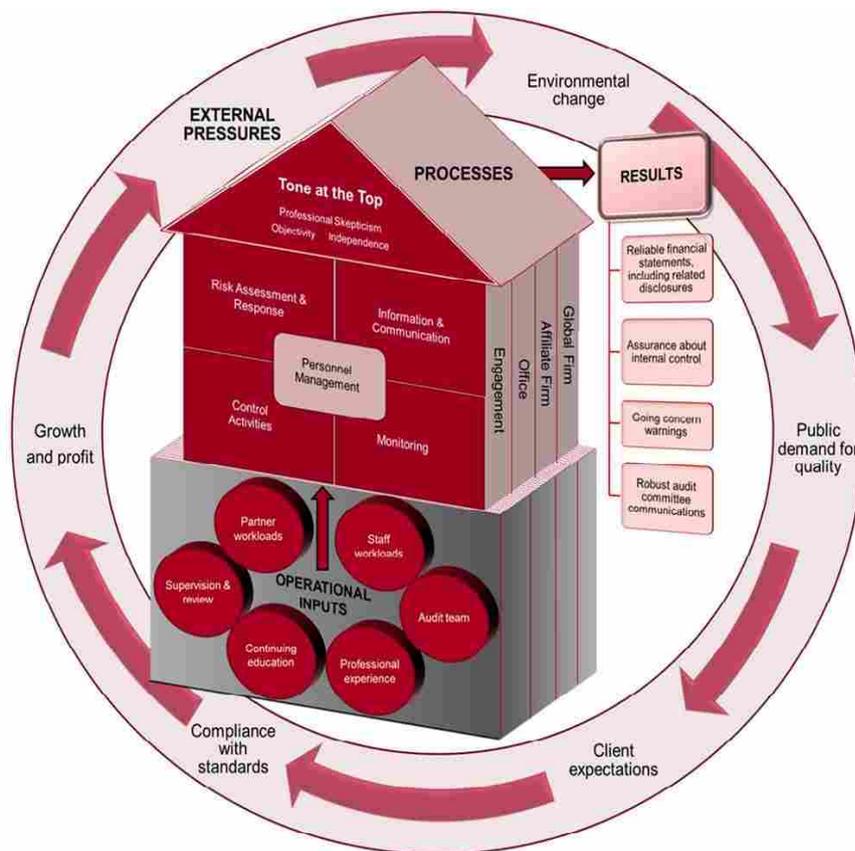
According to the above framework, audit input consists of two aspects: the audit test and the engagement team. For the purpose of this research the aspect of the engagement of the team personnel will be most closely investigated through surveying audit professionals to verify the level of education in audit firms of different sizes and to also link auditors' engagement teams to the demographics of the UAE and to the characteristics of individuals in the team.

The above framework will provide very insightful information relating to professionals that will give an indication of audit quality. However, the above framework will also be linked to the demographics of the participants along with their education level and age. This linkage will provide more insight in the context of the UAE, due to the wide range of nationalities working in the country and the percentage of local nationals constituting less than 12% of the population of the country, as reported by Wam (2011). According to the National Bureau of Statistics in 2011, expats formed 88% of the UAE population. The UAE market is also well known for the high levels of competition in all industries, including the audit industry. According to Francis, Michas, & Seavey (2013) the higher the competition in the audit industry the lower the quality of audits. Other important factors of audit quality are the existence of institutions for developing the profession and providing guidance and the requirement that auditors should perform higher quality audits (Francis, 2011). Some institutions of this kind are the American Institute of Certified Public Accountants (AICPA), the Financial Accounting Standards Boards (FASB), the Security and Exchange Commission (SEC), International Accounting Standards Boards (IASB) and so on. The UAE does not have any active independent body that develops the profession locally and there is great reliance on the International Accounting Standards Board and its accounting and auditing standards.

Even though the Francis framework includes most of the factors discussed in the literature, it can be argued that it looks at these different aspects of audit quality independently from each other. However, these aspects are linked to each other: audit inputs feed into the audit process of an accounting firm which eventually produces the audit report and the audited financial statements which in turn feeds back to the audit inputs and gets used by the different users who have a great impact on the economy.

An alternative framework for exploring audit quality, which better integrates such elements is the one introduced by the PCAOB (Public-Company-Accounting-Oversight-Board, 2013).

Figure 2 - Public Company Accounting Oversight Board Audit Quality Framework



(Public-Company-Accounting-Oversight-Board, 2013, p. 6)

The framework includes such segments as audit inputs, processes and results. These segments are viewed as conceptually aligned with most of the existing audit quality work. Important quality elements within the framework are defined as the audit inputs (six elements, related to competent and talented people such as essential for audit quality), the audit processes segment (six elements) and the segment of audit results (the deliverables that current standards require auditors to provide). The framework supports the existence of external pressure, including rapid environmental change and pressure for profit and growth, quality and influence. It represents the idea that quality activities and their results occur at several levels, such as the engagement team, affiliated firm, office or region and global firm level (Public-Company-Accounting-Oversight-Board, 2013, pp. 4-5).

In an attempt to improve audit quality, the IAASB sought to develop its own framework. Its main aim was to raise awareness of the audit quality elements, facilitate effective communication between stakeholders and encourage them to explore ways to improve audit quality.

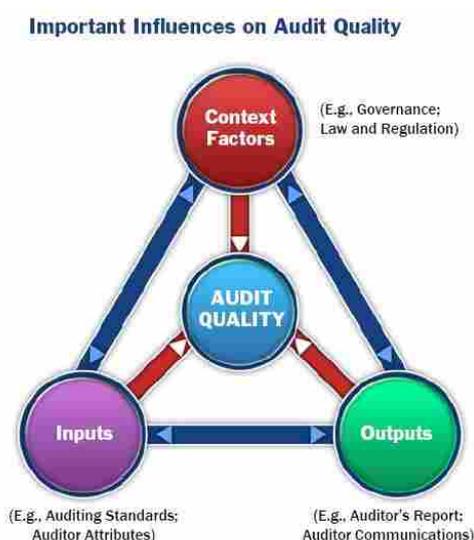
The IAASB framework takes into consideration the various factors that have been identified in the literature (academic or professional). To assist with the development of its framework, the IAASB surveyed stakeholders in 9 countries as well as its own consultative consultancy group. One of the main findings of the survey demonstrates how perceptions of audit quality varied amongst the stakeholders. In 2013, the IAASB proposed a model of audit quality and suggested that audit quality can be viewed from three standpoints; inputs, outputs interaction and contextual factors. The input factors that affect audit quality are the personal attributes of the auditor, e.g. the auditor's skills, experience, mindset and ethical values; a factor related to the soundness of the audit methodology; the availability of

adequate technical support; the effectiveness of the audit tools used; etc. All of them are directed towards support for quality audit execution.

Output factors also have a strong influence on audit quality since they are often considered by stakeholders when examining their audit quality assessments. For instance, the report of an auditor is supposed to have a positive influence on audit quality because it clearly conveys the audit outcome. At the same time, the auditor's communications with people in charge of such matters as deficiencies in internal control and the qualitative aspects of the entity's practices concerning financial reporting can also have a positive impact on audit quality. It should be noted that academic discussions of audit quality also emphasize contextual factors (Knapp, 1985). For instance, sound corporate governance contributes to audit quality because it can create a climate of ethical behavior and transparency within the entity. Regulation and law may also have a positive influence on audit quality if they create a framework for an effectively conducted audit (International-Auditing-and-Assurance-Standards-Board, 2011).

Figure 03 shows that the framework for audit quality contains the following elements:

Figure 3 – IAASB Audit Quality Framework Elements



(International-Auditing-and-Assurance-Standards-Board, 2011)

The key responsibility for quality audit performance is based on auditors. Thus, audit quality is best achieved when participants support each other in the supply chain of financial reporting. Researchers list many factors that play an important role in maximizing the likelihood of a high quality audit. Input factors are grouped into the following categories: knowledge and experience of the auditors and the time provided to perform the audit; the ethics, values and attitudes of auditors that are influenced by the audit firm culture; the effectiveness of the quality control procedures and the audit process. In addition, the audit quality inputs tend to exert an influence in the context of audit performance, the key stakeholder interactions and the outputs. For example, regulation and law provide the context. This context may need certain reports that are outputs and that influence the skills used (input).

Audit outputs are often determined by the context together with legislative requirements. Stakeholders may have different effects on the outputs. Each separate stakeholder in the supply chain of financial reporting is an essential factor that supports the high quality of financial reporting and the way in which stakeholders interact, which has a strong influence on audit quality. These interactions are impacted by the audit performance context and enhance a dynamic relationship between inputs and outputs.

There are many contextual factors that can facilitate the quality of financial reporting, including corporate governance and the applicable framework of financial reporting. The contextual factors, such as regulatory and legislative requirements, also play a key role in the interactions and relations between the main stakeholders. They can influence audit risk, the extent and nature of the audit evidence needed and the efficiency of the audit process (International-Auditing-and-Assurance-Standards-

Board, 2013). In view of the comprehensiveness of the IAASB framework and the inclusiveness of previous frameworks and elements discussed in the literature relating to audit quality, this dissertation will adopt this framework in exploring audit quality in the UAE. The IAASB's framework is discussed in details in chapter 4.

To sum up, this chapter reviewed different meanings attached to audit quality, as well as reviewing example of holistic frameworks for audit quality. Among these, the IAASB framework has been identified as the most suitable to explore the quality of SME audits in the UAE, given the factors of input, output, contextual and interaction factors.

CHAPTER 3: THE CONTEXT OF THE AUDIT INDUSTRY IN THE GCC

3.1 Introduction

The purpose of this chapter is to discuss the regulatory and professional context of financial reporting and auditing in the Gulf Co-operative Council (GCC) in general and the UAE specifically. The ultimate goal is to highlight key issues that contribute to the quality of audits. The chapter discusses the laws and regulations that govern financial reporting and auditing in the GCC, then it focuses on the context of the UAE, by reviewing the role of professional groups, firms and regulatory bodies. The chapter also discusses the state of SMEs in the UAE.

The audit industry in the GCC has similar characteristics to those in the rest of the world as was demonstrated by Al-Ajmi (2009). He surveyed 300 credit and financial analysts in Bahrain and found that they do perceive audit opinions to be useful. He also showed that credit and financial analysts believe that audit quality is linked to firm size and that non-audit services impair the auditor's independence.

Audit firms in Bahrain are not always able to obtain information from their clients and to have proper accounting systems put in place (Joshi, Al-Ajmi, & Bremser, 2009). This may indicate that limited access to information would be forthcoming for further research. However, the importance of audit firms is now being recognized, since most companies believe that audit must be mandatory to all companies and concede that audit firms are doing their job in line with expectations (Joshi et al., 2009).

3.2 The Regulatory Context of Auditing in the GCC

The GCC aims to achieve coordination, integration and interdependence among member states in all fields; to reach unity; and to deepen and strengthen the links and relevant aspects of the cooperation between their peoples in various fields. The accounting and auditing profession is one of these fields. The Supreme Council in 1982 opened the registration and licensing for the profession, including accounting and auditing professionals, so that they could practice subject to obtaining proper registration and licensing requirements.

The Accounting and Auditing Organization for the Cooperation Council for the Arab Gulf States (GCCAAO) has been established as one of the contributions to attaining this goal. The decision of the Supreme Council for the Cooperation Council at its nineteenth session in Abu Dhabi on December 7-9, 1998 and Article (3) of the Statute declared that the GCCAAO has a separate legal personality and an independent budget and enjoys the privileges and immunities in accordance with what is observed in the Cooperation Council for the Arab States of the Gulf. Its workers also enjoy the due facilities and privileges for doing the work of the Organization.

The GCCAAO started to adopt scientific methods. Its Board of Directors put forward a strategic plan that crystallized the work of the Board for five years. It included the main goals and divided them into sub-goals as commonly needed in the profession, such as an intellectual framework for financial accounting, accounting standards, auditing standards, rules of conduct and ethics, vocational rehabilitation for certified associates, training and continuing education, standards and monitoring programs of professional performance and a legal system unified to practice the profession of accounting and auditing.

The GCCAAO has also adopted means of continuous development to ensure the application and updating of the internal framework of the organization.

Below is a summary of local laws and regulations that govern the accounting and auditing profession in the GCC summarized from GCCAAO auditing standards (2014) publication. This publication details all auditing standards issued by GCCAAO as well as explains the local laws governing the GCC audit industry.

3.2.1 Kingdom of Saudi Arabia

It is well established that the Kingdom of Saudi Arabia is the most advanced in terms of developing local standards and building a profession based on these standards. On 29 September 1989, the Ministry of Trade released rule number 6522 to adopt the review identifying the objectives, concepts and presentation and disclosure requirements of financial statements as a guide for all chartered accountants licensed to operate in Saudi Arabia.

Royal Decree No. 1 m / 12 was issued in 1991 to cancel royal decree No. 1 m / 43, issued on 22 December 1974, relating to certified public accountants and the issuance of a new body for certified public accountants operating under the supervision of the Ministry of Commerce to raise the awareness of the profession.

The Saudi Chartered Accountants Authority released decision No. 3/2/4 on 30 October 1993. This sets the accounting standards applicable in Saudi Arabia. Any standards that are not detailed in the accounting standards of Saudi Arabia have to be referred to US GAAP for appropriate treatment. On 25 December 2002 this rule was revised and its guidelines changed from those of US GAAP to those of the International Accounting Standards.

The GCC integrates the auditing profession through its commercial laws (Al-Qahtani, 2005). Saudi Arabia is the only country in the GCC where an audit and

accountancy body has delegated authority semi-independently of the government to regulate audit practice (Al-Qahtani, 2005). This body, currently active, is called the Saudi Organization for Certified Public Accountants (SOCPA) and was established to develop the auditing profession by making a comparative study of the profession in some selected countries, then preparing a conceptual framework for accounting and auditing, and finally establishing SOCPA in 1992 (Al-Qahtani, 2005). According to Al-Qahtani (2005) the remaining GCC countries do not have any accounting society and the rules that govern their practice can be argued to be immature.

3.2.2 Kingdom of Bahrain

The accounting and auditing profession in Bahrain do not seem to enjoy similar status to that of KSA. Although the country has an accountants association which seems active on publishing laws on accounting and auditing, their presence as a professional group in the GCC is not parallel to that of the counter parts of KSA. The association is keen on linking with professional firms such as the Big 4. It's interesting that the association still have a link to Arthur Anderson in its website amongst other audit firms. For more details on requirements to practice auditing please refer to this link <http://www.bahaccountants.org>.

Decree-Law No. (26) for the year 1996 on the auditors in Article No. (14) states that accountants must comply with the international auditing standards, such as following the ethics of the professions and implementing all the regulations issued either by the Ministry of Commerce or by the Bahrain Monetary Agency (BMA), or other official bodies.

A decision was made by the Ministry of Trade No. 2 for the year 1997 on the formation of a committee in the Ministry of Commerce to discuss auditors' affairs. Article II of the Resolution specifies that the committee shall issue its opinion and

advice to protect the auditing profession and the rules and principles of accounting and auditing standards to be followed.

3.2.3 Oman

Although Oman is neighboring UAE, it does not enjoy the same level of financial activities. There are local laws in Oman that stipulate who should practice accountancy and auditing as a profession. Given other advanced discussions of professional groups such as accountants and auditors in other context, it becomes apparent that those laws are under developed as they do not address current professional needs. This is evident in the legislative section in this website www.fiu.gov.om.

Royal Decree No. 77/86 issued on October 18, 1986 was a law to regulate the accounting and auditing profession. Paragraph 30 of this law requires accountants to adhere to the international accounting standards approved by the International Accounting Standards Committee when preparing financial statements until another decision is made by the Minister of Trade and Industry to determine any other accounting standards to apply in preparing financial statements.

3.2.4 Qatar

The status of the auditing and accounting profession in Qatar is not that different of that of Oman. Qatar has an institute of internal auditors that seems active in the profession. According to a report issued by Crowe Horwath, (2015) companies in Qatar whether they are publicly listed companies, limited liability companies, private shareholding companies, and limited partnership companies are required to audit their financial statement and file them in the Ministry of Economy. It is also mentioned in the report that the common practice in Qatar is simply to adopt IFRSs and IASs.

3.2.5 Kuwait

Kuwait has an association of accountants and auditors that is registered with IFAC. A decision was made by the Minister of Trade and Industry No. 18 in 1990 which stipulates in its first article the need for companies and institutions of all kinds to prepare their financial statements in accordance with international accounting principles issued by the international accounting committee.

Thus, the GCC can be divided into three groups: the first includes Saudi Arabia which applies national standards and resorts to international standards if a subject arises which is not explained by the Saudi Organization for Certified Public Accountants. In the absence of an international standard that deals with a topic, the bodies resort to other standards approved by the Commission. The second group comprises countries that apply international accounting and auditing standards, such as Kuwait, Oman, Bahrain and the United Arab Emirates. The third group includes Qatar; it has no explicit law or indication that it should use the international accounting and auditing standards.

3.3 The Regulatory and Professional Arena in the UAE

The following section discusses the major players in the field. It lists and discusses the professional institutes and regulatory bodies, as well as the accounting firms.

The audit industry in the UAE is regulated through Law No 22 of 1995 which explains the criteria of individuals and firms performing audit in the country. It explains things like legal capacity, education background, years of experience, and procedures and application of process to become a registered auditor in the country. However, even though the law describes who can practice audit in the country, the UAE does not have a regulator of the profession and relies on international standards

such as international auditing standards and international financial reporting standards.

There are a number of government institutions such as State Audit Institute (SAI), DFSA, and Abu Dhabi Accountability Authority (ADAA) that are monitoring auditors to a certain extent. However, in the cases of SAI and ADAA these institutes are only concerned with government entities and not the private sector. And for DFSA, they are only concerned with entities operating in their free-zone only.

3.3.1 Accounting and Auditing Institutes

3.3.1.1 State Audit Institute (SAI)

The establishment of a professional body in the UAE that deals with auditing issues at the level of the country as a whole is relatively recent. The Federal Law of November 7, 1976 called for the establishment of an independent authority which was established in 1977 under the name of the State Audit Institution (SAI). The main responsibility of SAI is to be an oversight body that overlooks the public funds handled by the government (Ibrahim, 2010). SAI is also responsible for auditing the government bodies to improve their performance, eliminate corruption, restrict the abuse of power and provide information to the public relating to government actions (Ibrahim, 2010). SAI is responsible only to the government's audit bodies and ensures that funds are spent appropriately. SAI does not enforce the use of IAS on government bodies; hence, some government bodies are still working on cash based accounting rather than following the accrual principle. SAI is also not a body that is concerned with issuing appropriate standards tailored to the context of the UAE. It is concerned only with the federal government's ministries and departments, the federal national council and private companies that are 25% owned by the government or for which the government guarantees certain levels of profits or support (H. H. S. Z. B.

S. Al-Nahyan, 1976). Federal Law No 8 of 2011 was issued to reorganize the Federal Law of November 7, 1976 and to amend some of its articles. Mainly, the new law introduced the need for performance audits and IT audits in the UAE, which had not been applicable in the 1970s (H. H. S. K. b. Z. Al-Nahyan, 2011). Currently, the SAI audits around 70 organizations, of which 12 are corporations which are partly owned by the government (SAI).

Overall, it can be argued that the role of the SAI remains limited in overseeing issues related to the profession. As a result, several other state-specific bodies have emerged.

3.3.1.2 Abu Dhabi Accountability Authority (ADAA)

Since Abu Dhabi is the capital city of UAE and governs most of the proceeds of oil extraction and international investments on behalf of the country, the ADAA emerged to oversee governmental expenditure and audit practice relating to the government and semi-government institutes concerned. On 18 December 2008 the Abu Dhabi Accountability Authority (ADAA) was established as an independent body in line with Federal Law No 14 of 2008. It reports to the Crown Prince, Chairman of the Executive Council. The main goals of ADAA are to ensure that public resources and funds are managed properly, ensure that the financial reports are accurate and in compliance with the laws and promote accountability and transparency (H. H. S. K. b. Z. Al-Nahyan, 2008). ADAA was established to govern local departments, councils, authorities and companies or projects in which the Abu Dhabi government has an interest equal to or greater than 50% (H. H. S. K. b. Z. Al-Nahyan, 2008). See Appendix 1 for the subject entities as defined by ADAA (2012).

ADAA issued 167 reports in 2009, 213 reports in 2010 and 212 reports in 2011 (ADAA, 2012). It seems that ADAA is a version of SAI but at the local level

and with some minor differences. Some organizations are currently subject to the audit of SAI, ADAA and a private external auditor.

Given the list of auditing institutes discussed above, it is clear that some issues related to audit quality can be addressed. For example, the audit of entities in Abu Dhabi, where audits are being duplicated by different bodies, has become demanding and time consuming.

3.3.2 Accounting and Auditing Regulators

As discussed by Al-Qahtani (2005), the UAE is like most of the GCC where the auditing profession is organized under commercial laws rather than an independent body, as it is in Saudi Arabia. The UAE Federal Law No. 22 of 1995 organizes the auditing profession and clearly states the requirement of registration, licensing, the responsibilities and duties of auditors and the penalties and disciplinary acts (Ibrahim, 2009). The Ministry of economy of the UAE is the governing authority that is responsible of ensuring that the audit firms and companies are in compliance with UAE Federal Law No. 22 of 1995. Audit quality can be enhanced in a number of ways, for example, Lennox, Xi, & Tianyu (2014) found that mandatory audit rotations resulted in higher quality audits in the years immediately after the rotation took place. This is aligned with the views of the government: a recent adjustment to the commercial laws in the UAE requires audit firms to rotate staff every four years. This new law will probably be implemented in all government bodies and publicly listed companies. It is to be enforced in July 2015 and the market will take some time to put it properly into action.

Under Law No. 22, no one can practice audit unless he/she is registered in the schedule of auditors of the country and has fulfilled the due conditions and requirements. An auditor must primarily be a national, with full legal capacity, of

good behavior, with an accounting degree from a recognized university-level institute and a full time practitioner. Moreover, this person must have completed the training requirement in the audit industry according to his/her education level. University accounting degree holders are required to have three consecutive years of preparation, PhDs in accounting two years, and certified individuals from a recognized society one year. Non-nationals can also register in the schedule of auditors if they meet the above conditions. They must also be legal and constant residents, fellows of a recognized institute or society for five years and employees or partners of a registered audit firm. The law also explains the procedures and application process of getting registered and explains the rights and obligations of registered auditors as having the authority to sign financial statements for all types of company. The law, on the basis of Law No. 9 of 1975, allows all audit practitioners who opened their practice before Law 22 to continue without needing an accounting degree. This possibly allows some audit firms to exist which carry out audits without proper knowledge of IFRSs and ISAs, leading to materially misstated financial statements. Law No. 22 does not allow auditors to have any trade activities, breach the integrity of the audit practice, or audit a company for at least two years in which he/she used to be an employee.

In general companies in the UAE adopt the International Accounting Standards (IASs) since the accounting profession is not mature and does not set accounting standards at the national level (Aljifri & Khasharmeh, 2006). Aljifri and Khasharmeh (2006) also found that most companies adopt most of the IAS requirements if they are relevant to the business; however, the level of adoption is not consistent between companies, since adopting IASs is not obligatory and the country lacks a legal framework and means of enforcement. They also note that

most respondents believe that there is a need to modify IAS to adapt it to the needs and requirements of the UAE accounting profession.

Khalifa (2012) shows how the accounting profession in the UAE is still fragmented and has been governed by the state through local laws. According to her, the big 4 accounting firms have imported their knowhow and assurance systems to the UAE and have mainly hired individuals with foreign qualifications such as the CPA, ACCA, ICAEW, etc.

The extent of disclosure in the financial statements from the listed companies in the UAE is driven by regulatory institutes rather than market performance; since the sector is the only variable where financial disclosures vary between companies (Aljifri, 2008). It was found that the banking sector discloses more information than the insurance, industrial and service sectors. Variables such as size, debt to equity ratio and profitability do not affect the extent of disclosures by companies (Aljifri, 2008).

3.3.2.1 Dubai Financial Service Authority (DFSA)

Establishing a business in the UAE requires an Emirati national with a minimum 51% shareholding in partnership with a foreign investor. This rule is one of the major considerations among foreign investors who seek to establish businesses in the UAE. In order to encourage investors to found businesses in the UAE, the phenomenon of free zones was created, see appendix 2 for more information. When this succeeded, the concept was replicated all over the UAE sometimes with specialized industries. See Appendix 2 for a list of the most productive free zones in the UAE.

The concept of free zones is not new, but has taken root in other forms elsewhere. The outstanding examples are Silicon Valley and Hollywood in the USA.

Some free zones are basically clusters of companies serving a specialized industry. According to Porter (1998) the location of a business will not serve as a competitive advantage if it operates in a cluster; however, as Porter (1998) explains, companies which do so will be more productive, increase their innovations, enhance their access to clients and improve relationships.

DFSA was created to be an independent regulator of all the financial services related to Dubai's International Financial Centre (DIFC). DIFC was created to serve as a financial hub that connects the world to UAE. The mission of the DIFC is "to promote the growth and development of financial services and related sectors within the UAE economy and to provide state of the art infrastructure and competitive services to our stakeholders" (Dubai-International-Financial-Centre, 2013). DIFC recognized the need for an independent regulator of the financial services in the country and took the initiative to secure this extra precaution for investors by creating the DFSA as an independent regulator to provide more transparency, integrity and efficiency. The DFSA became an authority that authorizes those institutions that are interested in working within the DIFC. It also supervises and monitors the registrants' compliance with local laws and international best practices. DFSA has issued its first report, covering the period from 2008-2012 relating to its audit monitoring program. The main purpose of the program is to promote higher quality audits which give more assurance and transparency to the DIFC as a whole. The DFSA rulebook sets out the standards that all DIFC institutes should adhere to in order to qualify: the International Standards on Auditing (ISAs), the International Standard on Quality Control (ISQC) and the Code of Ethics for Professional Accountants (Code of Ethics) issued by the International Federation of Accountants (IFAC), the Islamic Accounting and Auditing Standards and the Code of Ethics for

Accountants and Audit Firms of Islamic Financial Institutions as issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). (Dubai-Financial-Service-Authority-DFSA, 2013) The DFSA monitoring team has completed 33 onsite assessments, assessed 56 principals and reviewed 106 audit engagements, as shown in Appendix 3.

Analyzing the DFSA report of 2013, it is evident from the list of registered auditors that most of them are Big 4 firms and the rest are mostly international audit firms which are highly ranked worldwide. Even though the DFSA is dealing with the Big 4 and other international firms, it is evident from their report that these registered audit firms are not performing audits in accordance with the audit quality expected from them. Not only this: it is also evident that two out of the Big 4 have withdrawn from DFSA along with three other prestigious firms.

3.3.3 Accounting and Audit Firms in the UAE

The general structure of accounting and audit firms in the UAE is no different to what exists in other countries. That is to say, these firms are grouped into three tiers; the Big 4, mid-tier and small firms. More than 100 firms in the UAE are practicing audit and most of them are local firms (please see Appendix 4 for a list of practicing firms in the UAE).¹

The small firms are not supported by international alliances that provide peer reviews aimed at enhancing audit quality. In addition to these firms, the Big 4 firms exist locally and capture most of the market share of major corporations, listed companies, government bodies and banks. This reinforces the perception that the Big 4 firms provide higher audit quality as discussed in the literature review chapter. The

¹ A full list of registered practicing audit firms was obtained by the researcher from the Department of Economic Development in 2014. To update the list, it was reconciled with other published lists available from different free zones and banks.

remaining firms compete with the Big 4 to capture the SME industries on which this paper focuses.

Audit firms in the UAE vary between the BIG 4 audit firms such as Price Waterhouse Coopers, Deloitte, Ernest Young, and KPMG. Also UAE have most of the other multinational audit firms such as Grant Thornton, BDO, MAZARS, Backer Tally, PKF, and others. Besides these multinational firms there are quite a number of local audit firms in the country. Some of these local firms are as small as a firm with a one auditor and as big as firms that has more than 100 staff members. From this we can see the variety of competition in the market is high.

Because of the existence of a big number of audit firms in the UAE market, competition is very high and the market is very price sensitive as other audit firms are just next door waiting to grab clients with a very competitive price bidding. With prices being very competitive, audit firms are struggling to compete with each other and the only way for audit jobs to be profitable at the current prices is for audit firms to spend less time on the audit jobs which impacts the audit quality and in turn the reliability of the financial information.

It is evident from the DFSA report, 2013, that the Big 4 and international audit firms did have certain weaknesses, as reported by the Dubai-Financial-Service-Authority-DFSA (2013). One would expect more deficiencies in the audit of local firms and this research accordingly investigates whether it is necessary to set up a governing body to monitor the audit firms dealing with SMEs.

3.4 SMEs in the UAE

The leaders of the UAE knew that the development of the SME sector plays a vital role in the economic growth of the country as a whole. This is evident through the establishment of the Khalifa fund by the government of Abu Dhabi which has set

aside more than AED 1 billion to financially support local entrepreneurs and to provide professional support to their projects. The Dubai government has a similar initiative, named DUBAI SME, which strives to promote entrepreneurship. According to DUBAI SME, the SMEs are the backbone of the economy of Dubai, making up 95% of the number of companies in the city. These SMEs cater for 42% of the workforce and account for 40% of the city's economy. DUBAI SME has defined SMEs on the basis of turnover and a headcount of employees, keeping in mind the industry as shown in the figure below:

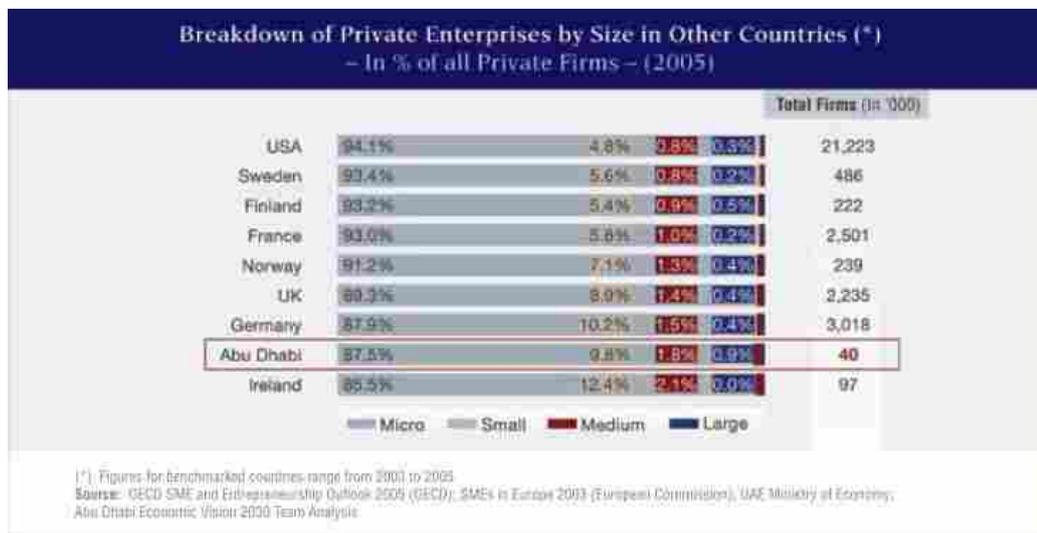
Figure 04 Dubai SME Definition of SME's

SME DEFINITION FOR DUBAI						
	TRADING		MANUFACTURING		SERVICES	
	Employees	Turnover	Employees	Turnover	Employees	Turnover
Micro	<=9	& <=AED 9mn	<=20	& <=AED 10mn	<=20	& <=AED 10mn
Small	<=35	& <=AED 50mn	<=100	& <=AED 100mn	<=100	& <=AED 100mn
Medium	<=75	& <=AED 250mn	<=250	& <=AED 250mn	<=250	& <=AED 250mn

According to research by DUBAI SME which covered 120 trading SMEs, 157 services SMEs and 30 manufacturing SMEs only 50% of these organizations maintain audited financial reporting. If these findings can be generalized, we can easily see from the 95% of the companies based in Dubai that only 47.5% maintain audited financial reporting, which means that a big portion of the companies in Dubai are not in a bankable position and could not obtain proper funding if it were needed. This was also apparent in a search, where only 23% of respondents confirmed that they had received financing in the past 5 years.

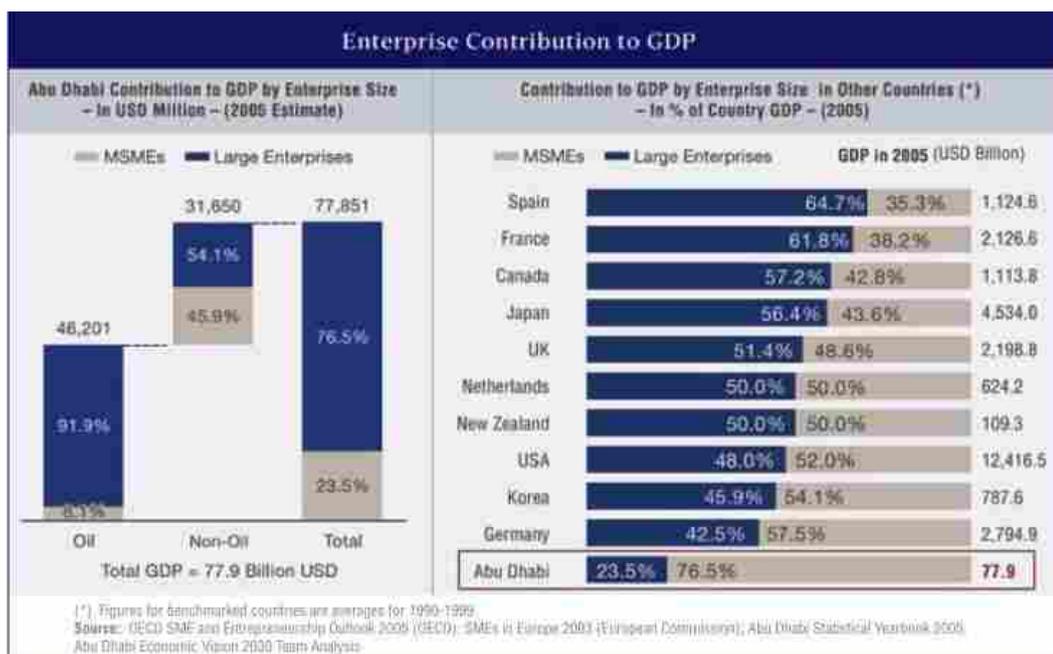
Abu Dhabi has a similar structure to Dubai as is evident in the figure below; this shows the size of Abu Dhabi SMEs, compared with other cities around the world.

Figure 05 Breakdown of SME's by Size in Other Countries



The only difference between Abu Dhabi and Dubai is that Abu Dhabi contributes more to the GDP from the oil industry, which dilutes the SMEs contribution as shown in the figure below:

Figure 06 SME's Contribution to GDP



The absence of a governing body to regulate audit firms which deal only with the private sector, SMEs in particular, may have great influence on the economy, for various reasons. For one thing, SMEs in the UAE rely heavily on two main sources to fund their operations: either additional funds injected into them by the owners as a form of increase in equity or loans from their shareholders. Otherwise the management of a company obtains funding in the form of loans from banks and financial institutions.

Bankers in the UAE, like all banks everywhere, rely heavily on reviewing the audited financial statements of SMEs in order to assess their creditworthiness before approving the loans. Bankers assume that the registered auditors in the Ministry of Economy have fulfilled the requirements for becoming an auditor in the UAE and will work according to the International Financial Reporting Standards (IFRSs) and International Auditing Standards (IASs), with their numerous standards and pronouncements for governing the audit profession.

Bankers assume that a proper audited financial statement should have the following criteria, as set by the IASCF (2001) in its framework: that all financial statements should be understandable, relevant, reliable, comparable, with fair presentation and using the accrual basis of accounting. If all audit firms complied with the requirements of IFRSs and ISAs, then the banker's risk in lending would be minimal. However, if audit firms are not in compliance with the requirements of IFRSs and ISAs, an auditor might issue a financial statement that was materially misstated and would put the banker in the position of granting a loan to a troubled entity or withholding a loan from a healthy entity. According to Barumwete & Karimunda (2007) empirical evidence in the context of Sweden suggests that

bankers rely heavily on financial statements to determine a company's creditworthiness and its ability to pay back its loans.

3.5 Conclusions

This chapter discussed the context of the auditing and accounting profession in the UAE, by discussing the laws and regulations in the GCC in general terms. The chapter mainly focused on the status of the profession in the UAE, through elaborating on the state of audit firms, regulators and the country's SME market.

It can be argued that the regulatory context in the UAE is fragmented and needs to attend to the different needs and pressures in its local, regional and global contexts. It is because of this fragmentation and the absence of a clear body to oversee the profession that different and overlapping jurisdictional claims can be made by various institutions that have an interest in ensuring the practice of quality auditing.

Overall, despite the fact that the UAE Federal Law No. 22 of 1995 establishes the rules to ascertain who should be allowed to practice, the regulations still fall short in relation to the monitoring of audit quality in SMEs in the UAE.

CHAPTER 4: RESEARCH METHODOLOGY

The purpose of this chapter is to present the broad theoretical underpinning of the dissertation, and to outline the research methodology and methods used in this research. After reviewing the literature on issues pertaining to audit quality and identifying the various frameworks that explore such issues, I sketched in a general understanding of the context of the profession in the UAE (see Chapter 3, above). It should be acknowledged that the choice of research approach for this dissertation depend heavily on the research objectives and questions. With this in mind, it made sense to use research methods that were also compatible with the general approach, and that could be expected to yield answers to such questions.

This chapter is organized into seven sub-sections; it starts by identifying the research questions, then, after identifying a research paradigm, elaborates on the general research strategy and design. Section three identifies the general theoretical framework for the study by identifying the audit quality framework. Section four details the methods that were used for data collection (interview, survey, participant observation, as well as a social experiment). The chapter then moves to discuss possible biases in data collection and analysis for a researcher who works in the field. The chapter concludes by discussing the validation of procedures and sets out the ethical considerations for research of this nature.

4.1 Research Questions and Hypothesis

The general choice of research focus has been largely directed by a practical concern that emerged when I reflected on my experience in the UAE as an auditor. The general theme of audit quality in the market for SMEs in the UAE was further developed and some specific research questions emerged:

Question (1): What is the regulatory and professional context of financial reporting and auditing in the GCC in general, and the UAE specifically?

Question (2): What are the perceptions of audit quality in the market of SME clients?

Question (3): Do auditors who audit SME clients in the UAE follow auditing standards in accepting and conducting their audits?

Question (2) was broken down into specific hypothesis, as listed below:

H1: The perception of audit quality in mid-tier audit firms' dealings with SMEs among Big 4 auditors, mid-tier auditors and professionals varies according to the input factors relevant to values, ethics, and attitude.

H2: The perception of audit quality in mid-tier audit firms' dealings with SMEs among Big 4 auditors, mid-tier auditors and professionals varies according to the input factors relevant to knowledge, experience, and time.

H3: The perception of audit quality in mid-tier audit firms' dealings with SMEs among Big 4 auditors, mid-tier auditors and professionals varies according to the input factors relevant to audit process and quality controls.

H4: The perception of audit quality in mid-tier audit firms' dealings with SMEs among Big 4 auditors, mid-tier auditors and professionals varies according to the output factors.

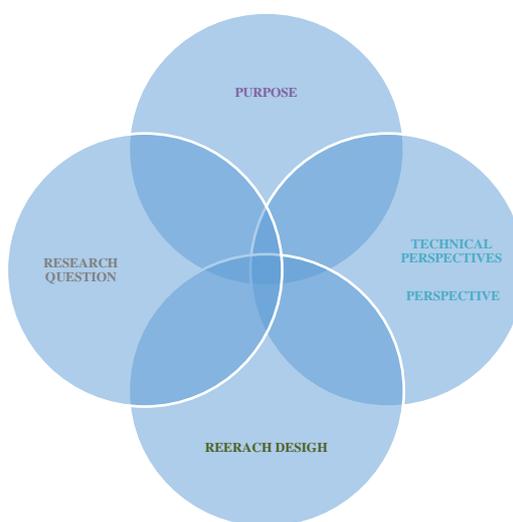
H5: The perception of audit quality in mid-tier audit firms' dealings with SMEs among Big 4 auditors, mid-tier auditors and professionals varies according to the interaction factors.

H6: The perception of audit quality in mid-tier audit firms' dealings with SMEs among Big 4 auditors, mid-tier auditors and professionals varies according to the contextual factors.

4.2 Research Paradigm, Strategy and Design

The nature of any research requires consideration of different research paradigms, epistemology, and ontology matters as they represent beliefs, truth and the nature of reality. These parameters influence research undertaking and research conclusions. Therefore, it is necessary to discuss them to adopt the approaches used in the research. James and Vinnicombe (2002) stated that research philosophy helps to shape the research designs. The main elements of research philosophy are represented in the figure below.

Figure 7 Research Philosophy



(Partington, 2008).

Research philosophy is closely related to the development of knowledge and its nature. It supports the research strategy and plays a vital role in choosing the most appropriate design of the research helping to answer the research questions.

Two key elements of the research philosophy concern ontological and epistemological matters. They express the ways in which people perceive the research process (Saunders, Lewis, & Tornhill, 2009, p. 106-109). Ontology is the theory of being. It deals with the researcher's view of the nature of reality and the whole world (Saunders, Lewis, & Tornhill, 2009, p. 106). Important ontological stances are constructionism (viewing the social as a reality that is constructed by people) and objectivism (maintaining that a given reality exists that independently of people's perceptions and actions). For constructionism reality has subjective elements, while for objectivism it exists objectively (Bryman & Bell, 2007, p. 23).

Epistemology is the science of knowledge. It asks: how can people know the world? As such it defines also what acceptable knowledge in a field of research is. It deals with the ways to acquiring knowledge and describes the ways to learn about the world (Saunders Lewis, & Tornhill, 2009, p. 106). Important branches of epistemology are interpretivism and positivism. Interpretivism is concerned with how people interpret their environments. It seeks to understand those interpretations and, from this, come to a view about the experienced nature of social life and its institutions. It holds that the study of the social is categorically different from the natural science, frequently focusing on values, norms and subjective researcher's position. Positivism holds that reality can only be studied through sense data. Positivists find that interpretations cannot be known with enough certainty to be studied by social scientists (Bryman & Bell, 2007, p. 17). All too frequently, the different branches of epistemology are presented as opposites. This is useful for showing their different interests and approaches. However, individual pieces of research frequently combine elements from different branches in order to devise

approaches to research that can satisfy a range of different research questions and modes of inquiry.

This research project is interested in the norms and values of auditors but also in potential remedies to improve audit practices in the UAE systematically. It therefore draws on interpretivism to the extent that it is interested in the perceptions and moral dispositions of auditors. However, beyond such subjective insights this study also seeks to find out about the sharedness of such perceptions and moral dispositions in order to be able to discuss their systemic nature in the UAE context. This is needed in order to be in a position to develop regulatory recommendations. Moreover this study adopts a positivistic stance when researching the ethics of UAE auditors through their revealed behavior in a field experiment.

The Critical Rationalism paradigm best combines the interpretive and positivist elements desired for this study (Blaikie, 2007). The audit industry as we know it today is being mostly self-regulated through the professional bodies that are issuing the standards for auditors to follow and comply with. This approach is being criticized or supported by a number of practitioners and academics. The professional bodies that have been monitoring this profession through the certification of its members and requiring their members to hold the highest ethical standards, cannot control the fact that these professionals are in a for profit organizations. Profit seeking professionals might tend to bend the rules in order to spend less time on assignments in order to maximize their profits, which was the case with Arthur Anderson undercharging WorldCom audit in order to keep the relationship (Lilling, 2003). Some professional bodies have been active in minimizing the compromise of audit quality and integrity of the profession through disciplinary actions towards its member and in some cases the withdrawal of membership of some of its members.

The non-existence of a professional body in the UAE that plays the role of these international bodies have created a gap in the monitoring of this industry. And since the government have issued certain laws to govern the audit industry, this research aims to survey a number of practitioners, experts, and academics and to interview a selective sample in order to obtain their perceptions over the integrity of the profession in the UAE and to examine the need for the regulatory body to overlook the audit industry as a whole and the ones dealing with the private sector in specific.

Research philosophy is significant as it helps the researcher to improve the research methods and to clarify the research strategy including the evidence type, the way it is interpreted, and the way of answering the research questions. It also enables and assists in research methodology and method evaluation avoiding unnecessary work through the limitation of inappropriate approaches during the early stages of research. In addition, the philosophy makes the researcher more creative selecting or adapting the research methods.

The methodological distinctions usually aim at differentiating between quantitative and qualitative methods of research. However, the researcher's understanding of philosophy is also essential. A quantitative method of research was implemented as it is more suitable for the collection of a large amount of data. Moreover, it allows to generalize participants' explicit and/or implicit claims. It is necessary to know that quantitative and qualitative methods of research are usually treated as opposing methods. Many researchers implement both methods to get a deeper understanding of the research questions. However, it is essential to understand strengths and weaknesses of both approaches.

The research will adopt a descriptive stance of the current situation in the UAE as a whole in order to identify the gap that exists in audit firms that produce

fake audit reports in the current practice. Some other audit practitioners might be even worse and might be issuing financials without any audit procedures being performed. According to Collis and Hussey (2009), there exist analytical, descriptive, explanatory, and predictive types of research. Analytical research enables researched concept understanding. Descriptive research employs quantitative techniques for data collection, analysis and summary. Exploratory research is used in case of absence of any previous research, while predictive one speculates about future events. A better understanding of the studied topic will be provided through the use of all mentioned research types.

This research will initially explain the current audit industry in the UAE through examination of the current literature and industry publications. Then, the research will use a quantitative approach, using surveys and experiments.

The quantitative research method will employ the survey as a tool for the data collection. This research method enables to contact large groups quickly and efficiently, provides an opportunity to examine the participants' understanding of a particular topic, and allows to ask all participants the same questions. In the same vein structure interviewing enables the researcher to ask the same set of questions to different respondents. In addition, it enables the researcher explain confusing things that may be unclear or difficult to understand. Thus, structured interviews are a reliable source of quantitative data.

Data will be gathered from secondary sources such as books, journals, and articles. Also, since the research is industry related other secondary data such as government and semi-government sites and industry reports will be used. These data will be used to shape the literature review chapter to focus on the research question and to justify the research method being followed. Once the research is focused on a

research question, primary sources of data will be used in order to answer the research question. Since an important issue for the research is the potential usefulness of a governing regulating body to overlook the audit firms that are dealing with the private sector in the UAE, the research will use primary data gathered from surveys and interviews. These surveys will be circulated through mail and email, and the interviews will be done face to face. An experiment will be conducted using a fictitious company trial balance and trying to obtain an audited report from audit firms to measure the number of willing audit firms to provide an audit opinion without performing any audit procedures. This kind of experiment will prove in a clear manner the existence of audit firms that are not concerned with the integrity of the profession. Unlike surveys and interviews that only measure people's perceptions towards such a behavior, this experiment will provide conclusive evidence of such doings.

An abductive approach of research is used in the study that presupposes taking notes of the existing theories, opinions, and articles. This is the basis for the interviews. On the basis of these theories, we prepared the interview guide for the semi-structured interviews. It is difficult to make an investigation without the analysis of previous researches and theories.

According to Bryman and Bell (2007), there exist five research design types including experimental, longitudinal, cross-sectional, comparative, and case study designs (p. 45). The research design will be cross-sectional that is also called a social survey design. It has been found that "cross-sectional design involves the collection of data on more than one case (usually quite a lot more than one) and at a single point in time in order to collect a body of quantitative or quantifiable data in

connection with two or more variables (usually many more than two), which are then examined to detect patterns of association” (Bryman & Bell, 2007, p. 53).

The choice of research design is closely related to the purpose of the current research. It is necessary to take into account the tenure of auditor respondents and make sure that there is a possibility to provide good distinctions between the circumstances.

The collection of data will finish at a single time period meaning that the interview questions will be collected promptly. An experiment is usually done to test a theory or hypothesis. However, it may be used to discover new information related to the topic under investigation. If done well, it is one of the best methods of gathering information from a positivistic perspective because it is systematic, reliable, empirical, and verifiable.

4.3 Audit Quality: a Theoretical Framework

After reviewing both the professional and academic literature for discussions on audit quality, the IAASB framework was identified as the most suitable for exploring the quality of SME audits in the UAE. It encompasses more elements of quality than all the other models. The model has three main elements, namely; (1) input factors; (2) output factors, (3) contextual and interaction factors. The framework is summarized in the table below, but also described in detail in the subsequent sections.

Table 1 - IAASB's Audit Quality Framework

Framework Element	Attributes	Academic References
Inputs (values, ethics and attitudes)	Engagement Level. The engagement team recognizes audit performance in the wider public interest, exhibits objectivity, integrity, professional competence, professional skepticism	(Whitehouse, 2013); (Primeau, 2003); (Ross L. Watts & Zimmerman, 1979);

<p>Inputs (knowledge, experience and time)</p>	<p>and independence.</p> <p>National Level. Ethical requirements make clear the underlying ethical principles and specific requirements. Regulators and professional accountancy organizations ensure that the ethical principles are clear and understandable. Moreover, information relevant to client acceptance decisions is shared between audit firms.</p> <p>Firm Level. The firm enhances the personal characteristics important to audit quality, emphasizes the importance of providing partners and staff with access to high-quality technical support and promotes a culture of consultation. In addition, financial considerations do not drive the actions and decisions that may negatively influence audit quality.</p> <p>Engagement Level. Partners and staff have the appropriate competences, understand the entity's business and make reasonable judgments. Furthermore, both of them have sufficient time to undertake the audit effectively. The partners in the audit engagement take an active part in risk assessment, planning, supervising and reviewing the work performed.</p> <p>National Level. There are arrangements for licensing audit firms/individual auditors and briefing auditors on different issues. Moreover, some arrangements aim at providing appropriate training in the system of new accounting and auditing or regulatory requirements. The requirements related to education are clear and appropriate training is resourced. Hence, the auditing profession is considered to be one that takes a highly respected position and can attract and retain professionals.</p> <p>Firm Level. Staff and partners have enough time to provide staff with</p>	<p>(Ross L. Watts & Zimmerman, 1986); (Flesher, Previts, & Samson, 2005); (Arrunada, 1999); (Craswell, 1999); (Patel & Prasad, 2013); (Quick & Warming-Rasmussen, 2009)</p> <p>(Al-Thuneibat et al., 2011); (Ghosh & Moon, 2005); (Carcello, Hermanson, & McGrath 1992); (Ghosh & Moon, 2005)</p>
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<p>Inputs (audit process and quality control procedures)</p>	<p>appropriate coaching and timely appraisal. In addition, substantial training is provided to audit staff and partners concerning accounting and industry issues.</p> <p>Engagement Level. The engagement team acts in accordance with the relevant regulations and laws, auditing standards and the procedures of the audit firm’s quality control and makes appropriate use of information technology. This level is characterized by an effective interaction with those involved in the audit process, including internal auditors, whereby applicable and appropriate arrangements are made with management so as to achieve audit efficiency.</p> <p>National Level. Effective systems exist for investigating allegations of audit failure and taking disciplinary action. Auditing standards are made public to clarify the underlying objectives and specific requirements. There are also bodies responsible for the inspection of external audits, considering the relevant attributes of audit quality.</p> <p>Firm Level. Appropriate methodology is adopted to let professional standards of development inform the reviews of internal quality control and external interactions. It also encourages individual team members to apply professional skepticism and exercise appropriate professional judgment and requires reviews of audit work and effective supervision. In addition, the procedures of rigorous quality control are established at this level. Consequently, actions are accordingly taken and audit quality is monitored.</p>	<p>(Kilgore, Radich, & Harrison, 2011); (Deis & Giroux, 1992); (Beattie, Brandt, & Fearnley, 1999); (Michael C. Knapp, 1987); (Mkhael C. Knapp, 1985); (McKinley, Pany, & Reckers, 1985); (Philmore Alvin Alleyne, 2006); (Randolph A. Shockley, 1981); (Sun and Liu; 2011)</p>
<p>Outputs</p>	<p>Engagement Level: from the auditors – auditors’ reports to users, those charged with</p>	<p>(Deangelo, 1981); (Palmrose & Scholz, 2000);</p>

	governance, and management, as well as financial and prudential regulators; from the entity - the audited financial statements and reports from those charged with governance; from the audit regulators - information on personal audits	(Raghunandan, Read, & Whisenant, 2003); (Anderson & Yohn, 2002); (Aljifri, 2008)
Interactions	Effective Interactions between: Management and auditors Management and those charged with regulators, governance, users Those charged with governance and regulators, users Regulators and users	(Colbert & Murray, 1998); (Barumwete & Karimunda, 2007); (Sarens, Christopher, & Zaman, 2013); (Turley & Zaman, 2007); (Zaman, Hudaib, & Haniffa, 2011)
Contextual Factors	Business practices and commercial law Corporate governance Financial reporting timetable Laws and regulations relating to financial reporting The applicable financial reporting framework Broader cultural factors Information systems	(Knapp, 1985); (Al-Qahtani, 2005); (Al-Ajmi, 2009); (Joshi, Al-Ajmi, & Bremser, 2009); (Ibrahim, 2010); (Ibrahim, 2009); (Aljifri & Khasharmeh, 2006); (Khalifa, 2012)

4.3.1 Model Input Factors

Input factors are the variables that have an impact on the quality of an audit in its initial stages and consist of showing proper *values, ethics, and attitude*, and the like, with regard to the engagement. These factors ensure that the engagement team recognizes the fact that the audit is being performed to serve the wider public interest. In order to do so, the team should have high standards of objectivity and integrity. The team must be independent in fact and in appearance, and should perform the audit procedures while maintaining due care and professional skepticism (IAASB, 2013).

Other input factors which are equally important for ensuring higher audit quality are being *knowledgeable* and *experienced* in the field and having sufficient *time* to carry out all the audit procedures. To this end, partners and audit team members should have the necessary competencies and a proper understanding of the business under audit. The team should perform the audit by applying all the required steps from the risk assessment, planning, supervising, to reviewing the audit engagement. All aspects of the engagement should be undertaken in a timely manner and proper time should be allowed to all team members to perform at the highest standard (IAASB, 2013).

The last input factor is applying a proper *audit process* through *quality control procedures*. This is the part that ensures that the audit is complying with auditing standards and through the audit firm's current quality control procedures. They serve as the groundwork for performing proper risk assessment and audit procedures (IAASB, 2013).

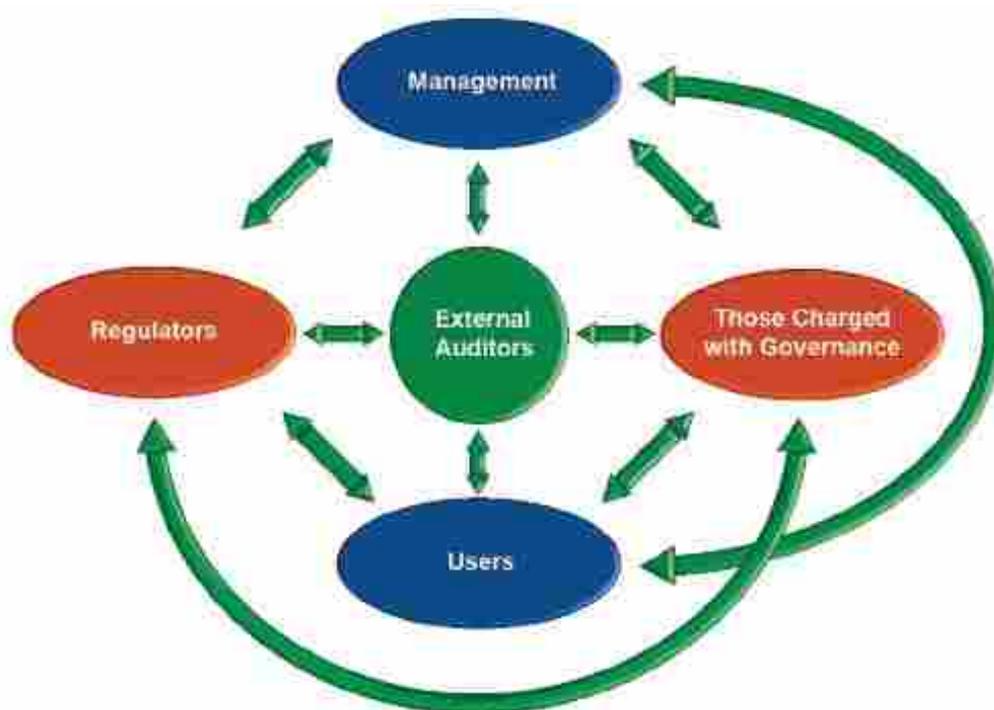
4.3.2 Model Output Factors

One way to measure the quality of audits is through their outputs (IAASB, 2013). In the audit industry, the *output* is limited to the auditor's report which is issued with the financial statements. This section goes beyond this. The research explores *output* factors which are not tangible, such as the improvements in the company's financial reporting and the enhancement of internal controls. It also includes all the reports that are issued to those charged with governance, to the management, to the audit committee members, to the board of directors, and to regulators (IAASB, 2013). The ultimate goal of an audit is to provide an opinion on the financial statements that will assist the shareholders and users of the financial information to make an educated decision.

The reporting of the audit opinions and the types of reports issued are standardized by the International Standards of Auditing (ISA). For example, when reporting to those charged with governance, auditors are to report the auditor's responsibility, the planned scope and timing of the audit, any threats to the auditors' objectivity, any related safeguards that were applied, and any findings from the audit work. The reporting requirement to the management is different: the auditor is required to report his recommendations for the improvement of the business process, any findings related to regulatory issues, trends related to the specific industry and global best practice.

4.3.3 Model Interaction Factors

Figure 8 Interaction Factors as per IAASB's Audit Quality Framework



As evident from the above figure (International-Auditing-and-Assurance-Standards-Board, 2013), the external auditor interacts with a number of parties. The graph suggests that these parties also interact with each other independently of the external auditor.

The management of the organizations under audit is responsible for preparing the financial statement in accordance with the International Financial Reporting Standards and for ensuring that proper internal controls are in place which guarantee that the financial statement is free from material misstatements, whether due to fraud or error. The auditors need to interact closely with management so as to verify the appropriateness of the internal controls through audit procedures that would allow them to safely express an opinion; otherwise they are not fulfilling their duties. The *interaction* between the auditors and the management is highly critical. If their relationship is constructive, it will lead to improvements in the financial reporting, improvement in the internal controls, and adherence to regulators and local laws.

Those charged with governance are the executives who are responsible for overseeing the strategic direction of a company, such as its Audit Committee, Nomination Committee, Executive Committee and Investment Committee and other board members. Proper communication between auditors and those charged with governance helps those charged with governance to conclude on the fairness of the financial statements and whether management has acted on the issues being highlighted by the auditors. Sarens, Christopher, & Zaman (2013) and Turley & Zaman (2007), in a study based in Australia, encourage more informal communication between the internal auditors and the audit committee. It is also found that there is a positive relationship between the audit committee's effectiveness and both audit fees and non-audit service fees, in particular for larger sized clients (Zaman, Hudaib, & Haniffa, 2011).

Auditors also interact with the users of the financial statements, notably at the general meeting when the appointing, re-appointing and replacing of auditors occurs. In these meetings the auditors present their opinion on the financial statement and the

floor is opened to the users of the financial statements to ask any questions they wish. These questions can motivate the audit firm to have a proper audit done in order to avoid public humiliation.

Finally, auditors interact with regulators; these regulators can be regulators of financial markets, such as the Abu Dhabi Exchange and Dubai Financial Markets. They govern publicly listed organizations which are not part of the present research, since its focus is on only small and medium-sized enterprises. The other kind of regulator is the financial institute, such as the banks that are providing loans to SMEs. Auditors are expected to communicate to the bankers about issues with the organizations as going concerns or about any material breach of the law. From the survey results, it appears that the professionals and the Big 4 auditors thought that mid-size audit firms fall short in adhering to the *interaction* requirements. This is also evident in the experiment that is reported in Chapter 8: this showed that no *interaction* took place with any of the above parties, and very minimal *interaction* took place with the management of the organization that required auditing.

4.3.4 Model Contextual Factors

Figure 9 Contextual Factors as per IAASB's Audit Quality Framework



The International Auditing and Assurance Standards Board (2013) suggests that there are many variables with an impact on the quality of financial reporting. These variables are defined as the *contextual* factors. Nevertheless, they also affect the work of the auditor, since without knowledge of their relevance and their impact on the entity, the quality of the audit will be compromised.

Business Practices and Commercial Law: The way in which business practices in any country are conducted reflects the maturity of its commercial environment. The more advanced the commercial environment, the more support is available for any specific transaction. In less developed commercial environments, transactions are based on variables such as trust and personal relationships. In such environments, there is little documentation or contractual safeguarding. This makes it more difficult for auditors to verify such informal transactions. The GCC is a commercial environment which has advanced to its present state very rapidly and is continuing at a similar pace. It still sees many transactions based on trust and personal relationships, in small family owned businesses in particular (IAASB, 2013). In certain cases where partners who trust each other establish a new company, each partner spends personal funds on the new business, as opposed to injecting working capital. The concept of an independent business entity becomes intertwined with personal accounts and relationships.

Another very important aspect that reflects the maturity of a commercial environment is the existence of commercial laws to govern the establishment of various types of organization. These laws also ensure that the rights and obligations of the transactions are properly established.

Laws and Regulations relating to Financial Reporting: These are laws and regulations that can help to establish management's responsibilities in relation to financial reporting, and also introduce some punitive sanctions against management who engage in fraudulent financial reporting. Such laws should also have an enforcement mechanism in order to insure proper compliance is in place.

Applicable Financial Reporting Framework: High standards of financial reporting require a clear financial reporting framework. The framework assists members of management in their accounting decisions. The framework should also be straightforward and uncomplicated in order for management and those charged with governance to effectively oversee the financial reporting.

Corporate Governance: Strong corporate governance in firms positively influences the reliability of the financial reporting. Those charged with governance are the people who initiate proper governance with proper oversight over management. One of the most important committees responsible for the oversight of management is the Audit Committee. This committee is responsible for reviewing both the internal audit reports and the external audit report. It is also charged with ensuring that the management addresses all the issues raised by the external and internal auditors. To be effective, the committee must have good financial literacy. The more financially sound the Audit Committee members, the higher the perception of the quality of the financial reporting (IAASB, 2013).

Information Systems: Proper information system solutions are available to ensure reliable financial reporting and enforced internal controls. The available information systems vary in complexity and the more the complex the accounting software, the more controls that can be put in place to ensure more reliable information. In small family owned businesses in the GCC, the importance of accounting systems is not

valued. This has caused the management of these businesses to be satisfied with very loose internal controls; the owners of the businesses tend to have very limited financial knowledge and do not comprehend that their business is thereby weakened. Managements and auditors with lower ethical values and greater financial knowledge take advantage of this situation for their own personal gain.

Financial Reporting Timetable: Organizations have different reporting requirements and deadlines depending on what is imposed by their regulators. These deadlines sometimes cause auditors to work under very tight schedules and hence sometimes give the auditors too little time to perform the detailed testing that would obtain higher assurance on the financial information.

Broader Cultural Factors: The existence of different cultures within an organization makes it more difficult for employees than if everyone at work had the same behaviors and traditions.

4.4 Data Collection Methods

To collect data for this dissertation four main methods contributed differently to the data collected, namely; interviews, survey, participant observation and an experiment. The methods were at times used to reconfirm findings, but also they were used to complement each other. For example, interviews were used to probe further into issues revealed in the survey.

4.4.1 Interviews

Interviewing is a key method of data collection in social research. Given the research questions, which are exploratory, seeking explanations and understanding of the nature of audit practices in the UAE, interviews were identified as a very useful tool for collecting data. The interviews emphasized probing and teasing out some of the issues that pertain to audit quality, which had surfaced, for example in the results

of the questionnaire. Semi-structured interviews are used to reflect better all the concerns that a researcher may have. Such interviews allow a fairly open kind of two-way communication, giving and receiving information. Interviewing is often treated as a managed verbal exchange. The success and effectiveness of interviewing mainly depend on the interviewer's communication skills (Clough & Nutbrown, 2007).

The participants in the present research were provided with the interview guide several days before the interview to give them an idea of what they would be asked. Face-to-face interviews were held, where the interviewees met the interviewer, ensuring accurate and full data and also mutual confidence and understandability. The interviewer has an opportunity to change the number of questions according to the respondent's mood and answers, and to avoid misunderstanding and discomfort (Bryman & Bell, 2007, p. 479). The ethical concerns of all the participants were taken into account by asking them if they would like to be anonymous.

The interviews reported below asked respondents to provide their name, gender, age, nationality, current position, current company, number of years in the audit industry, number of years with financial responsibility, number of years in the academic profession, highest educational achievement, certification, number of years in UAE, and others.

The interviews contained both open-ended and close-ended questions. In total, 15 questions were put to the participants to answer freely. One of the questions gave a set of optional answers to choose from. The questions covered the issues of audit firm differences, the participant's experience in the audit industry in the UAE, auditors' professional duties and responsibilities, the monitoring of audit quality and

audit integrity, financial statements, different impacts on the auditing profession, the major weaknesses in the audit industry in the UAE, etc.

Interviews were used at two points: first, during the pilot study some interviews were conducted to explore issues of audit quality in the UAE for audits related to SMEs. The purpose of these preliminary interviews was to find out if any context specific factors affected the quality of audit that might not have been covered in the literature, which focused mainly on an Anglo-Saxon context, or rarely discussed such issues in the context of the UAE or the GCC countries.

Pilot Interviews are 'trying out' of a specific study (Baker 1994: 182-3) or in other words are considered the “small scale versions or trial runs done in preparation for the major study” (Polit et al., 2001: 467). Pilot Interviews are highly recommended as a startup for the preparation of a research project. They help in assessing the need for a full scale research study, set the procedure of research, and help in determining the required sample size needed to conduct the research. However, these interviews might mistakenly be used for assumptions or mistakenly considered as reliable source of data and may be mistakenly added to the main results noted from the research conducted. This leads to the contamination of data.

Once a general framework for the dissertation had been identified, interviews were used to probe further the elements of audit quality, by trying to discuss some questions that had not been exposed by the survey. In other words, the respondents were asked to give examples or explain some of the patterns established by the survey results. The survey, moreover, yielded fewer responses from the Big 4 and the interviews were also meant to make up for the lack of participation by auditors from those firms. Obtaining such views was essential to develop a rounded understanding.

Qualitative research was conducted to meet the research aims and objectives.

Qualitative research is a good way to determine how things happen. This kind of research is helpful when monitoring attitudes and behavior in surveys, interviews, observations, etc. Qualitative research presupposes the investigation of evidence and answers to questions, the formation of procedure set to effectively answer the research questions, and the production of findings that could not have been determined in advance. It provides a rich, descriptive, and valuable understanding of motivations, attitudes, opinions, and aspirations.

Qualitative research focuses on authenticity, rather than objective reliability and aims at gathering an authentic understanding of experiences. It provides a deep picture of the variable-based correlations and explicit rendering of structure, order, and patterns. The research process presupposes the adjustment of concepts, data collection tools and methods. It was found that qualitative research methods are able to produce information only on the particular cases under investigation. A qualitative study comprises several research methods, including interviews, surveys, observations, text and document analysis, audio recording, and others. However, they are often used in combination to provide more reliable data. But the current research also used elements of quantitative research to provide a better understanding of the problem under investigation.

A total number of 14 interviews took place. The table below summarizes some of the background information on interviewees:

Table 2 - Interviewee Characteristics

No.	Age	Gender	Nationality	Current Position	Current Industry	Audit Experience (Years)	Finance Experience (Years)	Qualification	Previous Big 4 experience
1	31	Male	Filipino	Senior Accountant	Manufacturing	7	4	CPA	Yes
2	29	Male	Pakistani	Senior Finance	Manufacturing	4	5	ICAEW, CA	Yes

				Controller					
3	33	Male	Jordanian	Financial Controller	Trading	7	7	CPA	Yes
4	44	Male	Egyptian	CFO	Education	16	3	CPA, CIA, CFE	Yes
5	47	Male	American	CFO	Investment	5	12	CPA, CMA, CGMA	Yes
6	27	Male	Jordanian	Chief Accountant	Private Equity	3	3	None	No
7	39	Male	Pakistani	Section Head in Finance	Manufacturing	5	10	ACA, CMA	Yes
8	37	Male	Jordanian	Finance Manager	Real Estate	4	7	None	No
9	34	Male	British	Director	Big 4	14	None	ICAEW, CA	Yes
10	37	Male	Jordanian	Director	Big 4	15	None	CPA	Yes
11	33	Male	Indian	Senior Manager	Big 4	11	None	CA	Yes
12	36	Male	Indian	CFO	Real Estate	3	12	CA	Yes
13	34	Male	Jordanian	CFO	Real Estate	8	3	CPA	Yes
14	37	Male	Indian	Finance Manager	Real Estate	0	11	CA	No

4.4.2 Survey

Surveys are a common research tool used to collect data. A survey was mainly used to collect and measure the perceptions by respondents of audit quality for SME clients in the UAE. The survey would be able to identify whether perceptions of this audit quality varied by professional group. Hence, the survey was directed towards three groups of professionals: (a) auditors working in one of the Big 4 firms, (b) auditors working in mid-tier audit firms or local audit firms, (c) professionals in the field such as academics, a finance manager, internal auditor, and government officials. A survey entitled “Audit Quality in the UAE” was sent to the above three groups. All the surveys were structured in the same way but were tailored to each group individually. The survey was based on the audit quality framework developed by IAASB (2013), and included 16 descriptive and demographic questions (e.g. age, gender, remuneration, experience, education, size

of firm, etc.), and an additional 46 questions with 5 Likert-scale answer options that measured the different aspects of audit quality as identified in the framework. The questions measured the following 4 dimensions of audit quality:

(a) Input Factors

Inputs - Values, Ethics, and Attitudes, Questions 17 – 26 (inclusive)

Inputs - Knowledge, Experience and Time, Questions 27 – 36 (inclusive)

Inputs – Audit Process and Quality Control Procedures, Questions 37 – 46 (inclusive). My focus was partly on questions 44-46: national level governance

(b) Output factors, Questions 47 – 51 (inclusive)

(c) Interaction factors, Questions 52 – 55 (inclusive): another part of my focus.

(d) Contextual Factors, Question 56 – 62 (inclusive): another part of my focus.

The survey was circulated to 104 audit firms throughout the UAE, which were asked to circulate it to their employees. However, the respondents were given the choice to identify the name of the firm where they were currently working. Please refer to section 5.2 for descriptive tables of the respondents. A total of 123 responses were received, of which 27 came from Big 4 staff, 52 responses from mid-tier audit firms and 44 from professionals. There were 3 responses that did not have full answers and were excluded from the analysis.

4.4.3 Participant Observation

According to Kawulich, (2005) participant observation is defined as “*the process enabling researchers to learn about the activities of the people under study*”

in the natural setting through observing and participating in those activities”. Zahle, (2012) describes 4 types of participant observation methods; the one that is adopted for the purpose of this research is described by Zahle as *“Type 4 observations: The social scientist may make observations of actions—other individuals’ as well as her own—that she, as a competent assessor, meets with approval or disapproval. Again, her meeting an action with approval suggests that it is appropriate and/or effective, just as her meeting it with disapproval is suggestive of its being inappropriate and/or ineffective. Moreover, insofar as she is herself a competent performer, these observations may take the form of noticing how she herself carries out various actions. These observations will be suggestive as to how it is appropriate and/or effective to act.”* This type of participant observation involvement would oblige the researcher to be capable of assessing the responses and also of carrying out his own suggestions, since these would always be for appropriate actions (deemed to be effective) and not inappropriate actions (deemed ineffective) (Zahle, 2012).

I am experienced in the field of audit, I am a Certified Public Accountant - CPA (Licensed in the Missouri State Board of Accountancy MOSBA) and I have a Bachelor’s degree in Accounting and a Master’s in Business Administration with emphasis on accounting, from Missouri State University. I also hold a Certified Risk Assurance Management certificate as well as a Certified Master Trainer certificate.

I have over five years of experience in Assurance and Advisory work with PricewaterhouseCoopers in the UAE, where I have worked in the Dubai and Abu Dhabi offices. I was responsible for the day to day management of audit engagements and applied best practice in accordance with PwC’s methodology. I then spent more than a year with Manarah as the Finance Manager for Investment in Development Projects, where I was responsible for the finance and human resources

department. Manarah was a newly established investment company and by the end of its first operational year, it had a portfolio of AED 1.5 Billion Dirhams.

I then joined a local audit – ODEH Certified Public Accountants – a firm that had been established by my father in 1997, who put all his knowhow into a local firm. In less than three years, I was able to triple the size of firm in terms of revenue and number of staff. I was also able to bring in a number of prestigious clients, as well as a company listed in the Abu Dhabi Stock Market.

I next moved to a listed company in Abu Dhabi Stock Market under the name of Abu Dhabi Ship Building (ADSB), where I carried out a quick turnaround of its financial performance in a year. The company in this period tripled its stock price as it shifted from losses of AED 130 million to a profit of AED 80 million. ADSB is a specialized shipbuilding company that manages assets of AED 1.5 billion and has projects worth AED 3 billion.

Recently, I accepted a new challenge with another listed company under the name of Abu Dhabi National Hotels (ADNH). I am currently heading the finance department and pursuing a number of initiatives to enhance the performance of the company. I also sit on two Audit Committees as an independent member. The cumulative experience that I have gained in all these positions and their being all in the UAE have enriched my knowledge of the specifics of auditing as an industry in the UAE.

Since the start of my enrolment to the Doctorate in Business Administration program, I have been reflecting on my experience in the audit industry noting down observations about the field and my colleagues, with the purpose of refining my research question and gathering more data on the issue of audit quality in the market for SME's. I am able to distinguish my role as a professional in the field who was

practicing audit, and my recent role as a researcher who is very conscious of his work environment and issues of audit quality in the field.

My observations are evident throughout the research in forms of input to the findings of the research as well as a very detailed assessment of the procedures that should have taken place in the experiment as compared to what happened in reality.

Overall, it is fair to say that this is the least method of data collection used, as I was not very systematic with notes taking, nevertheless, I can confirm that this method was heavily used during the experiment as a lot of notes were taken with regards to the communication that took place with audit firms that were invited to conduct an audit. All discussions through emails and phone call conversations were documented. During the interviews some comments about the participants were noted.

4.4.4 Social Experiment

Social experiment is a real world piece of research that entails exploring certain factors and behaviors among the participants without their being aware that they are participating in the experiment. According to Zellner and Rossi (1986), a good social experiment must have a proper methodological approach in order to achieve its aims. The researcher should also prepare an initial feasibility study for the experiment to be reasonably sure at an early stage that its objectives can be realized. The experimenter should himself be an expert in the field so that s/he can detect and identify any inappropriate practices. This dissertation has considered all the above and a field experiment has been decided upon because the lack of awareness of scrutiny among the participants makes it is very likely that authentic behaviors will be captured. This kind of research is very common in areas where the expected

outcome concerns unethical and unacceptable behaviors. The nature of this experiment makes it, however, very time consuming and financially expensive.

4.5 Data Analysis

For Survey results, factor Analysis – through SPSS - was used for data collected to be reduced to achieve a smaller set of variables out of the large set of variables. This helps in eliminating measurement errors and producing more efficient data output. However it might cause the data to be difficult to understand especially for comparison purposes due to variation in weights (Vincent, 1971).

With regards to interviews, data was analyzed through NVIVO by first transcribing all interviews on the software and grouping quotes based on Nodes that are matching to the audit quality framework used. Then, all information was analyzed based on each variable tested separately.

4.6 Bracketing: Insider Role and Research Bias

In research generally, it is very important to be aware of biases and avoid the effect of such bias from the early stages of research. Awareness of bias that could negatively affect such important aspects of research as defining the research problem, data collection, data analysis and results interpretation is crucial for reliable and valid research findings. In quantitative research it is largely achieved by attending to the objectivity, reliability and validity of the research instrument (e.g. a survey). In qualitative research, however, since the research instrument is mainly the researcher, it is done by being aware of such biases and when and how they may interfere with research activities. ‘Bracketing’ and reflection are important ways of dealing with such biases. Tufford & Newman (2012) define bracketing as “a method used in qualitative research to mitigate the potential damaging effects of

preconceptions that may taint the research process and thereby to increase the rigor of the study”.

As a starting point, I was very much aware of my role in the industry and the way in which my personal interests might affect the choice of a research question. The worry here was that I might choose a question that was insignificant, of personal interest only to myself and made no contribution to theory or practice. This concern was eliminated after discussions with my advisor, and by researching the literature (professional and academic) about the significance of the dissertation questions.

The researcher also used ‘reflexivity’ as a continuous process throughout the research journey, to attend to any biases that arose. It involved a continuous examination of my values and interests and their possible impact on the research process (Primeau, 2003). Reflexivity was practiced continuously with and without the advisor. Explicit discussions on the way in which the personal interest of the researcher might interfere with the research process took place during all meetings. This resulted in a continuous examination of my position and made me aware of my due role and influence.

I also felt it was my responsibility to be personally involved in all the activities related to data collection, data analysis and data interpretation, for all the methods used to collect data for this dissertation (interviews, survey, experiment).

I was also very much aware that a deep knowledge of the industry might influence how I collected and interpreted the data. To overcome such possible biases, I followed the usual protocols to ensure the reliability and validity of the research activities.

4.7 Validation of procedures

In the process of carrying out this research, the researcher has used secondary and primary data. The primary data are the results from the surveys and interviews, whereas the secondary data include literature reviews and information that was obtained from scientific reports, researches, journals, etc. All questions were designed to be easily understood. When the data were collected, the researcher sorted and evaluated it.

The study findings should be of professional practice relevance. The research method is dependent on the blend of project cases, supplementary data, surveys, interviews, observations, and questionnaires. If the research provides suggestions that can be implemented they can act as an action stimulus. Researchers in system research suggested that relevant research should be accessible to practitioners. In addition, it should produce a long-term behavior change.

Relevant research should be valid. Validity is closely related to the true reflection of the current situation and the world in general. Validity indicates likeness to reality and sometimes defined as data credibility.

Relevant research also requires research reliability and rigor. Evidence reliability does not depend on the person using it. Reliability indicates an impersonal and independent investigator. According to Bryman and Bell (2007), reliability means demonstrating that the study operations can be repeated with the same results. The questionnaire used to get data was short and did not require much time to be answered. The structured interview is considered to be an effective research procedure as it uses the same questions for each respondent. The design of questions, structure of the interview and survey is essential as it adds to the reliability and validity of the research data. The survey questions were short and did not require

much time. The interview validity was ensured through the use of the same questions for each respondent. The design of survey and interview questions, as well as their structure adds to the validity and reliability of the research data.

In order to ensure reliability of the study, the study tools will be pre-testing through pilot interviewing of the respondents. The essence of the pilot-testing of the questionnaires is ensure that the tool is able to measure all the variables in the study and that the tool can be used to collect the targeted data accurately. After the testing of the tool through pilot surveying the tool will be adjusted.

4.8 Ethical Issues

Ethics are the codes and conduct followed by every researcher and are closely related to values and norms. The primary concern of the researcher should be the research participant's safety, to be preserved by considering the risk and benefit ratio, taking into account all the available information, making appropriate assessments and monitoring the research process. It is essential for the researcher to obtain informed consent from all the participants, as an ongoing process. The researcher must clearly state the confidentiality and privacy concerns to be approached. S/he must be sensitive not only to information protection, but also to the notification of any unforeseen research findings. It is also essential to consider the adverse events that may occur in the process of the study. All potential participants must be informed about the nature of the research, the procedures to be used, the expected benefits, potential risks, stresses, and alternatives. The participants must be aware what is expected from them. It is essential to choose participants who are competent to give consent. Should a participant be incompetent because of a disease, mental status, or emergency, a designated person may provide consent if it is in the best interest of the participant.

It is essential to bear in mind ethical issues, including voluntary participation in interviews and surveys, informed consent, confidentiality, absence of harm, anonymity, and the assessment of relevant components. Voluntary participation means that all participants take part in the research of their own free will. They are free to withdraw their participation at any time they want without any negative impact on their future involvement in similar services or programs. After leaving the program or service, the participants are assured of being under no pressure. Explanations and reasons for quitting are not required. Informed consent means that all participants get full information about the research, its purpose, aims and objectives. In addition, they are to be informed about the use of the research findings and all the potential impacts of their participation, as well as the people who will have access to these findings. The key purpose of informed consent is that all participants should be able to decide whether to take part in the evaluation or not. In case of need, additional information should be provided during the participation.

Confidentiality means that no identifying information will be available to others or accessible to anyone. It ensures that the information about participants will be excluded from any reports or documents. Absence of harm means that participants will be not subjected to any physical or psychological harm that can be in the form of anxiety, stress, pain, privacy invasion, and others. Anonymity is stricter than privacy and confidentiality. It means that the participant's identity remains unknown to the whole research team. Anonymity is difficult to achieve, for as participants are usually known in the context of social research. The assessment of relevant components refers to cases which are relevant to the program. It is essential to keep evaluations simple and to stay focused on the intention of the evaluation. However, Bryman and Bell (2007) state that it is vital to recall the following principles of

ethical considerations: absence of harm, respect for the research participants' dignity, full consent from the participants, protection of the privacy of the research participants, adequate levels of confidentiality, anonymity of individuals, elimination of misleading information, honest and transparent communication, etc.

According to Kimmel (2007), ethical aspects of any research should be addressed in the following way:

- Participants should be informed before being involving in the study;
- No sample group members should be subjected to coercion;
- Participants' privacy should be ensured, together with the guarantee that no personal data of the respondents will be further distributed; and
- Participants should be repeatedly informed about the research aims and objectives in the process of collecting primary data.

In using the qualitative and quantitative methods of research and the analysis of primary data. I maintained high ethical standards during the whole research process. It is vital to follow ethical norms, since they are relevant to the research's integrity (Bryman & Bell, 2007). The sources used for the data collection were properly cited and referenced to avoid plagiarism. In addition, the study does not violate the ethical principles stated by Diener and Grandall (2007), including doing harm to respondents, privacy invasion, and deception. The participants are provided with all kinds of confidentiality. Because the research was based on the views and experience of audit and client firms, they were assured of continued anonymity to feel them more comfortable and not afraid of providing reliable information even if it were negative. Anonymity gave the participants more security and made them speak openly about their auditing experiences.

CHAPTER 5: IAASB AUDIT QUALITY FRAMEWORK - SURVEY RESULTS

5.1 Introduction

The frequency tables below reveal the demographic characteristics of the sample.

5.2 Respondents Background

Table 3 - Age Groups of Survey Respondents

Age Groups	Frequency	Percentage	Cumulative Percentage
18 to 24	10	8.3	8.3
25 to 34	66	55.0	63.3
35 to 44	33	27.5	90.8
45 to 54	9	7.5	98.3
65 to 74	2	1.7	100.0
Total	120	100.0	

Table 3 indicates the frequency of the age brackets for the respondents. From this table, it can be seen that the respondents in the range of 18 to 24 are 8.3% of total respondents. The respondents in the range of 25 to 34 years are 55% of the total respondents. The respondents who were in the range of 35 to 44 are 27.5% of the total respondents. From the frequency table, it can be observed the respondents in the range of 45 to 54 years of age accounts for 7.5% of the total. The respondents in the range of 65 to 74 years of age are 1.7% of the total respondents in the survey. This puts 82.5% of the respondents in the range of 25 to 44 years old. Only 9% are at least 45 years old and 8% are between 18 and 24 years old.

Table 4 - Distribution of Age among the Sampled Groups of Participants

Age	Sampled Participants			Total
	Big 4	Mid-tier	Professionals	

<34 Yrs	23	31	22	76
≥34 Yrs	4	21	22	47
Total	27	52	44	123

*Pearson Chi-Square p-value is 0.011

The p-value of the chi-square test (chi-square=8.954) is $p = 0.011$, less than the 5% level of significance. This implies that the age distributions of subjects within the three sampled populations are significantly different. The proportion of younger persons (< 34 years old) among the Big 4 respondents is significantly higher than the corresponding proportions among the other two groups of respondents.

Table 5 – Gender of Survey Respondents

	Frequency	Percentage
Female	24	20.0
Male	96	80.0
Total	120	100.0

In terms of gender, the proportion of the male respondents was 80% of the total. The proportion of the female respondents was 20% of the total (Table 03).

Table 6 - Distribution of Gender among the Sampled Groups of Participants

Gender	Sampled Participants			Total
	Big 4	Mid-tier	Professionals	
Female	5	9	10	24
Male	22	42	32	96
Total	27	51	42	120

*Pearson Chi-Square p-value is 0.743

The p-value of the chi-square test (chi-square=0.594) is $p = 0.743$, greater than the 5% level of significance. This implies that the gender distributions of subjects within the three sampled populations are not significantly different.

Table 7 - Distribution of Ethnicity among the Sampled Groups of Participants

Ethnicity	Sampled Participants			Total
	Big 4	Mid-tier	Professionals	
Arabs	16	4	20	40
Non-Arabs	11	48	24	83
Total	27	52	44	123

*Pearson Chi-Square p-value is 0.000

The p-value of the chi-square test (chi-square=26.758) is $p = 0.000$, less than the 5% level of significance. This implies that the distribution of ethnic groups within the three sampled populations are significantly different. There is a significantly higher proportion of non-Arabs among the mid-tier respondents than among the other two groups of respondents.

Table 8 - Distribution of Academic Qualification among the Sampled Groups of Participants

Academic qualifications		
	Frequency	Percentage
Undergraduate degree(s)	52	43.3
Postgraduate degree(s)	64	53.3
Other	4	3.3
Total	120	100.0

Table 8 indicates the proportion of the respondents in terms of the highest academic qualifications. From the frequency table, it can be observed that 43.3% of respondents have obtained an undergraduate degree, 53.3% of the respondents have obtained a postgraduate degree and 96.6% of the respondents have obtained relevant certification.

Table 9 - Distribution of Highest Academic Qualifications Attained among the Sampled

Groups of Participants

Academic qualifications	Sampled Participants			Total
	Big 4	Mid-tier	Professionals	
Undergraduate degree and other	19	19	18	56
Postgraduate degree	8	32	24	64
Total	27	51	42	120

*Pearson Chi-Square p-value is 0.017

The p-value of the chi-square test (chi-square=8.155) is $p = 0.017$, less than the 5% level of significance. This implies that the academic qualification distributions of subjects within the three sampled populations are significantly

different. There is a higher proportion of undergraduate degree holders among the Big 4 respondents than among the other two groups of respondents.

Table 10 - Distribution of Remuneration of Survey Respondents

Remuneration, including benefits:	Frequency	Percentage	Cumulative Percentage
Less than AED 20,000	65	54.2	54.2
AED 21,000 - AED 30,000	24	20.0	74.2
AED 31,000 - AED 50,000	16	13.3	87.5
More than AED 50,000	15	12.5	100.0
Total	120	100.0	

The frequency table 10 indicates the rate of remuneration, including benefits. Those who receive less than AED 20,000 represent 54.2% of the total respondents. The respondents who receive a salary in the range of AED 21,000 to AED 30,000 represent 20% of the total respondents in the survey. The proportion of the total respondents who receive a salary between AED 31,000 and AED 50,000 is 13.3% of the total respondents in the survey. The proportion of the respondents who receive a salary of more than AED 50,000 is 12.5% of the total respondents. A majority of the respondents, amounting to 74.2%, receive a salary less than AED 30,000.

Table 11 - Distribution of Remuneration among the Sampled Groups of Participants

Remuneration, including benefits:	Sampled Participants			Total
	Big 4	Mid-tier	Professionals	
Less than AED 20,000	15	35	15	65
AED 21,000 - AED 30,000	4	11	9	24
AED 31,000 - AED 50,000	5	3	8	16
More than AED 50,000	3	2	10	15
Total	27	51	42	120

*Pearson Chi-Square p-value is 0.013

The p-value of the chi-square test (chi-square=16.125) is $p = 0.013$, less than the 5% level of significance. This implies that the remuneration distributions of subjects within the three sampled populations are significantly different. The

respondents from the Professionals group appear to have higher salaries than the respondents from the other two groups.

Table 12 - Organization Size of Survey Respondents

	Frequency	Percentage	Cumulative Percentage
Fewer than 20 employees	19	15.8	15.8
21 - 50 employees	17	14.2	30.0
51 - 100 employees	7	5.8	35.8
More than 100 employees	77	64.2	100.0
Total	120	100.0	

Table 12 displays the distribution of the sizes of the respondents' work organizations. From the frequency table, it can be seen that the proportion of the respondents who said that their organization had fewer than 20 employees is 15.8% of the total. Respondents who worked in organizations employing 21 to 50 workers formed 14.2% of the total respondents. The respondents who worked in organizations with 51 to 100 employees made up 5.8% of the total respondents. Finally the respondents who worked in organizations with more than 100 employees composed 64.2% of the total respondents.

Table 13 - Distribution Based on Organization Size among the Sampled Group of Participants

Size of Organization	Sampled Participants			Total
	Big 4	Mid-tier	Professionals	
< 100 employees	1	28	17	46
>100 employees	26	24	27	77
Total	27	52	44	123

*Pearson Chi-Square p-value is 0.000

The p-value of the chi-square test (chi-square=19.131) is $p = 0.000$, less than the 5% level of significance. This implies that the distributions of the organization sizes in the three sampled populations are significantly different. The Big 4

companies emerged as significantly greater in size as the organizations of the other two types of respondent.

Table 14 - Distribution of Survey Respondent by Emirates

	Frequency	Percentage
Abu Dhabi	78	65.0
Dubai	34	28.3
Sharjah	6	5.0
Ajman	1	.8
Ras Al Khaima	1	.8
Total	120	100.0

Table 14 indicates the proportions of residents of the Emirates. From the frequency, it can be observed that 65% of the respondents resided in Abu Dhabi, and 28.3% resided in Dubai. The proportion of the total who reside in Sharjah was 5% of the total respondents in the survey. The proportions of the total respondents who were residents of Ajman and Ras Al Khaima made up 0.8% of the total respondents. This shows that the respondents who resided in Abu Dhabi occupied the largest group of all the respondents in the survey.

Table 15 - Distribution of Survey Respondent by Years of Audit Experience

	Frequency	Percentage	Cumulative Percentage
≤ 3 Yrs	23	18.7	18.7
4-6 Yrs	29	23.6	42.3
7-10 Yrs	26	21.1	63.4
11-15 Yrs	29	23.6	87.0
≥16 Yrs	16	13.0	100.0
Total	123	100.0	

Table 15 indicates the length of the respondents' total audit experience in years. From the frequency, it can be observed that the respondents with three years of experience or less represented 18.7% of the total. The proportion of the respondents who had from four to six years of experience was 23.6%. The range of

the respondents who had from seven to ten years of experience was 21.1%. The range of the respondents who had from eleven to fifteen years of experience was 23.6%. The range of the respondents who had have sixteen years of experience or more was 13%.

Table 16 - Distribution of Years of Audit Experience among the Sampled Group of Survey Participants

Total Audit Experience	Sampled Participants			Total
	Big 4	Mid-tier	Professionals	
≤ 3 Yrs	10	9	4	23
4 -6 Yrs	8	16	5	29
7-10 Yrs	4	11	11	26
11-15 Yrs	5	9	15	29
≥16 Yrs	0	7	9	16
Total	27	52	44	123

*Pearson Chi-Square p-value is 0.008

The p-value of the chi-square test (chi-square=20.866) is $p = 0.008$, less than the 5% level of significance. This implies that the distributions of the total years of experience of subjects within the three sampled populations were significantly different. The sampled respondents from the Professionals appear to have had more audit experience than the other respondents from the Big 4 and the Mid-tier companies.

Table 17 - Distribution of Survey Respondents by Year of Audit Experience in the UAE

	Frequency	Percentage	Cumulative Percentage
≤ 3 Yrs	48	40.0	40.0
4 -6 Yrs	28	23.3	63.3
≥ 7 Yrs	44	36.7	100.0
Total	120	100.0	

Table 17 indicates the ranges of the total audit experience in the UAE in years. From the frequency, it can be observed that the respondents with three years or less of experience in the UAE represent 40% of the total respondents. The

proportion of the respondents who had from four to six years of experience was 23.3%. The range of the respondents who had more than seven years of experience in the UAE was 36.7%.

Table 18 - Distribution of Survey Respondents by Year of Audit Experience in the UAE among the Sampled Groups of Participants

UAE Experience	Sampled Participants			Total
	Big 4	Mid-tier	Professionals	
≤ 3 Yrs	13	24	11	48
4 -6 Yrs	11	6	11	28
≥ 7 Yrs	3	21	20	44
Total	27	51	42	120

*Pearson Chi-Square p-value is 0.003

The p-value of the chi-square test (chi-square=16.13) is $p = 0.003$, less than the 5% level of significance. This implies that the distributions of the years of experience in the UAE of the subjects within the three sampled populations were significantly different. The Big 4 respondents had a higher proportion with relatively little experience in the UAE (< 3 years) while the Professionals occupied a higher proportion with a longer experience (> 7 years).

5.3 Reliability Analysis

This section looks at the results of the survey. First the reliability of the questionnaire will be evaluated (Bhattacharya, 1979). The normality test will also be examined to determine whether the data follow a normal distribution (DeAngelo & DeAngelo, 2007). This is because one assumption of the analysis of variance is that the data follow a normal distribution.

Table 19 - Reliability Statistics of Audit Quality Framework

Case Processing Summary

		N	%
Cases	Valid	89	72.4
	Excluded ^a	34	27.6
	Total	123	100.0

Case Processing Summary

		N	%
Cases	Valid	89	72.4
	Excluded ^a	34	27.6
	Total	123	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.975	46

From the reliability analysis, it can be observed that the value of the Cronbach alpha is 0.975, which is substantially larger than 0.7, the ad-hoc minimum value of alpha to conclude the internal consistency of the 46 items. (Baker, Powell, & Veit, 2002). This implies that the variables are reliable.

5.4 Results for Input Factors

5.4.1 Inputs – Values, Ethics, and Attitudes

Table 20 - Factor Analysis of Inputs – Values, Ethics, and Attitudes Communalities

	Initial	Extraction
Engagement level: public interest, integrity, objectivity, independence, professional skepticism, competence and due care In audits conducted by NON-Big4 firms on SME clients	1.000	.675
Firm level: independence and “tone at the top.” In audits conducted by NON-Big 4 firms on SME clients	1.000	.733
Firm level: audit quality on audits conducted by NON-Big 4 firms on SME clients	1.000	.787
Firm level: Financial considerations in audits conducted by NON-Big 4 firms on SME clients	1.000	.765
Firm level: technical support in audits conducted by NON-Big4 firms on SME clients	1.000	.772
Firm level: The firm promotes a culture of consultation in audits conducted by NON-Big 4 firms on SME clients	1.000	.562
Firm level: client acceptance in audits conducted by NON-Big 4 firms on SME clients	1.000	.639
National level: Ethics in audits conducted by NON-Big 4 firms on SME clients	1.000	.746

National level: Regulators in audits conducted by NON-Big 4 firms on SME clients	1.000	.577
National level: information relevant to client acceptance decisions is shared between audit firms in audits conducted by NON-Big 4 firms on SME clients	1.000	.154

Extraction Method: Principal Component Analysis.

Table 21 - Component Matrix of Inputs – Values, Ethics, and Attitudes

	Component 1
Engagement level: public interest, integrity, objectivity, independence, professional skepticism, competence and due care in audits conducted by NON-Big 4 firms on SME clients	.822
Firm level: independence and “tone at the top.” In audits conducted by NON-Big 4 firms on SME clients	.856
Firm level: audit quality in audits conducted by NON-Big 4 firms on SME clients	.887
Firm level: Financial considerations In audits conducted by NON-Big 4 firms on SME clients	.875
Firm level: technical support in audits conducted by NON-Big 4 firms on SME clients	.878
Firm level: The firm promotes a culture of consultation in audits conducted by NON-Big 4 firms on SME clients	.750
Firm level: client acceptance in audits conducted by NON-Big 4 firms on SME clients	.800
National level: Ethics in audits conducted by NON-Big 4 firms on SME clients	.864
National level: Regulators in audits conducted by NON-Big 4 firms on SME clients	.759
National level: Information relevant to client acceptance decisions is shared between audit firms in audits conducted by NON-Big 4 firms on SME clients	.393

Extraction Method: Principal Component Analysis.

Table 22 - Total Variance Explained of Inputs – Values, Ethics, and Attitudes

Component	Initial Eigen values			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.410	64.100	64.100	6.410	64.100	64.100
2	.937	9.371	73.471			
3	.636	6.361	79.832			
4	.431	4.309	84.141			
5	.421	4.206	88.347			
6	.372	3.716	92.063			

7	.269	2.691	94.754			
8	.232	2.319	97.073			
9	.158	1.581	98.654			
10	.135	1.346	100.000			

Extraction Method: Principal Component Analysis.

The responses to all 10 questions were scored and factor analyzed for the three groups. Based on Kaiser's criterion, which retains factors with variances greater than or equal to one, all the items loaded on one factor for the three groups, as shown in Table 22. The extracted factor explained 64.1% of the total variance of the 10 items. Moreover, the factor explained large fractions of the individual variance of the items (greater than 60%), except for the 10th item where 15.6% of the variability is accounted for by the extracted factor (Table 20). The value of the Cronbach alpha for the 10 items about values, ethics, and attitude is 0.93, which indicates a high level of internal consistency.

Table 23 - Test of Homogeneity of Variances of Inputs – Values, Ethics, and Attitudes

Levene Statistic	df1	df2	Sig.
1.641	2	104	.199

The result of Levene's test of homogeneity of the variances of factor 1 scores within the three groups of respondents is 0.199, which is greater than 0.05. This means that the variability is not significantly different across the three groups of respondents. The untransformed factor scores as well as the square root and the logarithm transforms of the scores are not normally distributed. The p-values of the Shapiro-Wilk test of the ANOVA standardized residuals are 0.00, 0.00, and 0.00 respectively; see Table 24. Due to the fact that normality was not achieved, ANOVA on the ranks of the factor scores was used to compare the responses (Inputs: values, ethics, and attitudes) of the three groups.

Table 24 - Tests of Normality of Inputs – Values, Ethics, and Attitudes

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Standardized Residual for Inputs: Values, Ethics, and Attitudes	.121	107	.001	.946	107	.000
Standardized Residual for Square Root Input Values	.112	107	.002	.939	107	.000
Standardized Residual for LOG Input Values Ethics	.120	107	.001	.915	107	.000

a. Lilliefors Significance Correction

Table 25 - ANOVA Rank of Inputs: Values Ethics and Attitudes

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	40576.483	2	20288.241	34.382	.000
Within Groups	61369.017	104	590.087		
Total	101945.500	106			

Table 25 shows the analysis of variance on the ranks of Inputs: values, ethics, and attitudes, the value of the F test is 34.382 which has a significance value of 0.000, below the 0.05 level of confidence. This implies that there is a significant difference in the mean. Therefore, it can be confidently concluded that there are significant differences between the mean scores of the Big 4, mid-tier, and professionals groups.

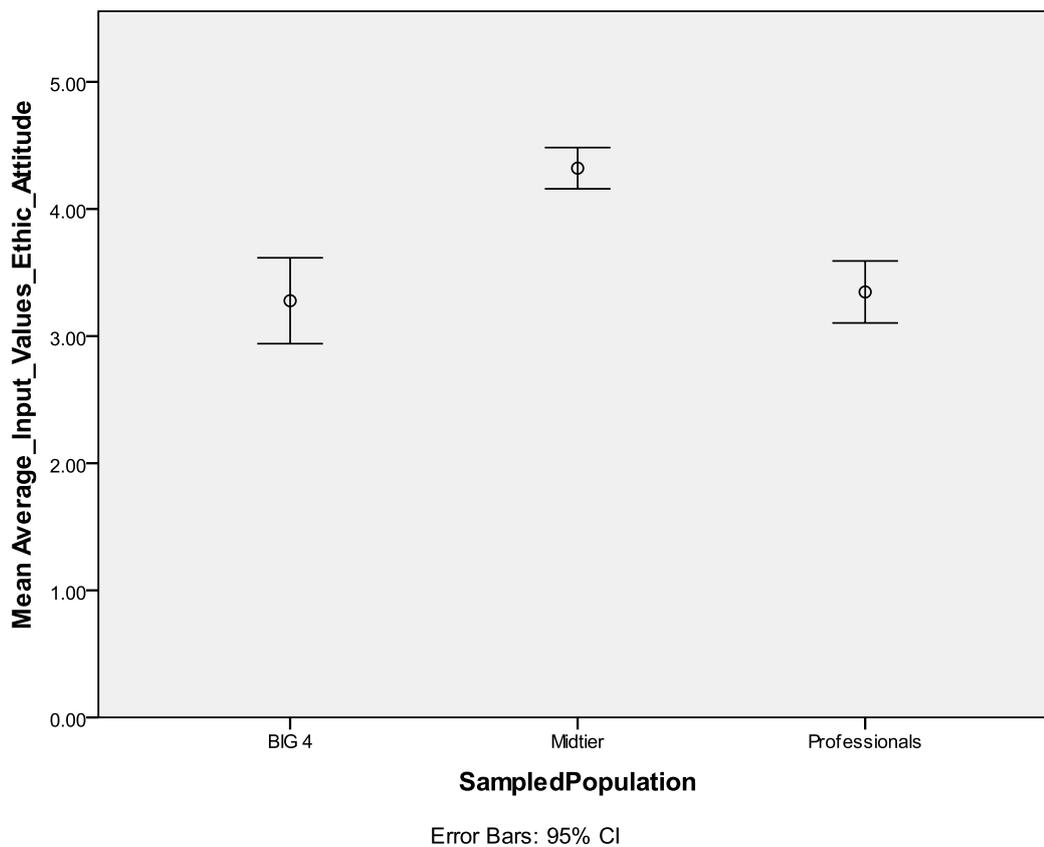
Table 26 - Tests of Between Subjects Effects - Dependent Variable: Rank of Inputs: Values, Ethics, and Attitudes

Source	Type III Sum of Squares	Df	Mean Square	F	Sig.
Corrected Model	60757.275 ^a	18	3375.404	7.212	.000
Intercept	66148.120	1	66148.120	141.328	.000
Sampled Population	4145.964	1	4145.964	8.858	.004
Gender	1461.495	1	1461.495	3.123	.081
Remuneration	3243.729	3	1081.243	2.310	.082
Firm Size	5471.443	5	1094.289	2.338	.048
Age Groups	1079.052	1	1079.052	2.305	.133
Demographics	867.165	1	867.165	1.853	.177
Size	1713.326	1	1713.326	3.661	.059
Total Audit Experience	2250.406	4	562.602	1.202	.316
Error	41188.225	88	468.048		
Total	413957.500	107			
Corrected Total	101945.500	106			

a. R Squared = .596 (Adjusted R Squared = .513)

Table 26 shows the results of the general linear model of the dependent variable ranks of inputs: values, ethics, and attitudes versus the sample group indicator (Sampled Population) while controlling for all the other variables (gender, remuneration, firm size, age, demographics, organization size, and audit experience). The p-value of the sample population while controlling for all these variables was 0.004. This implies that there is significant difference in the mean. Therefore, it can confidently be concluded that there is significant difference in the mean responses of the Big 4, mid-tier, and professional groups while controlling for all other factors.

Figure 10 Mean Average Between Sampled Participants – Input: Values, Ethics, and Attitude



From the above graph we can note that the mean average of mid-tier auditors is higher than the mean average of the Big 4 and Professionals. This shows that the perception of the Mid-tier auditors to the values, ethics and attitude in audits conducted by NON-Big 4 firms for SMEs is higher than the perception of Big 4 auditors and professionals for audits done by NON-Big 4 firms for SMEs.

5.4.2 Inputs – Knowledge, Experience and Time

Table 27 - Factor Analysis of Inputs – Knowledge, Experience and Time Communalities

	Initial	Extraction
Engagement level: partners and staff have necessary competence in audits conducted by NON-Big 4 firms on SME clients	1.000	.700
Firm level: sufficient time in audits conducted by NON-Big 4 firms on SME clients	1.000	.564
Firm level: engagement teams are properly structure in audits conducted by NON-Big 4 firms on SME clients	1.000	.678
Firm level: appraisals and coaching and on the job training in audits conducted by NON-Big 4 firms on SME clients	1.000	.617
Firm level: sufficient training is give in audits conducted by NON-Big 4 firms on SME clients	1.000	.732
National level: partners and staff have sufficient time to deal with difficult issues as they arise in audits conducted by NON-Big4 firms on SME clients	1.000	.706
National level: robust arrangements exist for licensing audit firms/individual auditors in audits conducted by NON-Big 4 firms on SME clients	1.000	.612
National level: education requirements are clearly defined and training is adequately resourced in audits conducted by NON-Big 4 firms on SME clients	1.000	.735
National level: arrangements exist for briefing auditors on current issues and for providing them training in new accounting, auditing or regulatory requirements in audits conducted by NON-Big 4 firms on SME clients	1.000	.623
National level: the auditing profession is well positioned to attract and retain high quality individuals in audits conducted by NON-Big 4 firms on SME clients	1.000	.487

Extraction Method: Principal Component Analysis.

Table 28 - Component Matrix of Inputs – Knowledge, Experience and Time

	Component
	1
Engagement level: partners and staff have the necessary competence in audits conducted by NON-Big 4 firms on SME clients	.837
Firm level: sufficient time is allocated in audits conducted by NON-Big 4 firms on SME clients	.751
Firm level: engagement teams are properly structured in audits conducted by NON-Big 4 firms on SME clients	.824
Firm level: appraisals, coaching, and on the job training are given in audits conducted by NON-Big 4 firms on SME clients	.786
Firm level: sufficient training is given in audits conducted by NON-Big 4 firms on SME clients	.856
National level: partners and staff have sufficient time to deal with difficult issues as they arise in audits conducted by NON-Big 4 firms on SME clients	.840
National level: robust arrangements exist for licensing audit firms/individual auditors in audits conducted by NON-Big 4 firms on SME clients	.782
National level: education requirements are clearly defined and training is adequately resourced in audits conducted by NON-Big 4 firms on SME clients	.857
National level: arrangements exist for briefing auditors on current issues and for providing them with training in new accounting, auditing or regulatory requirements in audits conducted by NON-Big 4 firms on SME clients	.789
National level: the auditing profession is well positioned to attract and retain high quality individuals in audits conducted by NON-Big 4 firms on SME clients	.698

Extraction Method: Principal Component Analysis.

Table 29 - Total Variance Explained of Inputs – Knowledge, Experience and Time

Component	Initial Eigen values			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
	1	6.454	64.541	64.541	6.454	64.541
2	.832	8.316	72.857			
3	.671	6.706	79.563			
4	.487	4.872	84.435			
5	.443	4.431	88.867			
6	.350	3.499	92.366			
7	.285	2.850	95.216			
8	.184	1.840	97.057			
9	.169	1.688	98.744			

10	.126	1.256	100.000			
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Extraction Method: Principal Component Analysis.

The responses to all 10 questions were scored and factor analyzed for the three groups. Based on Kaiser's criterion, which retains factors with variances greater than or equal to one, all the items loaded on one factor for the three groups as shown in Table 29. The extracted factor explained 64.54% of the items' total variance. Moreover, the extracted factor also explains 48.7% to 73.5% of the variances of individual items (Table 27). The value of the Cronbach alpha for the 10 items about knowledge, experience and time is 0.938, which indicates a high level of internal consistency.

Table 30 - Test of Homogeneity of Variances of Inputs – Knowledge, Experience and Time

Levene Statistic	df1	df2	Sig.
.767	2	98	.467

The result of Levene's test of homogeneity of the variances of factor 1 scores within the three groups of respondents is 0.467, which is greater than 0.05. This means that the variability is not significantly different across the three groups of respondents. The Shapiro-Wilk test of the normality p-value of the factor scores is 0.195, which is higher than 0.05. This means that the normality of the factor scores is achieved.

Table 31 - Tests of Normality of Inputs – Knowledge, Experience and Time

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Standardized Residual for the Inputs of Knowledge Experience Time	.086	101	.063	.982	101	.195

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Standardized Residual for the Inputs of Knowledge Experience Time	.086	101	.063	.982	101	.195

a. Lilliefors Significance Correction

Table 32 – ANOVA Inputs: Knowledge, experience and time

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	37.858	2	18.929	29.852	.000
Within Groups	62.142	98	.634		
Total	100.000	100			

Table 32 shows the analysis of variance on the inputs of knowledge, experience, and time, the value of the F test is 29.852, which has a significance value of 0.000, less than the 0.05 level of confidence. This implies that there is significant difference in the mean. Therefore, it can confidently be concluded that there are significant differences between the mean responses of subjects from the Big 4, mid-tier, and professionals groups.

Table 33 - Tests of Between Subjects Effects - Dependent Variable – Inputs: Knowledge, Experience and Time

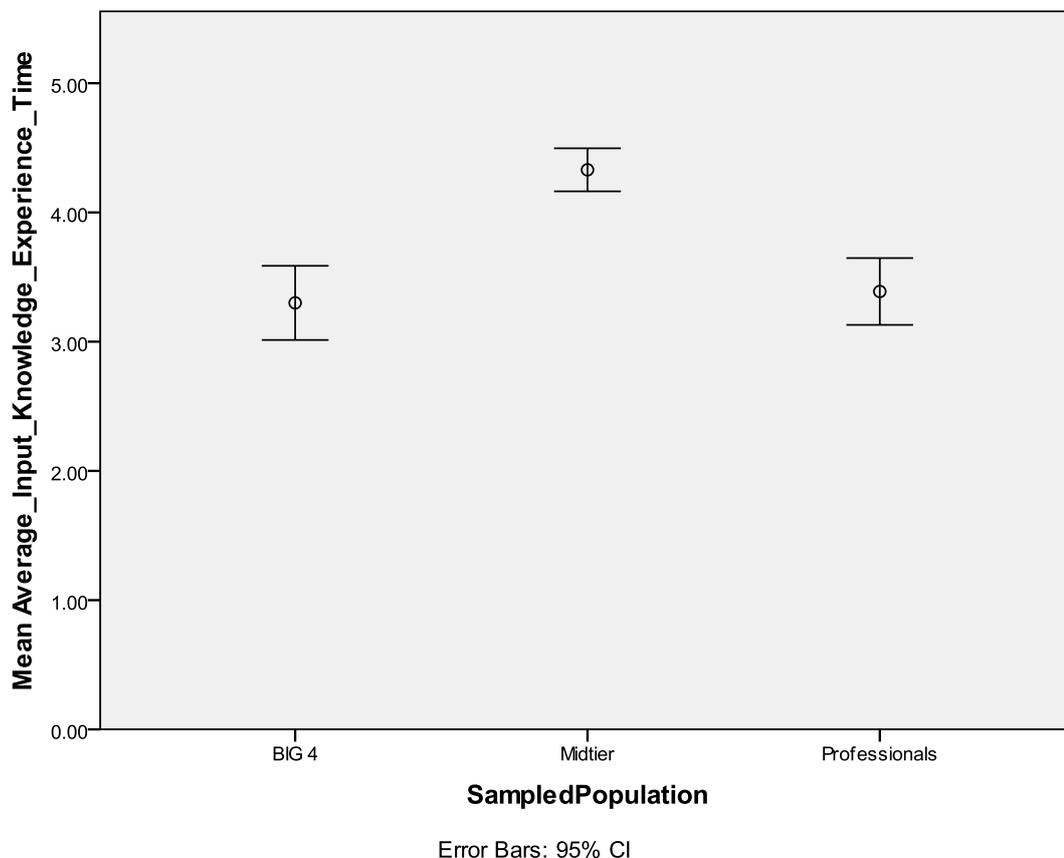
Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	58.553 ^a	18	3.253	6.436	.000
Intercept	.093	1	.093	.183	.670
Sampled Population	3.252	1	3.252	6.435	.013
Gender	2.690	1	2.690	5.322	.024
Remuneration	1.896	3	.632	1.250	.297
Firm Size	6.961	5	1.392	2.754	.024
Age Groups	1.811	1	1.811	3.584	.062
Demographics	2.039	1	2.039	4.034	.048
Size	1.985	1	1.985	3.927	.051
Total Audit Experience	2.111	4	.528	1.044	.390
Error	41.447	82	.505		
Total	100.000	101			
Corrected Total	100.000	100			

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	58.553 ^a	18	3.253	6.436	.000
Intercept	.093	1	.093	.183	.670
Sampled Population	3.252	1	3.252	6.435	.013
Gender	2.690	1	2.690	5.322	.024
Remuneration	1.896	3	.632	1.250	.297
Firm Size	6.961	5	1.392	2.754	.024
Age Groups	1.811	1	1.811	3.584	.062
Demographics	2.039	1	2.039	4.034	.048
Size	1.985	1	1.985	3.927	.051
Total Audit Experience	2.111	4	.528	1.044	.390
Error	41.447	82	.505		
Total	100.000	101			
Corrected Total	100.000	100			

a. R Squared = .586 (Adjusted R Squared = .495)

Table 33 shows the results of the general linear model of the dependent variable of inputs: knowledge, experience, and time versus respondent's group (the sampled population) while controlling for all the other variables (gender, remuneration, firm size, age, demographics, organization size, and audit experience). The P-value of the sample population while controlling for all these variables was 0.013, which is a significant value lower than the 0.05 level of confidence. This implies that there is significant difference in the mean. Therefore, it can confidently be concluded that there is significant difference in the mean responses of the Big 4, mid-tier, and professional groups while controlling or all other factors.

Figure 11 Mean Average between Sampled Participants – Input: Knowledge, Experience, and Time



From the above graph we can note that the mean average of Mid-tier auditors is higher than the mean average of Big 4 and Professionals. This shows that the perception of Mid-tier auditors to knowledge, experience and time in audits conducted by NON-Big 4 firms for SMEs is higher than the perception of Big 4 auditors and professionals for audits done by NON-Big 4 firms for SMEs.

5.4.3 Inputs – Audit Process and Quality Control Procedures

Table 34 - Factor Analysis of Inputs – Audit Process and Quality Control Procedures Communalities

	Initial	Extraction
Engagement level: auditing standards, laws, makes use of IT, has effective interaction with internal auditors and management, supplies proper documentation in audits conducted by NON-Big4 firms on SME clients	1.000	.768
Firm level: the audit methodology in audits conducted by NON-Big4 firms on SME clients	1.000	.783

Firm level: professional skepticism in audits conducted by NON-Big4 firms on SME clients	1.000	.721
Firm level: effective supervision and review of audit work in audits conducted by NON-Big4 firms on SME clients	1.000	.675
Firm level: audit documentation in audits conducted by NON-Big4 firms on SME clients	1.000	.685
Firm level: rigorous quality control procedures in audits conducted by NON-Big4 firms on SME clients	1.000	.825
Firm level: quality control reviews in audits conducted by NON-Big4 firms on SME clients	1.000	.758
National level: auditing standards are promulgated in audits conducted by NON-Big4 firms on SME clients	1.000	.761
National level: bodies responsible for external audit inspections consider relevant attributes of audit quality in audits conducted by NON-Big4 firms on SME clients	1.000	.600
National level: effective systems exist for investigating allegations of audit failure and taking disciplinary action in audits conducted by NON-Big4 firms on SME clients	1.000	.617

Extraction Method: Principal Component Analysis.

Table 35 - Component Matrix of Inputs – Audit Process and Quality Control Procedures

	Component 1
Engagement level: auditing standards, laws, makes use of IT, has effective interaction with internal auditors and management, supplies proper documentation in audits conducted by NON-Big4 firms on SME clients	.876
Firm level: the audit methodology in audits conducted by NON-Big4 firms on SME clients	.885
Firm level: professional skepticism in audits conducted by NON-Big4 firms on SME clients	.849
Firm level: effective supervision and review of audit work in audits conducted by NON-Big4 firms on SME clients	.822
Firm level: audit documentation in audits conducted by NON-Big4 firms on SME clients	.828

Firm level: rigorous quality control procedures in audits conducted by NON-Big4 firms on SME clients	.908
Firm level: quality control reviews in audits conducted by NON-Big4 firms on SME clients	.871
National level: auditing standards are promulgated in audits conducted by NON-Big4 firms on SME clients	.872
National level: bodies responsible for external audit inspections consider relevant attributes of audit quality in audits conducted by NON-Big4 firms on SME clients	.774
National level: effective systems exist for investigating allegations of audit failure and taking disciplinary action in audits conducted by NON-Big4 firms on SME clients	.786

Extraction Method: Principal Component Analysis.

Table 36 - Total Variance Explained of Inputs – Audit Process and Quality Control Procedures

Component	Initial Eigen values			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	7.194	71.938	71.938	7.194	71.938	71.938
2	.757	7.566	79.504			
3	.483	4.825	84.330			
4	.376	3.758	88.088			
5	.295	2.947	91.034			
6	.268	2.679	93.713			
7	.225	2.251	95.964			
8	.175	1.745	97.709			
9	.132	1.320	99.029			
10	.097	.971	100.000			

Extraction Method: Principal Component Analysis.

The responses to all 10 questions were scored and factor analyzed for the three groups. Based on Kaiser's criterion, which retains factors with variances greater than or equal to one, all the items loaded on one factor for the three groups, as shown in Table 36. The extracted factor explained 71.94% of the total variance of the 10 items. Moreover, the extracted factor also explained 60% to 82.5% of the variances of individual items (Table 34). The value of the Cronbach alpha for the 10 items about audit process and quality control procedures is 0.955, which indicates a high level of internal consistency.

Table 37 - Test of Homogeneity of Variances of Inputs – Audit Process and Quality Control Procedures

Levene Statistic	df1	df2	Sig.
1.487	2	96	.231

The result of Levene's test of homogeneity of the variances of factor 1 scores within the three groups of respondents is 0.231, which is greater than 0.05. This means that the variability is not significantly different across the three groups of respondents. The Shapiro-Wilk test of the normality p-value of the factor scores is 0.587, which is higher than 0.05. This means that the normality of the factor scores is achieved.

Table 38 - Tests of Normality of Inputs – Audit Process and Quality Control Procedures

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	df	Sig.
Standardized Residual for Inputs: Audit Process and Quality Control Procedures	.084	99	.084	.989	99	.587

a. Lilliefors Significance Correction

Table 39 - ANOVA - Inputs: Audit Process and Quality Control Procedures

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	33.546	2	16.773	24.982	.000
Within Groups	64.454	96	.671		
Total	98.000	98			

Table 39 shows the analysis of variance on inputs: audit process and quality control procedures. The value of the F test is 24.982, which has a significance value of 0.000, less than the 0.05 level of confidence. This implies that there is significant difference in the mean. Therefore, it can confidently be concluded that there are

significant differences between the mean scores of the Big 4, mid-tier, and professionals groups.

Table 40 - Tests of Between Subjects Effects - Dependent Variable: Inputs Audit Process and Quality Control Procedures

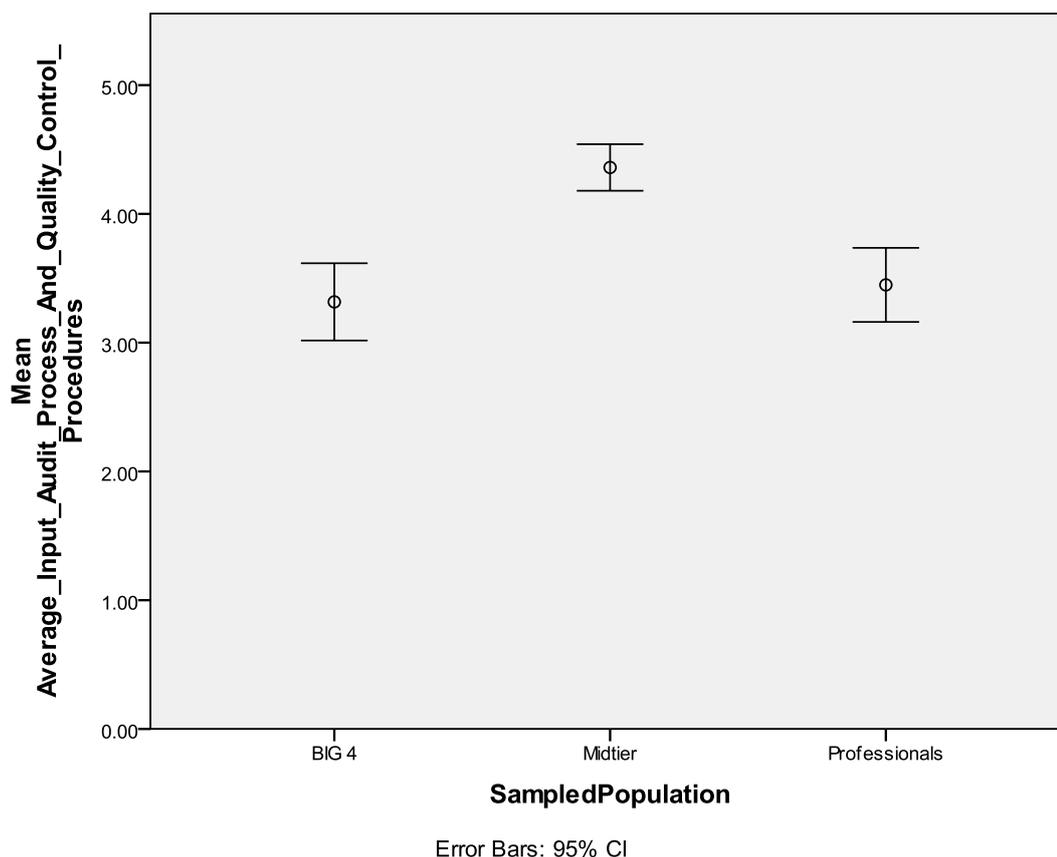
Source	Type III Sum of Squares	Df	Mean Square	F	Sig.
Corrected Model	56.618 ^a	18	3.145	6.081	.000
Intercept	.805	1	.805	1.557	.216
Sampled Population	1.296	1	1.296	2.506	.117
Gender	2.369	1	2.369	4.579	.035
Remuneration	1.726	3	.575	1.112	.349
Firm Size	8.851	5	1.770	3.422	.007
Age Groups	.535	1	.535	1.035	.312
Demographics	1.295	1	1.295	2.503	.118
Size	.922	1	.922	1.783	.186
Total Audit Experience	1.273	4	.318	.615	.653
Error	41.382	80	.517		
Total	98.000	99			
Corrected Total	98.000	98			

a. R Squared = .578 (Adjusted R Squared = .483)

Table 40 above shows the results of the general linear model of the dependent variable inputs: audit process and quality control procedures versus the group indicator (Sampled Population) while controlling for all the other variables (gender, remuneration, firm size, age, demographics, organization size, and audit experience). The p-value of the sample population, while controlling for all these variables, is 0.117, which is significant at the 15% level, but not at the 5% level of confidence. However, there is some evidence that the differences between the mean responses of the three groups of respondents are not due to confounding factors (i.e., the control

variables in Table 40), although this evidence is not conclusive ($0.05 < p\text{-value} < 0.15$). This implies that we cannot rule out the possibility that the significant difference in the means between the groups is caused by the other factors.

Figure 12 Mean Average between Sampled Participants – Input: Audit Process and Quality Control Procedures



From the above graph we can infer that the mean average of mid-tier auditors is higher than the mean average for the Big 4 and Professionals groups. This shows that the perception among mid-tier auditors of the audit process and quality control procedures in audits conducted by NON-Big 4 firms for SMEs is higher than the perception among Big 4 auditors and professionals for audits done by NON-Big 4 firms for SMEs.

5.5 Results for Output Factors

Table 41 - Factor Analysis of Output Communalities

	Initial	Extraction
Engagement level: delivered on time to the shareholders in audits conducted by NON-Big4 firms on SME clients	1.000	.746
Engagement level: delivered on time to those charged with governance and management in audits conducted by NON-Big4 firms on SME clients	1.000	.844
Engagement level: delivered on time to the regulators in audits conducted by NON-Big4 firms on SME clients	1.000	.812
Firm level: there are sufficient reports from those charged with governance in audits conducted by NON-Big4 firms on SME clients	1.000	.723
National level: audit regulators provide information on individual audits in audits conducted by NON-Big4 firms on SME clients	1.000	.559

Extraction Method: Principal Component Analysis.

Table 42 - Component Matrix of Output Factors

	Component
	1
Engagement level: delivered on time to the shareholders in audits conducted by NON-Big4 firms on SME clients	.864
Engagement level: delivered on time to those charged with governance and management in audits conducted by NON-Big4 firms on SME clients	.919
Engagement level: delivered on time to the regulators in audits conducted by NON-Big4 firms on SME clients	.901
Firm level: there are sufficient reports from those charged with governance in audits conducted by NON-Big4 firms on SME clients	.850
National level: audit regulators provide information on individual audits in audits conducted by NON-Big4 firms on SME clients	.748

Extraction Method: Principal Component Analysis.

Table 43 - Total Variance Explained of Output Factors

Component	Initial Eigen values	Extraction Sums of Squared Loadings
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	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.683	73.666	73.666	3.683	73.666	73.666
2	.674	13.476	87.142			
3	.330	6.603	93.745			
4	.224	4.481	98.226			
5	.089	1.774	100.000			

Extraction Method: Principal Component Analysis.

The responses to all 5 questions were scored and factor analyzed for the three groups. Based on Kaiser's criterion, which retains factors with variances greater than or equal to one, all the items loaded on one factor for the three groups as shown in Table 43. The extracted factor explained 73.67% of the total variance of the 10 items. Moreover, the extracted factor also explained 55.9% to 84.4% of the variances of individual items (Table 41). The value of the Cronbach alpha for the 5 items about audit outputs is 0.908, which indicates a high level of internal consistency.

Table 44 - Test of Homogeneity of Variances of Output Factors

Levene Statistic	df1	df2	Sig.
2.336	2	94	.102

The result of Levene's test of homogeneity of the variances of factor 1 scores within the three groups of respondents is 0.102, which is greater than 0.05, implying that the variability is not significantly different across the three groups of respondents. The Shapiro-Wilk test of normality p-value of the factor scores is 0.59, which is higher than 0.05. This means that the normality of the factor scores is achieved.

Table 45 - Tests of Normality of Output Factors

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Standardized Residual for Outputs	.059	97	.200*	.989	97	.590

a. Lilliefors Significance Correction

*. This is a lower bound of the true significance.

Table 46 – ANOVA of Output Factors

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	13.735	2	6.867	7.847	.001
Within Groups	82.265	94	.875		
Total	96.000	96			

Table 46 shows the analysis of variance on outputs. The value of the F test is 7.85, which has a significance value of 0.001, below the 0.05 level of confidence. This implies that there is a significant difference in the mean. Therefore, it can confidently be concluded that there are significant differences between the mean scores of the Big 4, mid-tier, and professionals groups.

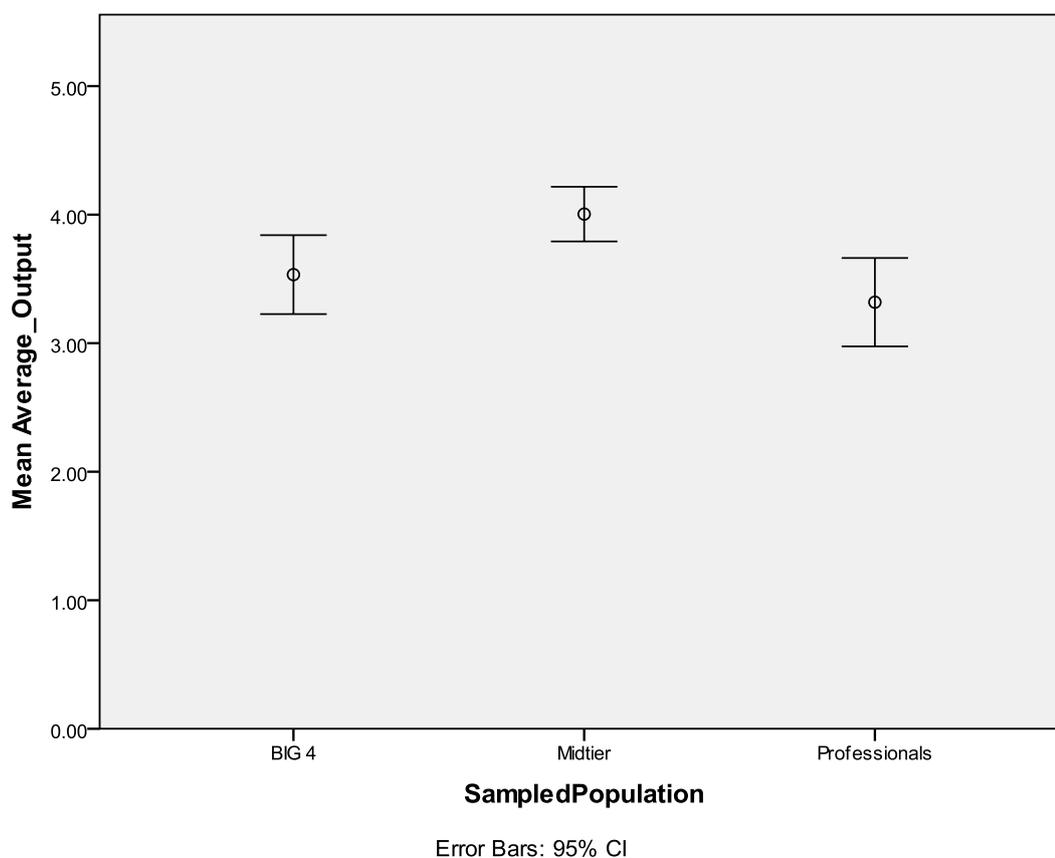
Table 47 - Tests of Between Subjects Effects - Dependent Variable - Output Factors

Source	Type III Sum of Squares	Df	Mean Square	F	Sig.
Corrected Model	49.643 ^a	18	2.758	4.641	.000
Intercept	.244	1	.244	.411	.523
Sampled Population	2.781	1	2.781	4.679	.034
Gender	1.686	1	1.686	2.837	.096
Remuneration	1.245	3	.415	.699	.556
Firm Size	13.907	5	2.781	4.680	.001
Demographics	3.184	1	3.184	5.358	.023
Age Groups	5.431	1	5.431	9.138	.003
Size	1.734	1	1.734	2.917	.092
Total Audit Experience	8.496	4	2.124	3.574	.010
Error	46.357	78	.594		
Total	96.000	97			
Corrected Total	96.000	96			

The table above shows the results of the general linear model of the dependent variable outputs versus the group indicator (sampled population) while controlling for all other variables (gender, remuneration, firm size, age, demographics, organization size, and audit experience). The P-value of the sample

population while controlling for all these variables was 0.034, which is a significant value lower than the 0.05 level of confidence. This implies that there is significant difference in the mean. Therefore, it can confidently be concluded that there is significant difference in the mean responses of the Big 4, mid-tier, and professional groups while controlling for all other factors.

Figure 13 Mean Average between Sampled Participants – Outputs Factors



From the above graph we can infer that the mean average of mid-tier auditors is higher than the mean average of the Big 4 and professionals group. This shows that the perception among mid-tier auditors of the output in audits conducted by NON-Big 4 firms for SMEs is higher than the perception among Big 4 auditors and professionals of audits done by NON-Big 4 firms for SMEs.

5.6 Results for Interaction Factors

Table 48 - Factor Analysis of Interaction Communalities

	Initial	Extraction
Auditors ensure effective interaction between them and management, those charged with governance, users and regulators in audits conducted by NON-Big4 firms on SME clients	1.000	.802
Management has enough interaction with those charged with governance, regulators and users in audits conducted by NON-Big4 firms on SME clients	1.000	.850
Those charged with governance, e.g. audit committees, have effective interaction with regulators and users in audits conducted by NON-Big4 firms on SME clients	1.000	.794
Regulators have enough interaction with users of audited financial statements in audits conducted by NON-Big4 firms on SME clients	1.000	.768

Extraction Method: Principal Component Analysis.

Table 49 - Component Matrix of Interaction Factors

	Component
	1
Auditors have effective interaction between them and management, those charged with governance, users and regulators in audits conducted by NON-Big4 firms on SME clients	.895
Management has enough interaction with those charged with governance, regulators and users in audits conducted by NON-Big4 firms on SME clients	.922
Those charged with governance, e.g. audit committees, have effective interaction with regulators and users in audits conducted by NON-Big4 firms on SME clients	.891
Regulators have enough interaction with users of audited financial statements in audits conducted by NON-Big4 firms on SME clients	.876

Extraction Method: Principal Component Analysis.

Table 50 - Total Variance Explained of Interaction Factors

Component	Initial Eigen values	Extraction Sums of Squared Loadings
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	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.213	80.333	80.333	3.213	80.333	80.333
2	.405	10.133	90.466			
3	.246	6.140	96.606			
4	.136	3.394	100.000			

Extraction Method: Principal Component Analysis.

The responses to all 4 questions were scored and factor analyzed for the three groups. Based on Kaiser's criterion, which retains factors with variances greater than or equal to one, all the items loaded on one factor for the three groups as shown in Table 50. The extracted factor explained 80.33% of the total variance of the four items. Moreover, the extracted factor also explained 76.8% to 85% of the variances of individual items (Table 48). The value of the Cronbach alpha for the 4 items about audit interactions is 0.916, which indicates a high level of internal consistency.

Table 51 - Test of Homogeneity of Variances of Interaction Factors

Levene Statistic	df1	df2	Sig.
2.384	2	93	.098

The result of Levene's test of homogeneity of the variances of factor 1 scores within the three groups of respondents is 0.098, which is greater than 0.05, meaning that the variability is not significantly different across the three groups of respondents. The untransformed factor scores as well as the square root and the logarithm transforms of the scores are not normally distributed. The p-values of the Shapiro-Wilk test of the ANOVA standardized residuals are 0.017, 0.022, and 0.015 respectively; see Table 52. Due to the fact that normality was not achieved, ANOVA on the ranks of the factor scores was used to compare the responses (Interactions) of the three groups.

Table 52 - Tests of Normality of Interaction Factors

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Standardized Residual for Interactions	.109	96	.007	.967	96	.017
Standardized Residual for Square Root Interaction	.116	96	.003	.969	96	.022
Standardized Residual for LOG Interaction	.126	96	.001	.966	96	.015

a. Lilliefors Significance Correction

Table 53 - ANOVA Rank of Interaction Factors

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	12701.608	2	6350.804	9.864	.000
Within Groups	59879.392	93	643.864		
Total	72581.000	95			

Table 53 shows the analysis of variance on the ranks of interactions the value of the F test is 9.86, which has a significance value of 0.000, less than the 0.05 level of confidence. This implies that there is a significant difference in the mean. Therefore, it can confidently be concluded that there are significant differences between the mean scores of the Big 4, mid-tier, and professional groups.

Table 54 - Tests of Between Subjects Effects Dependent Variable: Rank of Interactions

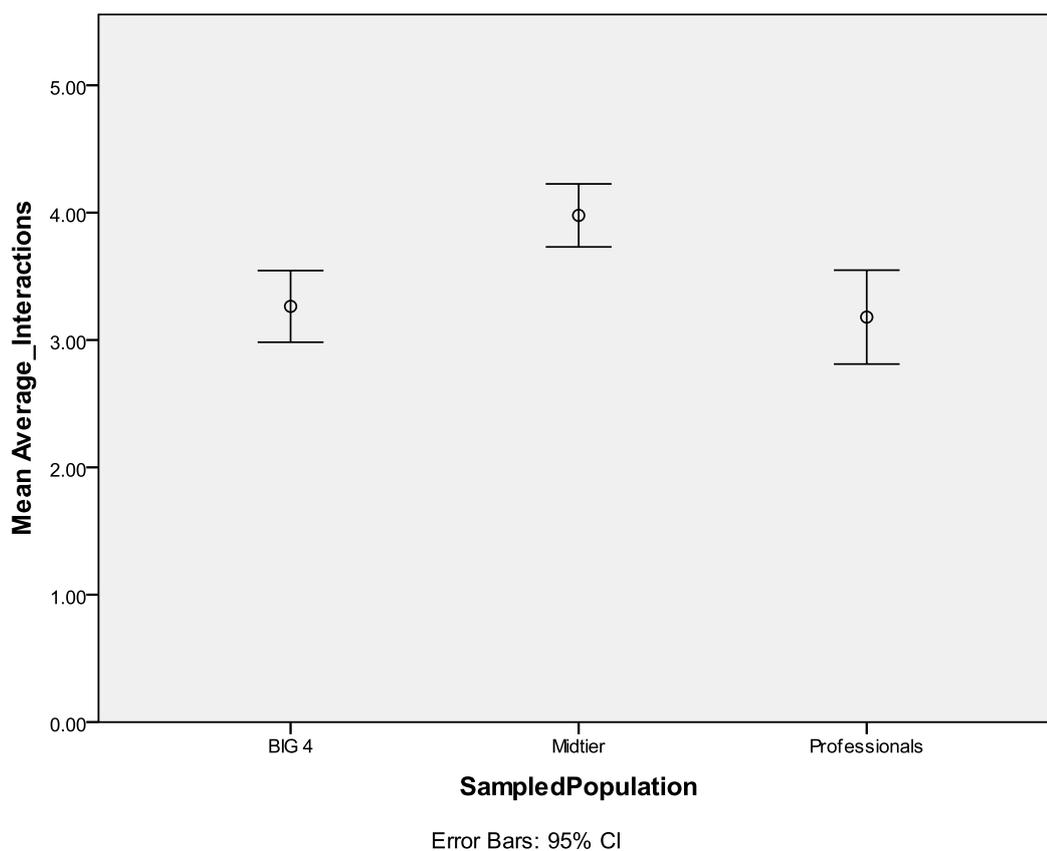
Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	33974.979 ^a	18	1887.499	3.765	.000
Intercept	56214.780	1	56214.780	112.121	.000

Sampled Population	2501.115	1	2501.115	4.988	.028
Gender	502.663	1	502.663	1.003	.320
Remuneration	2279.454	3	759.818	1.515	.217
Firm Size	5720.953	5	1144.191	2.282	.055
Age Groups	2798.453	1	2798.453	5.582	.021
Demographics	230.536	1	230.536	.460	.500
Size	1690.588	1	1690.588	3.372	.070
Total Audit Experience	7327.048	4	1831.762	3.653	.009
Error	38606.021	77	501.377		
Total	298397.000	96			
Corrected Total	72581.000	95			

a. R Squared = .468 (Adjusted R Squared = .344)

Table 54 shows the results of the general linear model of the dependent variable interactions versus the sample group indicator (sampled population) while controlling for all the other variables (gender, remuneration, firm size, age, demographics, organization size, and audit experience). The p-value of the sample population while controlling for all these variables was 0.028, which is a significant value lower than the 0.05 level of confidence. This implies that there is significant difference in the mean. Therefore, it can confidently be concluded that there is significant difference in the mean responses of the Big 4, mid-tier, and professional groups while controlling for all other factors.

Figure 14 Mean Average between Sampled Participants – Interactions Factors



From the above graph we can note that the mean average of mid-tier auditors is higher than the mean average of the Big 4 and professional groups. This shows that the perception among mid-tier auditors of the interaction in audits conducted by NON-Big 4 firms for SMEs is higher than the perception among Big 4 auditors and professionals of audits done by NON-Big 4 firms for SMEs.

5.7 Results for Contextual Factors

Table 55 - Factor Analysis of Contextual Communalities

	Initial	Extraction
Business practices and commercial law are well established in audits conducted by NON-Big4 firms on SME clients	1.000	.756
Laws and regulations relating to financial reporting are clear in audits conducted by NON-Big4 firms on SME clients	1.000	.779
There is an applicable financial reporting framework in audits conducted by NON-Big4 firms on SME clients	1.000	.551
Corporate governance rules are established and clear in audits conducted by NON-Big4 firms on SME clients	1.000	.634
Information systems are used and adequate in audits conducted by NON-Big4 firms on SME clients	1.000	.777
There is a clear financial reporting timetable in audits conducted by NON-Big4 firms on SME clients	1.000	.641
Cultural factors affect the audit in audits conducted by NON-Big4 firms on SME clients	1.000	.929

Table 56 - Component Matrix of Contextual Factors

	Component	
	1	2
Business practices and commercial law are well established in audits conducted by NON-Big4 firms on SME clients	.861	-.120
Laws and regulations relating to financial reporting are clear in audits conducted by NON-Big4 firms on SME clients	.882	-.015
There is an applicable financial reporting framework in audits conducted by NON-Big4 firms on SME clients	.742	.015
Corporate governance rules are established and clear in audits conducted by NON-Big4 firms on SME clients	.787	.120
Information systems are used and adequate in audits conducted by NON-Big4 firms on SME clients	.879	-.069
There is a clear financial reporting timetable in audits conducted by NON-Big4 firms on SME clients	.709	.372
Cultural factors affect the audit in audits conducted by NON-Big4 firms on SME clients	-.205	.942

Extraction Method: Principal Component Analysis.

Table 57 - Total Variance Explained of Contextual Factors

Component	Initial Eigen values			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.007	57.240	57.240	4.007	57.240	57.240
2	1.059	15.135	72.375	1.059	15.135	72.375
3	.596	8.515	80.890			
4	.512	7.311	88.201			
5	.371	5.294	93.495			
6	.239	3.415	96.909			
7	.216	3.091	100.000			

Extraction Method: Principal Component Analysis.

The factor analysis of the responses to the 7 questions extracted two factors. With the exception of the last question relating to culture, the loadings of the remaining questions on the first extracted factor were similar. The first factor explained 57.24% of the variance and the second factor explained 15.14% of the variance, making a total of 72.38%. The first factor is closely correlated with the variables that measure contextual factors; these are called “Contextual Factors”. The second factor is highly correlated with the last variable, which is named “culture” because this is what it measures. The value of the Cronbach alpha for the 7 items about audit outputs is 0.894, which indicating a high level of internal consistencies.

Table 58 - Test of Homogeneity of Variances of Contextual Factors

Levene Statistic	df1	df2	Sig.
2.271	2	92	.109

The result of Levene’s test of homogeneity of variance of Factor 1 scores resulted in a p-value = 0.109 which is greater than 0.05; this means that the variability is not significantly different across the three groups of respondents. The untransformed factor scores as well as the square root and the logarithm transforms of the scores are not normally distributed. The p-values of the Shapiro-Wilk test of

the ANOVA standardized residuals are 0.02, 0.007, and 0.001 respectively; see Table 59. Due to the fact that normality was not achieved, ANOVA on the ranks of the factor scores was used to compare the (contextual) responses of the three groups.

Table 59 - Tests of Normality of Contextual Factors

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	df	Sig.
Standardized Residual for Contextual factors	.107	95	.010	.968	95	.020
Standardized Residual for Square Root Contextual	.123	95	.001	.962	95	.007
Standardized Residual for LOG Contextual	.112	95	.005	.948	95	.001

a. Lilliefors Significance Correction

Table 60 - ANOVA Rank of Contextual Factors

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	12504.638	2	6252.319	9.781	.000
Within Groups	58808.362	92	639.221		
Total	71313.000	94			

Table 60 shows the analysis of variance on the ranks of contextual factors the value of the F test is 9.781 which has a significance value of 0.000, less than the 0.05 level of confidence. This implies that there is significant difference in the mean. Therefore, it can confidently be concluded that there are significant differences between the mean scores of the Big 4, mid-tier, and professional groups.

Table 61 - Test of Homogeneity of Variances – Culture Variable

Levene Statistic	df1	df2	Sig.
3.023	2	92	.054

The result of Levene's test of homogeneity of the variances of factor 2 scores resulted in a p-value of 0.054, which is greater than 0.05, indicating that the

variability is not significantly different across the three groups of respondents. The Shapiro-Wilk test of normality p-value of the factor scores is 0.882, which is higher than 0.05. This means that the normality of the factor scores is achieved.

Table 62 - Tests of Normality of Culture Variable

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Standardized Residual for Culture	.071	95	.200*	.993	95	.882

a. Lilliefors Significance Correction

*. This is a lower bound of the true significance.

Table 63 - ANOVA – Culture Variable

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	5.150	2	2.575	2.666	.075
Within Groups	88.850	92	.966		
Total	94.000	94			

Table 63 shows the analysis of variance on culture. The value of the F test is 2.67 which has a significance value of 0.075, more than the 0.05 level of confidence. This implies that there is no significant difference in the mean. Therefore, it can confidently be concluded that there are no significant differences between the mean scores of the Big 4, mid-tier, and professional groups.

Table 64 - Tests of Between Subjects Effects Dependent Variable: Culture

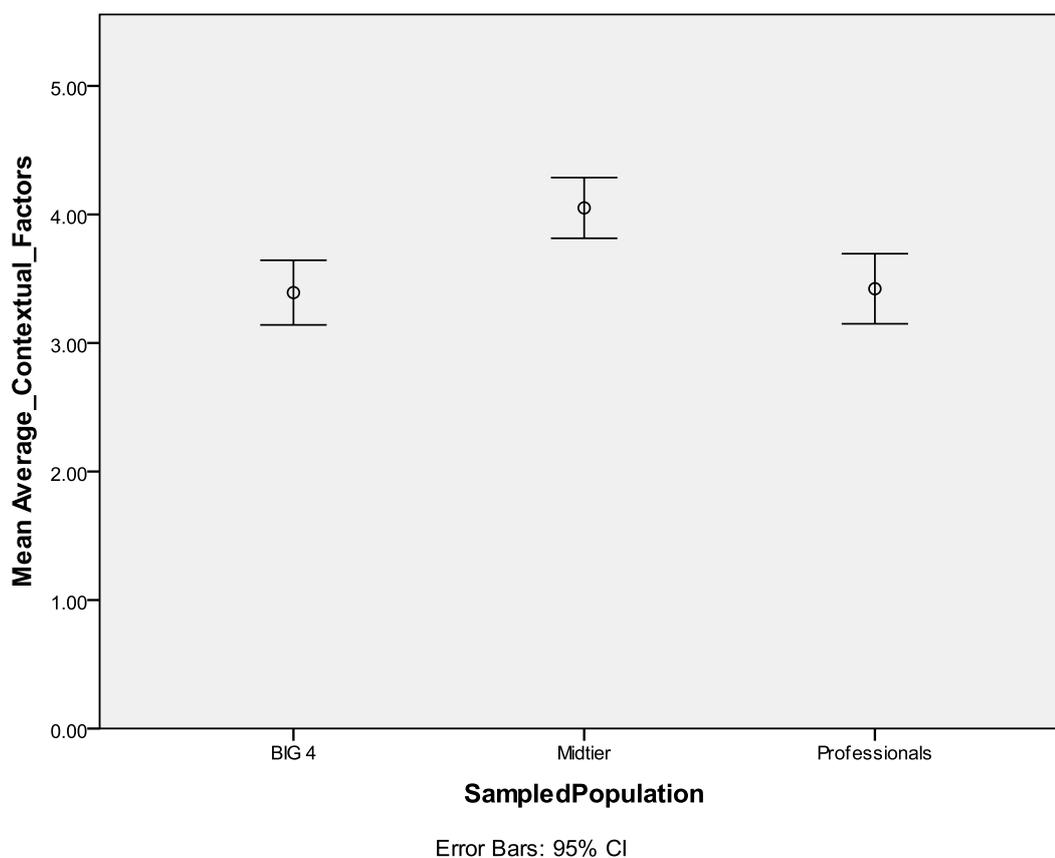
Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	18.980 ^a	18	1.054	1.068	.400
Intercept	3.000	1	3.000	3.040	.085
Sampled Population	.001	1	.001	.001	.971
Gender	.456	1	.456	.462	.499
Remuneration	.102	3	.034	.035	.991
Firm Size	8.576	5	1.715	1.738	.136
Age Groups	.125	1	.125	.127	.723
Demographics	.710	1	.710	.720	.399

Size	.063	1	.063	.064	.801
Total Audit Experience	1.627	4	.407	.412	.799
Error Total	75.020	76	.987		
Corrected Total	94.000	95			

a. R Squared = .202 (Adjusted R Squared = .013)

Table 64 shows the results of the general linear model of the dependent variable of contextual factors versus the sample group indicator (Sampled Population) while controlling for all the other variables (gender, remuneration, firm size, age, demographics, organization size, and audit experience). The P-value of the sample population while controlling for all these variables was 0.971. This implies that the significant difference in the mean between the groups is caused by the other factors.

Figure 15 Mean Average between Sampled Participants – Contextual Factors



From the above graph we can note that the mean average of mid-tier auditors is higher than the mean average of the Big 4 and professional groups. This shows that the perception among mid-tier auditors of contextual factors excluding culture in audits conducted by NON-Big 4 firms for SMEs is higher than the perception among Big 4 auditors and professionals of audits done by NON-Big 4 firms for SMEs.

CHAPTER 6: DISCUSSION AND ANALYSIS – INPUT FACTORS

6.1 Introduction

Chapter 5 showed the results of the surveys of the three different groups concerning the input factors that are grouped as follows: 1- *Values, Ethics, and Attitudes*, 2- *Knowledge, Experience and Time*, and 3- *Audit Process and Quality Control Procedures*. These surveys were undertaken to see if they all perceived audit quality similarly in relation to the input elements of the Audit Quality Framework. The present chapter focuses on the analysis of input factors and discusses the results of the survey, relating these findings to the findings from the interviews. This chapter is also intended to contextualize the overall discussion of the input factors by situating the findings in debates within auditing. Each input factor is analyzed independently to examine if there is a difference in the perception of audit quality within SMEs in the UAE between the three groups.

This chapter's theoretical contribution lies in measuring the differences in the perceptions of audit quality in SMEs in the UAE between the Big 4, mid-tier, and professional groups.

This chapter is organized as follows: after this introduction, input variables are grouped into three sub-areas, namely; Input 1 (*values, ethics, and attitudes*), Input 2 (*knowledge, experience and time*), and Input 3 (*audit process and quality control procedures*).

6.2 Input Factors

6.2.1 Inputs – Values, Ethics, and Attitudes

The concept of *values, ethics and attitude* is a very broad topic that has been discussed in the literature from different angles, spanning different industries. In general, *ethics* is defined as “*the systematic study of conduct based on moral principles, reflective choices, and standards of right and wrong conduct*” (Onyebuchi, 2011, p. 275, cited in Wheelwright, 1959). Ethical behavior is also defined in relation to consequentialism, whereby professionals make choices based on the consequences of the alternative actions that they take (Onyebuchi, 2011). *Ethics* as a theme has been one of the prominent topics covered by regulatory bodies and professional institutes, such as the International Federation of Accountants This and the auditors’ role in relation to it has gained particular prominence in the wake of financial scandals. For example, professional auditors are obliged to comply with the Code of Ethics of the profession, such as that issued by IFAC (International-Federation-of-Accountants, 2010). IFAC’s Code of Ethics covers general areas such as integrity, objectivity, professional competence, due care, and confidentiality. The Code of Ethics also covers areas that impact on the public, such as appointments, conflicts of interest, second opinions, fees, non-audit services, marketing, gifts, custody of clients’ assets, and independence. The Code of Ethics covers areas that impact on the business as well such as the preparation of information, sufficient expertise, financial interests, and inducements. It has been argued that because the Code of Ethics is very detailed, it leaves less room for professionals to make uneducated choices (Onyebuchi, 2011).

Professional ethical requirements make clear the underlying principles and specific requirements expected of professionals. It is the task of regulators and

professional accountancy organizations to ensure that those ethical principles are clear and understandable.

In this dissertation, the survey focused, among other things, on the issue of professional ethics as among the attributes influencing audit quality, under the subtheme “input factors”. The survey responses about values, ethics, and attitudes have an alpha reliability coefficient of 0.93 which indicates a high level of internal consistency. This suggests that these survey items provide reliable measurements of the participant’s perceptions of the value, ethics and attitude dimensions in audit quality. Moreover, these survey items, with possibly the exception of information relevant to client acceptance decisions at the national level which had low communality are adequately summarized by the factor scores used to compare the perceptions of the three groups (tables 20 -22). This means that values, ethics, and attitudes was seen as a meaningful construct in relation to audit quality even after controlling for the participants’ characteristics (gender, remuneration, firm size, age, demographics, size, and experience), the three groups differed significantly in their perceptions of those input factors (Table 26). Moreover, as shown in Table 25, there is a significant difference in the perception of these input factors relating to knowledge, experience and time between the three groups that were surveyed. As is evident from Figure 10, which compares the mean average of the responses to the sample groups, it is evident that the Big 4 and the professional firms have approximately similar views of the quality of audits done by mid-tier and local firms for SMEs in the UAE. These views were more negative than those of the mid-tier firms, who have more confidence in the quality of their own work and that of other mid-tier firms. This implies that different groups evaluate these input factors differently, which is in line with the claim put forward that supports Hypothesis *H1*:

The perception of audit quality in mid-tier audit firms' dealings with SMEs among Big 4 auditors, mid-tier auditors and professionals varies according to input factors relevant to values, ethics, and attitude.

The survey findings were also supported by the interviewees' responses. Most of the interviewees mentioned that maintaining high ethical standards is required by the International Auditing Standards (IAS). Ethical standards were very closely linked to audit quality. Interviewees who were asked if auditors are performing their work in accordance with IASs responded differently;

"They are bound to do so...they should do so... based on the professional ethics they should do so. But as to the actual practice, again based on my experience, I can say that sometimes they tend to be more loose, especially when they are familiar with the client and they know probably that there is nothing wrong with the client, so they tend to be loose sometimes." (Male, Accounts Supervisor - Manufacturing, Ex Big 4, CPA qualified) .

Although ethical standards were deemed useful by most researchers and available frameworks, discussions over what happens in practice were less enthusiastic. Most interviewees had less confidence in the ethics of some audit firms and/or some individual auditors even on the staff of the Big 4.

"Yes, I confirm that there are some audit firms who do not do the bare minimum to issue financial statements." (Male, Financial Controller - Trading, Ex Big 4, CPA qualified).

Distinctions were made, however, between the firms and their size, with the Big 4 claiming more ethical conduct. There was a focus on the fact that the audit practice is heavily based on individual characteristics, as opposed to firm characteristics. As is clear from the extract below, the ethics of a practice is questioned by some individuals, even practices by the Big 4 firms.

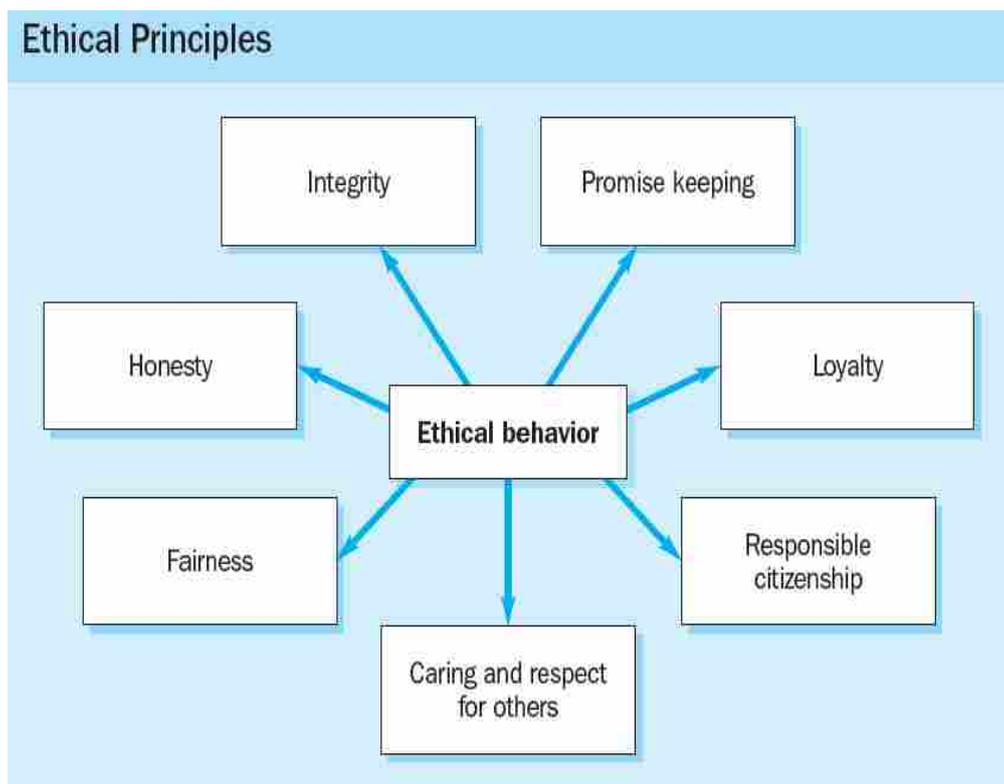
“In the Big Four, you have to remember one thing: at the end of the day, the -- the --the audit is a service provider -- the -- the big firms. So, it depends on the people. Some partners within the Big Four, are extremely ethical. And they will follow it, black or white. Some other partners are more on the grey area. Like, care about the fees. So you don't know what you're getting.” (Male, CFO – Real Estate, Ex Big 4, CPA qualified).

The above quotation highlights the need for auditors to have high ethical standards as required by the IAS, as well as revealing that professionals do not believe that all auditors in the UAE maintain these high ethical standards. From their perspective, some auditors are actually “loose” and immoral from an ethical point of view. This is aligned with survey results. Table 27 makes it evident that there is a difference in the perception of ethical values between the different groups.

Many reasons were cited for the professional auditors’ lack of ethics, for example, in issues of independence, when some auditors showed over-familiarity with the client, as well as being very fee focused regardless of other considerations. The findings of this dissertation confirm what has been discussed in the auditing literature in relation to audit quality. For example, Carey & Simnett (2006) mention that independence is not always maintained when the auditor had enjoyed a longer tenures. Other researchers, contrariwise, argue that there are more reporting failures in the earlier years of a firm’s engagement (Geiger & Raghunandan, 2002); (Ghosh & Moon, 2005). Patel & Prasad (2013) also argue that low-balling audit fees causes an increased supply of non-audit services and claim that this occurs more often in Non Big 4 firms than in Big 4 firms, which greatly affects audit quality.

According to Hayes, Dassen, Schilder, & Wallage (2005) there are several characteristics that are associated with the ethical behavior of auditors. They are illustrated in the figure below.

Figure 16 - Ethical Principles



(Hayes et al., 2005)

Overall, most interviewees suggested that the ethical behavior of auditors in the UAE is unacceptably low, sometimes offering comparisons with other countries. When asked to speculate on the reasons for this, they tended to link it to the demographics of the country and the transitory nature of the audit workforce. There are very few UAE citizens who are qualified and working in this industry. Some of the labor force in the UAE is imported on a seasonal basis by certain firms only during the audit season. This raises issues of loyalty:

“loyalty becomes a bit on the shady side” (Male, Director, Big 4, ICAEW qualified).

The issue of loyalty and its link to ethics as observed by respondents is in line with the arguments put forward by Hayes et al. (2005), who argued that ethical

behavior is linked to being a responsible citizen and the loyalty of individuals to their environment.

Another major factor that was mentioned by most interviewees was linked to their belief that auditors in this region are particularly commercially driven. This, they claimed, has greatly influenced their ethical behavior because they focus mainly on maintaining good relations with their clients and/or increasing their fees regardless of the consequences. Audit firms sometimes work for the same clients for a long time at reduced fees to keep them loyal. In these circumstances interviewees have discussed the fact that less and less audit work and procedures get performed and that, even though the audit fees are low, the profitability of these engagements is very high because very much less time is spent on them. Yet, as some other interviewees hinted, if an audit client is susceptible to an increase in fees, the audit firm is prepared to spend more time on the engagement, but still would be more willing to work with the client to justify letting questionable things pass. These interviewees discussed how auditors were able to act in a very careless way due to the absence of functioning governance practices in place to hold them accountable.

Although there are rules and ethical guidelines in place to regulate how auditors should behave, no enforcement of these rules is found. This applies particularly to the question of who is allowed to practice audit and how. Monitoring the composition and the behavior of audit teams, in small and medium firms in particular is problematic in the region. This was a sentiment echoed by many interviewees:

“Unfortunately, the economy here is very commercially driven, meaning there is no ethical boundaries, everyone just wants to save some money and then leave. And that demographic, is based on the fact that it's a lot of expatriates that are coming here and looking at it

from a commercial perspective instead of an ethical job. And when you have that mindset, you basically don't care. You're just gonna go do the job and go home. Get your cash, and go." (Male, CFO – Real Estate, Ex Big 4, CPA qualified).

Another interviewee linked the poor quality to the commercial aspect of the industry:

"As per my personal opinion and what I've seen, I think yes, it is more of a commercial work. They just try to finish it off soon, to go to the next client or to finish other assignments." (Male, Financial Controller - Defense, Ex Big 4, ICAEW qualified).

Commenting specifically on the composition of audit teams, one respondent commented on the lack of proper certification to carry out external audits and its impact on quality:

"Let say, it depends of course on the company, actually I've seen people having a CIA Certified Internal Audit certificate, which are allowed to do external audit and sign it. From my point of view this is not right; Certified Internal Audit doesn't relate [to] anything for external audit." (Male, Chief Accountant - Investment, Ex mid-tier firm)

The critical issue here is that this has damaged the industry's reputation in the country and audit is no longer being looked at positively by the organizations that are being audited. The management staff in these organizations get their financial statements audited only when they require an audit from a bank and/or a government body. And they get the Big 4 firms to audit their accounts if they want to show more reliability in financial matters to obtain bigger loans and better facilities. When interviewees were asked to deliberate on this, one of the respondents shook his head and simply said:

"There is no respect --- there is no respect to the auditor". (Male, CFO – Real Estate, Ex Big 4, CPA qualified).

These comments were common amongst many interviewees. One of them, who has international experience in the field, mentioned that the audit profession is not as respected in the UAE as it is elsewhere.

“to answer your question, they do not respect auditors the way that abroad -- international, and other more developed and more mature industries look at the auditor. The auditor is really respected there and he's looked at as [a] professional. Here, he's looked at as a service provider and that's it.” (Male, CFO – Real Estate, Ex Big 4, CPA qualified).

An interviewee explained in detail how the actions of a few can ruin the reputation of an industry and gave the example of the ENRON scandal and how negatively it impacted around the world on the industry as a whole.

“But obviously as an industry, as a profession, it's disastrous for us, because it ruins the reputation of all the firms.” (Male, Director, Big 4, ICAEW qualified).

In November 2015, a conference was organized by the Abu Dhabi Accountability Authority which convened more than 15 leaders of the public sector in the Middle East and North Africa in association with the IFA to discuss what was labeled as “intruders”. In this conference the audit practice was criticized heavily for admitting intruders to the profession; the President of ADAA, Mr. Riyadh Al Mubarak, called all associations to come forward with ways to monitor the profession more closely. This was a public statement that was endorsed by a number of the profession's leaders, who acknowledged this weakness in the profession and highlighted its importance and severity (Jamal, 2015).

The audit industry is not being perceived with respect, as evidenced by the fees that organizations are willing to pay to audit firms. These fees are very low, according to people experienced in the field, as shown in Table 65, Chapter 8, because of the negative reputation that they bear in the market, and also because of

the availability of some local and mid-tier firms who are willing to do the job for a fraction of the price charged by the Big 4.

6.2.2 Inputs – Knowledge, Experience and Time

In this section, *knowledge, experience and time* variables, emphasize the professional *knowledge* that auditors have in a particular industry. This *knowledge* can be acquired through education and professional certification and through *experience*. It is safe to assume that the more experienced an auditor is in a subject area, the less *time* s/he needs to perform its audit procedures. These three traits are very closely interlinked as can be seen from the basic definition of the word *knowledge* as “*Facts, information, and skills acquired through experience or education; the theoretical or practical understanding of a subject*” (Oxford University Press, 2015, p. 1). Meadow et al. (2007) define knowledge as a justified true belief that depends on community acceptance through valid information collected from multiple sources. Auditors who perform particular audit procedures should be well aware of the reasons for selecting a particular testing method and rejecting others. They need to be fully aware of the risks that are entailed in noncompliance with any of the internal controls that should be in place. All the Big 4 firms have acknowledged the importance of such specialized industry experts; this is evident from the structure of audit firms which have specialized teams in different industries.

The survey responses about knowledge, experience and time have an alpha reliability coefficient of 0.938 which indicates a high level of internal consistency. This suggests that these survey items provide reliable measurements of the participant’s perceptions of the ethics dimension in audit quality relevant to knowledge, experience and time. Moreover, these survey items are adequately

summarized by the factor scores used to compare the perceptions of the three groups (Tables 27-29). This means that knowledge, experience and time was seen as a meaningful construct in relation to audit quality even after controlling for the participants' characteristics (gender, remuneration, firm size, age, demographics, size, and experience), the three groups differed significantly in their perceptions of those input factors (Table 33). Moreover, as shown in Table 32, there is a significant difference in the perception of these input factors relating to knowledge, experience and time between the three groups that were surveyed. This implies that different groups value these input factors differently, which supports *Hypothesis H2: The perception of audit quality in mid-tier audit firms' dealings with SMEs among Big 4 auditors, mid-tier auditors and professionals varies according to the input factors relevant to knowledge, experience, and time.*

Figure 11 compares the mean average of the responses to the sample groups, making it clear that the Big 4 firms and professionals have approximately similar views of the quality of audits undertaken by mid-tier and local firms for SMEs in the UAE. These views were lower than the mid-tier firms, who have more confidence in the quality of their own work and that of other mid-tier firms.

The survey findings were largely supported by the interviewees' responses, since most of the interviewees mentioned that having high levels of *knowledge, experience and time* was linked to audit quality. The quotations below from participants reflect many facets of issues linked to audit quality:

Low-balling [undercutting] affects firms cutting costs by sending smaller and less qualified teams, and ultimately affects audit quality:

"I think, from my experience, from what I've seen with my six years

here, you know, sometimes when the fee is very low for a firm, they tend to take shortcuts. And what I mean by shortcuts is maybe they don't adequately resource the audits, so they'll have only one individual, maybe a junior guy, or a junior manager. So sometimes with a low fee you've probably put inaccurately trained staff, people are probably unqualified, or managers that don't have the relevant -- the right experience" (Male, Director, Big 4, ICAEW qualified)

Inadequate audit procedures are adopted to resolve *time* pressure issues, and they too negative affecting audit quality:

"No, usually they don't have enough time to complete their audit. They manage it by filling and copy pasting." (Male, Financial Controller - Trading, Ex Big 4, CPA qualified)

The above quotation not only confirms the fact that auditors and professionals in the UAE market acknowledge the importance of *knowledge*, *experience* and *time*; it also reveals that professionals do not believe that auditors in the UAE are maintaining these traits at an acceptable level.

The findings of this research are consistent with discussions in the literature, whereby audit *experience* was positively linked to audit fees, notably by Cahan & Sun (2015). Research has also been extended to link findings to better audit quality on the basis of the characteristics of the audit partner, such as gender, education, engagement tenure, and industry specialization. It was noted that audit industry is closely associated with working longer hours and involves a need to socialize more with clients or peers, which is perceived as more masculine behavior (Khalifa, 2013). Education is linked to auditors' *knowledge* and *experience* by Hambrick & Mason (1984). Links between industry-specific *knowledge* and higher quality audits when the auditor can detect errors and misstatements having proper accruals and/or reporting matters of concern, have been established in the literature (Bonner, 1990);

(Solomon, Shields, & Whittington, 1999); (Owhoso, Messier, & Lynch, 2002); (Low, 2004); and (Nagy, 2014).

6.2.3 Inputs - Audit Process and Quality Control Procedures

The third element of input factors concerns the audit process, and quality control procedures. Audit Process is a very important and complicated aspect of performing audits (International-Auditing-and-Assurance-Standards-Board, 2013). According to ISA 220, an engagement quality control review is defined as “*A process designed to provide an objective evaluation, on or before the date of the auditor’s report, of the significant judgments the engagement team made and the conclusions it reached in formulating the auditor’s report. The engagement quality control review process is only for audits of financial statements of listed entities and those other audit engagements, if any, for which the firm has determined an engagement quality control review is required.*” Audit firms which adopt proper audit processes in performing their work assure the shareholders and other stakeholders of the usefulness of the financial statements and their credibility. Firms which have a proper audit process in place, translated in an audit methodology, can ensure their compliance with laws, regulations, internal controls, codes of best practice, and international accounting standards. That said, it can be argued that the audit process is not a systematic process since it is subject to many individual judgments, for example in identifying audit risk and levels of materiality. However, having a clear audit process in place helps systemize the audit cycle from the accepting of an audit engagement to identifying the audit program that is most appropriate for each client and finally issuing a proper audit opinion on the financial statements.

According to Hayes et al. (2005), there are four basic phases of an audit process, namely:

1. Client acceptance (pre-planning)
2. Planning and design of an audit approach
3. Test of evidence
4. Completion of the audit and issuance of an audit report

Client Acceptance (pre-planning)

In order for an audit firm to accept a client, certain judgments should be made in advance. Audit firms need to evaluate the client's background and inquire into the reasons for wanting an audit. This helps audit firms identify if there are any risks associated with a client before accepting the engagement. Audit firms also must ensure their compliance with all ethical requirements before dealing with any client. In so doing, the audit firm is required to ask any previous audit firm if it should not accept the engagement for any reason, such as recourse to litigation, the ethical values of the company's management, and if there were any disagreements over accounting standards. Lai & Chen (2014) introduce a client acceptance method (CAM) that helps audit firms evaluate potential clients, given that this approach is closely correlated with human judgments. McFadden (1999) argues that audit firms can avoid and manage liability risks and reduce the cost of malpractice insurance if proper client acceptance procedures are adopted.

Planning and design of an audit approach

The next phase is the planning phase, where audit firms start following a procedure to understand the entity's internal controls and its environment in order to assess the acceptable levels of materiality that are appropriate for the engagement

and to prepare the audit program for the engagement. This phase can be done by performing high level analytical procedures on the financial statements and holding a number of interviews with the company's senior management. The audit program must ensure that all assertions in the financial statement are covered.

Test of evidence

This is the stage of actual document verification and testing, where auditors are obliged to gather and document sufficient audit evidence in their files to ensure that the financial statements represent fairly the financial position of the company being audited. These tests and examinations can consist of different types of test to assess different financial assertions. These tests may take the form of controls testing, substantive testing, and/or analytical procedures.

Completion of the audit and issuance of an audit report

At the completion phase, auditors are must evaluate the governance of the company being audited and ensure that no material events have taken place subsequently. A very detailed review of the financials should be made by staff from different levels. Finally, the findings should be reported to the management and the board of directors before the signed financial statements are issued.

The survey responses about audit process and quality control procedures have an alpha reliability coefficient of 0.96 which indicates a high level of internal consistency. This suggests that these survey items provide reliable measurements of the participant's perceptions of the audit process and quality control procedures dimension in audit quality. Moreover, these survey items are adequately summarized by the factor scores used to compare the perceptions of the three groups (Tables 34-36). This means that audit process and quality control procedures was seen as a

meaningful construct in relation to audit quality even after controlling for the participants' characteristics (gender, remuneration, firm size, age, demographics, size, and experience), the three groups differed significantly in their perceptions of those input factors (Table 40). Moreover, as shown in Table 39, there is a significant difference in the perception of these input factors between the three groups that were surveyed. This implies that different group's value these input factors differently which is also in line with the claim put forward; this validates hypothesis *H3: The perception of audit quality in mid-tier audit firms' dealings with SMEs among Big 4 auditors, mid-tier auditors and professionals varies according to the input factors relevant to audit process and quality controls.* Figure 12 compares the mean average of the responses to the sample groups; it is evident from this that the Big 4 firms and professionals have approximately similar views of the quality of audits carried out by mid-tier and local firms for SMEs in the UAE. These views were lower than the mid-tier firms themselves, who have more confidence in the quality of their work and that of other mid-tier firms. These results are in line with expectations and prior literature in the field.

The survey findings were also supported by the interviewees' responses and revealed additional views showing that even Big 4 audit firms have concerns not only about the mid-tier audit process and quality, but also about the other members of the Big 4 group. When a director in the Big 4 was asked about the audit quality of others, he remarked:

“No. My answer's 'no'. I don't think they do. And when I say that, what I mean is we've won clients. Okay? Which have been done by another firm. And this is -- this is both. Big Four and small firms as well, that we've taken over. And we've had such major accounting issues - that it's resulted in restatements, it's resulted in significant audit adjustments, it's actually then resulted in bad blood, between us as an audit firm and our client.” (Male, Director, Big 4, ICAEW)

qualified)

As a participant observer in the field of auditing, I faced a similar incident where the Big 4 firm that I worked for refused an accounting engagement that was accepted by another firm which took over the same engagement within the year. The staff of our firm was instructed not to speak of the issue in public because this was a major issue that was discussed in the local news.

The same respondent highlighted an important aspect:

But I'm not saying that this is rampant. It could well be, you know -- all firms have quality assurances, so maybe those same firms are doing an excellent audit for other clients." (Male, Director Big 4, ICAEW qualified).

In my view, and reflecting on my experience both as an auditor for a Big 4 firm and for a smaller firm, or as a finance professional, this is an important twist. It is certainly true that the Big 4 audit firms are doing high quality work job in most of their audit engagement in the UAE. However, in certain engagements, when the client is either important or highly influential, the Big 4 will face the ethical dilemma of whether to allow some treatments to satisfy the client. These treatments are always reserved for areas where the accounting standards are not clear, for example, revenue recognition based on the percentage of completion, as opposed to being based on the completed contract. However, a firm should take a certain stand and enforce it on all clients. In these circumstances Big 4 firms tend to be more lenient to satisfy an influential client. This was evident in the case of one of the Big 4 firms in Abu Dhabi which did not want to allow a development company to recognize on the basis of the percentage of completion. This development company drew attention to this in the media and changed its auditor to another Big 4 firm which was prepared to allow the use of percentage of completion. Three years later, this firm stopped the practice and

admitted that the IFRS was not clear; it then took the stand that the first firm had taken. These events were discussed by one of the interviewees, who mentioned that this is a local practice which does not influence stock prices.

“The property development group were two months into the audit when they found out that this company's going to only recognize it upon completion, to which they said "Okay, thank you for your fees but we're shifting to the one that recognizes it upon -- on percentage completion", and they shifted! You have to understand, Ahmed, in this country, unlike the -- the mature industries in the world, when you change an auditor, it doesn't influence your stock and your share market value. In the US, and in London, it's a big deal” (Male, CFO – Real Estate, Ex Big 4, CPA qualified)

Another way that Big 4 firms can tackle this is by adopting higher materiality levels that would allow a client some flexibility in its records. Big clients are usually chosen for peer review and hence less margin of error is accepted. In my view, this is high likely to happen in this region because of the fragile governance framework over audit firms, which makes the risk of being exposed very slim.

One interviewee mentioned other factors causing these behaviors, such as the tax free economies that characterize most of the Gulf countries. Being untaxed tempts most organizations to show higher levels of profit, since profits are not taxable. The management's motives are driven by expectations of higher bonuses and pay raises. So this interviewee linked the tax regime to higher governance and controls over the audits:

“I don't think that they do it to the extent that they are supposed to do it because there are no consequences of not doing that, we don't have tax filing in here so they are not really obliged to do it. It's mainly done either to renew a trade license or to take a specific banking credit limit or whatever it is, so I don't think they really do it to the extent that they supposed to do it and I'm saying that from either experience that I had myself with some auditors or from whatever I have heard from friends and clients who have been audited in UAE” (Male, Financial Controller - Trading, Ex Big 4, CPA qualified).

The issue of some mid-tier audit firms not performing certain audit procedures before they issue their financial statement was highlighted:

“Yes, I confirm that there are some audit firms who do not do the bare minimum to issue financial statements” (Male, Financial Controller - Trading, Ex Big 4, CPA qualified).

Furthermore, when I challenged this interviewee that his comment on the existence of poor audit jobs within the Big 4 was difficult to credit, given the presence of quality reviews, he told me he believed that very few jobs are audited and the ones that are picked up for review are mostly known in advance.

“Yeah definitely, because, I don’t think that they pick more than 5%, and there are some instances I believe that even they kind of get tips on which ones are expected to be quality reviewed” (Male, Financial Controller - Trading, Ex Big 4, CPA qualified).

6.3 Conclusions

This chapter showed that the three groups perceived audit quality differently in relation to the input elements of audit quality. The survey results showed that the Big 4 auditors and the professionals have more faith in the audit quality of Big 4 audits in terms of input related factors. They believe that Big 4 audit firms hire staff who have higher *values, ethics, attitude, knowledge, and experience*. They also believe that the Big 4 staff have more *time* to perform their work as well as better access to *audit process and quality control procedures*. In the context of the UAE, it was noted that even though the BIG 4 staff have more knowledge and experience than the staff in the mid-tier, that did not really translate to higher audit quality as these auditor held lower values, ethics, and attitudes. The loyalty to the profession in the UAE is often questioned by interviewees. This was evident in the industry as it on top of the normal high turn-over rates that the profession undergoes in any context, the UAE has the added complexity of the temporal nature of its staff, due to

the short-term contracts that the country has. This is made worse, by the imported labor into the country by the profession at times of high season (September – May). Another issue that faces the profession in the UAE, which links to the above discussed issues, is the subject of the high staff turnover in the due to employees leaving the country to other western countries after gaining necessary experience. This is particular noticeable within the Big 4. A big number of auditors in the BIG 4 are from Asia and Middle East. And due to the strong economic and political status of the UAE, individuals residing in the UAE have better chances to get transferred to Europe, Canada, Australia, or USA. These auditors take advantage of the BIG 4 policies of internal transfers and the ease of obtaining working visas from the UAE as compared to their countries. UAE is often referred to as the gate way from Asia and Middle East to Europe and Americas. Staff interchange or transfer between the BIG 4 firms is very limited, as there is a ‘gentlemen’ agreement amongst them not to hire from each other. Also, the salary gap between auditors and finance managers in different industries is quite significant which also encourage auditors to be in constant search to jump to the industry as it is offering better packages.

Mid-tier professionals had a different stance, believing that when it comes to auditing SMEs, mid-tier firms are equipped with the proper staff who have high *values, ethics, attitude, knowledge, and experience*. They also believe that the mid-tier staff have more *time* to perform their work as well as access to the appropriate relevant *SME audit process and quality control procedures*. In the context of the UAE, it was noted that mid-tier auditors do not have similar opportunities of the BIG 4 auditors. That is why they believe that they have higher values, ethics, and attitude to the profession. They believe that they are more loyal to the profession and staff turnover in these firms is comparatively lower than the BIG 4. Both BIG 4 and mid-

tier auditors are aware of the existence of some small audit firms that are not performing proper audits and they explicitly put these firms aside when they discuss input factors.

The interviewees added more insights to the survey results; they started to link the input factors of audit quality to other factors such as commercial aspects of the audit industry, available resources, demographics, internal quality controls, and government governance on audit firms. Respondents varied in terms of audit quality assurance and many issues that face both the Big 4 and mid-tier audit firms were highlighted.

Many respondents linked quality issues to different elements of the audit quality framework (e.g. ethics, experience). From the interviews, it appeared that certain people were more focused on linking quality to fees than others, who were more concerned about the quality of staff and their education or their loyalty. Some interviewees gave direct examples. Some were basing their remarks on their perceptions and what they had heard from the market. Some professionals were not exposed to the same scenarios as others. In conclusion, it is fair to say that the UAE should introduce a governing body that governs the audit firms and ensures that auditors are complying with the rules and regulation associated with this field. The next chapter will examine the differences between the three groups through analyzing the output, interaction, and contextual factors in the same way: linking the results to the existing literature and the interviews that were conducted.

CHAPTER 7: DISCUSSION AND ANALYSIS – OUTPUT, INTERACTION AND CONTEXTUAL FACTORS

7.1 Introduction

Chapter 6 focused on the analysis of input factors, linking the results to the existing literature and to the interviews conducted. Each input factor was analyzed independently to examine if there were differences between the three groups in the perception of audit quality within SMEs in the UAE. This Chapter examines these differences through analyzing the *output, interaction, and contextual factors*. These are the factors that are concerned with the audit opinion issued by the audit firm and the level of interactions that happens between auditors and management or those charged with governance. All these are being done in a specific contextual factor encompassing the local laws (for example, the UAE) and specific to its culture (IAASB, 2013).

This chapter's theoretical contribution lies in the fact that it measures the differences in the perception of audit quality in SMEs in the UAE between the Big 4, Mid-tier, and Professionals as groups, based on the output, interaction, and contextual factors in play. It is linked to the extent research. Moreover, a number of interviews with very highly experienced professionals and auditors are analyzed and linked to the survey results.

7.2 Output Factor Analysis

From my experience as a participant observer in the field, I infer that transparency reports such as annual reports and corporate governance reports issued by organizations and reviewed by audit firms give the users of financial statements more confidence on the audit firm. These reports highlight key performance

indicators in more detail and provide higher levels of disclosure, which reflect higher levels of *output*. Contrary to the inherent management responsibility for producing financial statements, the auditors in the UAE tend to informally take on this task and produce their financial statement mostly for management. The audit reports indicate that these financial statements were even prepared by the management and are the responsibility of the management. But it is commonly accepted that auditors take on this task and professionals tend to assess the quality of an auditor by reviewing financial statements which are perceived to have been prepared by an auditor.

The survey in the present study covered the issue of *output* factors as among the attributes influencing audit quality and a separate variable, due to its importance. The survey responses about *output* factors have an alpha reliability coefficient of 0.908 which indicates a high level of internal consistency. This suggests that these survey items provide reliable measurements of the participant's perceptions of the ethics dimension in audit quality relevant to outputs. Moreover, these survey items are adequately summarized by the factor scores used to compare the perceptions of the three groups (Tables 41-43). This means that outputs was seen as a meaningful construct in relation to audit quality even after controlling for the participants' characteristics (gender, remuneration, firm size, age, demographics, size, and experience), the three groups differed significantly in their perceptions of those output factors (Table 47). Moreover, as shown in Table 46, there is a significant difference in the perception of these *output* factors between the three groups that were surveyed. This implies that different groups' value these *output* factors differently, which is also in line with the claim put forward and that supports hypothesis H4: *The perception of audit quality in mid-tier audit firms' dealings with SMEs among Big 4 auditors, mid-tier auditors and professionals varies according to*

the output factors. As evident from Figure 13, which compares the mean average of the responses to the sample groups, it is evident that the Big 4 firms and the professionals have approximately similar views of the quality of audits relevant to the output factors carried out by mid-tier and local firms for SMEs in the UAE. These views were lower than those among the mid-tier firms, who have more confidence in the quality of their own work and that of other Mid-tier firms.

When interviewees were asked if they were aware of incidents in which auditors had signed financial statements containing unqualified opinion, and they were confident that it was materially misstated, one responded:

“Absolutely, yes. I -- I know because I -- we, have had to restate financial statements” (Male, Director Big 4, ICAEW qualified).

Then interviewees were explicitly asked if they believed that opinion shopping; existed². Many did:

“I think it does, I think it’s very easy to get a clean opinion, I think the market on our end is not regulated to control damage, there have been new instances where you find out that there is something which may have been brought to the attention of the shareholders or mainly used to be highlighted at the different level but either it is pushed down or bullied down by the company or just because to keep the contact and not to lose the client, the auditor is forced to give something that favors the client” (Male, Financial Controller - Manufacturing, Ex Big 4, ICAEW qualified).

Another respondent said:

“Yes definitely, it would exist, I saw it myself from two different perspectives, and it’s either opinion shopping or opinion negotiation. So if you are still with one of the Big 4, for example, and this is an example and they come back and tell you that we have to issue a qualified opinion for a specific reason, depending on your size and your importance, you can always negotiate in more favorable opinion. On the other side if you are shopping between audit firms you can definitely get the audit opinion that you want to see on your financial statement. Now another thing is whether this financial will be acceptable in front of third party. That’s another story but you can

² as defined by Banimahd & Beigi (2012) “is a situation in which clients try to receive a favorable audit report by switching its audit firms”,

eventually get the opinion that you want, I believe.” (Male, Financial Controller - Trading, Ex-Big 4, CPA qualified).

Opinion Shopping has always been a controversial issue due to the difficulty of proving its existence. Banimahd & Beigi (2012) and Krishnan & Stephens (1995) were among the researchers who showed that opinion shopping did not take place when companies changed their auditors, as opposed to Lennox(2000), who showed that some firms did practice opinion shopping in the context of the UK.

Most of the interviewees concurred that they had heard about audit firms that issued unqualified audit opinions on the financial statements of organizations without doing even the bare minimum of substantive testing that is required by the Auditing Standards. Some of the interviewees are wholly convinced that these practices exist and were very explicit about their existence. They showed discomfort over this phenomenon, because it is creating very marked disrespect for the audit industry. It is also creating very unfair competition, from a commercial perspective, between the audit firms that do not spend enough time on an assignment, unlike respectable audit firms which allocate highly qualified staff to spend the required time on audit jobs.

Due to the claims that were put forward with regard to audit firms issuing audit opinions without testing them, the researcher decided to investigate this phenomenon further, as described in the experiment in Chapter 8. The experiment was based on the idea of inviting audit firms to audit a financial statement that the researcher had manipulated. The intention was to see how easily auditors can be convinced about transactions which do not have any support. The findings in Chapter 8 with regard to this experiment are alarming, for they show that audit firms have issued unqualified opinions to the submitted financial statements after a single day and very cheaply.

7.3 Interaction Factor Analysis

The survey covered the issue of *interaction* factors among the attributes influencing audit quality as a separate variable, due to its importance. The survey responses about *interaction* factors have an alpha reliability coefficient of 0.916 which indicates a high level of internal consistency. This suggests that these survey items provide reliable measurements of the participant's perceptions of the interaction dimension in audit quality. Moreover, these survey items are adequately summarized by the factor scores used to compare the perceptions of the three groups (Tables 48-50). This means that *interactions* was seen as a meaningful construct in relation to audit quality even after controlling for the participants' characteristics (gender, remuneration, firm size, age, demographics, size, and experience), the three groups differed significantly in their perceptions of those *interaction* factors (Table 54). Moreover as shown in Table 53, there is a significant difference in the perception of these *interaction* factors between the three groups that were surveyed. This implies that different groups value these *interaction* factors differently, which is also in line with the claim put forward and validates hypothesis *H5: The perception of audit quality in mid-tier audit firms' dealings with SMEs among Big 4 auditors, mid-tier auditors and professionals varies according to the interaction factors. As evident from Figure 14, which compares the mean average of the responses to the sample groups, the Big 4 firms and the professionals have approximately similar views of the quality of audits carried out by mid-tier and local firms for SMEs in the UAE. These views were lower than those of the mid-tier firms, who have more confidence in the quality of their own work and that of other mid-tier firms.*

The interviewees suggested that the *interaction* between the audit firms and the management is at an acceptable level for them to perform all the audit

requirements. In some cases the auditors had to apologize for accepting a new engagement or withdraw from an existing one due to certain limitations of scope. However, when it came to the issue of *interaction* between the auditors and the regulators, a respondent confirmed that only the Abu Dhabi Accountability Authority is involved with the auditors who deal with government bodies:

“I believe you have a process now here in Abu Dhabi, whereby all government accounts, where they’re audited by audit firms, that work is scrutinized and reviewed by a regulator. In this case, that’s the Abu Dhabi Accountability Authority. So, in my humble opinion, I’m not saying the Abu Dhabi Accountability Authority should get involved, because their mandate is purely for government audits, but you should have a process whereby you have a regulator in the market, who oversees the regulatory and supervisory role of all audit firms, and I’ll give you two examples: PCAOB, in the US, is responsible for looking at all US audit firms who are involved in oil companies, and similarly, in the UK, you have a similar organization, -- that -- you’ll have to forgive me, I’ve forgotten their name, but they’re the equivalent, of PCAOB, as well as ADAA. So I think that’s the only way you can capture it, because a lot of these clients, who are the small firms, that, say, are involved, they themselves don’t have people in roles who are equipped to understand accounts. And that – which is why they always engage an auditor to help them”. (Male, Director Big 4, ICAEW qualified).

Another respondent had similar views:

“Yes, definitely we do need that, in the Big 4, what I can say is that they have quality reviews which is basically a people from different offices of the same audit firm, visits and do quality checks, which I believe improves or make people take a second look on their files in order to improve, enhance look at things which are missing here and there, so that’s something good to happen, but definitely if there is a government body, that’s even better and maybe another thing that can be done is Big 4 reviewing each other, for example.”(Male, Financial Controller - Manufacturing, Ex-Big 4, CPA qualified).

When he was asked if the other firms beside the Big 4 have a review process in place and whether the government should intervene in governing these firms the same responded replied:

“No, I think government has to intervene because I don’t think that the market will be able to fix it on their own.” (Male, CFO - Investment, Ex-Big 4, CPA & CIA qualified).

The views from most respondents were almost the same:

“I believe that the government should develop a body, the body that should license or which license the audit firm should have a body to make sure that the local firms are complying with the standards.” (Male, CFO - Investment, Ex-Big 4, CPA & CIA qualified).

This respondent, who worked for a small audit firm, confirmed the fact that he has never encountered any type of quality review:

“At the moment and from my experience, no. I didn’t see, as I told you, I worked for 3 years, I did not see even a single guy come in and [say] “can I see the file” or whatever. I think that we heard, that we are expecting like that, but till the moment we didn’t see anything like that.” (Male, Financial Controller - Investment, Ex-Local audit firm).

Most of the interviewees concurred that there was a gap in the audit practice in the UAE with regard to the *interaction* between audit firms and the governing bodies. Most interviewees are willing to have a regulatory body introduced in the UAE. The failure to have one is described by respondents as a weakness in the audit practice of the UAE, where firms believe that they can escape unscathed no matter what they have done, without having to answer to anyone. It goes back to the nature of the audit work. Each assignment is handled by an audit team of varying size, depending on the size of the engagement. With time, auditors tend to understand the way in which their supervisors work and the areas they focus on. Auditors and management are also critically assessing their supervisors and partners and their integrity, as one interviewee mentioned:

“Other partners are more on the grey area. Like, care about the fees. It will depend -- it will a hundred percent depend on the person sitting across from you.”(Male, CFO – Real Estate, Ex- Big 4, CPA)

On the basis of such assessment and their perception of the quality of audit supervisors and partners, junior auditors tend to treat engagements differently. Most interviewees acknowledged this and asked for a regulatory body of some kind to

ensure that quality auditing is enforced by a third party, rather than depending on the integrity of the audit firms.

7.4 Contextual Factor Analysis

The survey covered the issue of *contextual* factors among the attributes influencing audit quality as a separate variable, due to its importance. The survey responses about *contextual* factors have an alpha reliability coefficient of 0.894 which indicates a high level of internal consistency. This suggests that these survey items provide reliable measurements of the participant's perceptions of the *contextual* dimension in audit quality. Moreover, these survey items are adequately summarized by the factor scores used to compare the perceptions of the three groups (Tables 55-57). This means that *contextual* was seen as a meaningful construct in relation to audit quality even after controlling for the participants' characteristics (gender, remuneration, firm size, age, demographics, size, and experience), the three groups differed significantly in their perceptions of those *contextual* factors (Table 63). Moreover, as shown in Table 60, there is a significant difference in the perception of these *contextual* factors between the three groups that were surveyed. This implies that different group's value these *contextual* factors differently, which is also in line with the claim put forward and that and validates Hypothesis *H6*: *The perception of audit quality in mid-tier audit firms' dealings with SMEs among Big 4 auditors, mid-tier auditors and professionals varies according to the contextual factors*. As evident from Figure 15, which compares the mean average of the responses to the sample groups, it is evident that the Big 4 firms and the professionals have approximately similar views of the quality of audits carried out by mid-tier and local firms for SMEs in the UAE. These views were lower than those of

the mid-tier firms, who have more confidence in the quality of their own work and that of other mid-tier firms.

In the context of the GCC and more specifically the UAE, cultural aspects as a contextual factor are more apparent not only in organizations, but also in the whole country. The diversity is predictable, since people of more than 200 nationalities live there. As mentioned earlier, loyalty is a major variable that impacts on audit quality. The existence of a diversity of nationalities working in the audit industry and the very low number of UAE nationals working in this industry have raised the concern of loyalty to the profession among staff among many of the respondents, as emerges in this response:

“Unfortunately, because of the workloads that our people go through, I think that also is not conducive to allow you, you know, it doesn't enable nationals to -- to come through the ranks, because they get offers which are amazing, and which are much less rigorous than the audit profession, and, nonetheless, there are some UAE nationals who are thriving. We've seen a couple. Our biggest problem is ... the audit profession is trying to retain those people. Because as soon as they qualify, they become significantly in demand. Within, within the -- the -- the -- the country. So -- so that's one point. The point about the demography of the people working within the firms -- the audit firms. Yes, it's a very transient society. Transient being, you know, the people are all expats, from all over the world. Sometime have domination by one sect, or one community. Our firm also is dominated, predominantly, by certain people, by people from certain demography, but the difficulty we have in terms of loyalty, which you asked, an allegiance, is, you see, the -- they're -- in terms of when you look at the Big 4, there isn't much of a muchness, they're very much all the same, when it comes to doing an audit, and, but the problem all of us have is, as a profession, is our, is our, salaries. And our packages. And the reality is, we are considered probably the lowest end --of -- of --of -- all industry.” (Male, Director Big 4, ICAEW qualified).

This respondent believed that UAE nationals should get more involved in this industry, as he proposed:

“more locals should be involved. More locals should be involved, starting from scratch and reaching senior levels.” (Male, Ex-Big 4, CFO, CPA qualified).

When I raised the concern of lower pay than other opportunities might offer to UAE locals, he explained

“that's what the government comes in. The government should entice locals to jump into the Big 4 and start from scratch, at high salaries that are paid by the government. They have to get in, because that's the only way to add, somewhat accountability to the job, because the locals is not going anywhere, and it is his reputation at stake, if his reputation is damaged, he is ruined. So, to a certain extent, he will try to keep that. (Male, Ex-Big 4, CFO, CPA qualified).

Finally, this respondent commented on the varied cultural mix in the UAE

and its impact on audit quality,

“Knowledge: I would agree with, quality: no. Knowledge, yes, because they are quite smart and they know IFRS, and they done the homework on that. But when it comes to quality, I don't think that they care.” (Male, Ex-Big 4, CFO, CPA qualified).

7.5 Conclusions

This chapter showed that the three groups perceived audit quality differently in relation to the output, interaction, and contextual elements of audit quality. The survey results showed that the Big 4 auditors and also the professionals, had more faith in the audit quality of Big 4 audits in terms of output, interaction, and contextual related factors. They believed that the Big 4 audit firms produced higher quality audited financial statements and interacted better with management, regulators, users, and those charged with governance.

Mid-tier professionals had a different stance; they believed that when it came to auditing SMEs, mid-tier firms were equipped to produce high quality audited financial statements and interact properly with management, regulators, users, and those charged with governance.

The interviewees added more insights to the survey results and that was linked to context of the UAE; they started to link the output, interaction, and contextual factors of audit quality to other factors. There was a great emphasis on the

commercial aspects of the audit industry as the profession is seen to be more commercial in the UAE by comparison to other countries. Another aspect that is unique to the UAE context is the availability of resources. It was highlighted that a lot of the auditors get engaged from a number of Asian countries on a part time assignments during the busy seasons. It was noted that these part time auditors spend their time looking for a full time job in the UAE rather than spending time in the audit engagements that they were sourced for, which results in less time spent on those audits to which their expertise was imported, hence lowering the quality of audits.

The overall demographics of the auditors in the UAE sheds another light on the quality of audits in the market of SME's. For example, interviewers often cited that there very few Emarati auditors in relation to other nationalities such as Asians, Arabs, and Westerners. Respondents believe that the demographics play a major role to audit quality as the expats were seen as more commercially driven, and not similarly worried about their reputation in the market as local auditors, since they can depart from the UAE at any point they chose.

Even that internal quality controls systems are in place in the UAE audit firms, the adherence to these controls was questioned and majority of the respondents saw the need for a government authority to govern audit firms. Respondents varied in terms of audit quality assurance and many issues that face both the Big 4 and mid-tier audit firms were highlighted. This has helped in validating how Francis framework that discussed all these factors independently perceived by interviewees to have interactions with each other as described later in PCAOB and IAASB framework.

In my opinion, what allows the variability of audit quality and its varying perception between different professional groups is the self-regulation of this industry in the UAE. Each professional group member has a story to tell based on his/her direct experience and what s/he has encountered during a professional career. Some professionals are exposed to different scenarios from others.

CHAPTER 8: THE QUALITY OF AUDITS: EVIDENCE FROM A FIELD EXPERIMENT IN THE UAE

8.1 Introduction

This chapter discusses the results of a field experiment in the UAE. The purpose of the experiment was to find out whether auditors of SMEs are following auditing standards and good common practice in accepting and conducting an audit. The main focus of the experiment was on the ‘client acceptance phase’ in the procedure of an audit, since this is the part that can be observed clearly by a researcher. Besides, given the time constraints and scope of the firms surveyed, the design of the experiment did not include observing the quality of audits while they are being conducted.

The audit quality in this chapter is mainly linked to the auditors’ ability to follow International Auditing Standards (ISAs) 200, 210, 220, which focus on what is required in the process of client acceptance. Although the above ISAs were the focus of the study, in the process of conducting the experiment, it became apparent to me that audit firms went beyond “client acceptance” and engaged in some audit activities that were not expected. This made other ISAs also relevant to the experiment, e.g. nos. 250, 315, 320, 330, 500, 501, 520, 550, 570.

The experiment was designed so that the audit firm was not financially dependent on the outcome of the experiment. That is to say, the experiment introduced a simple audit engagement where an audit firm’s decision to impair its independence was unlikely, given the insignificant audit fee involved.

The chapter has two main findings; first, that some auditors did report unreliable financial information which the audit firm would have identified if basic

audit procedures had been performed, and second, that the quality of audit firms does vary between different branches of the same firm. Overall, the results of the experiment showed that there are major issues with the operation of the market for auditing SMEs in the UAE. Such issues have major implications for the credibility of some financial statements when audited, and also for the reputation of auditors overall.

Regarding acceptance, many firms were ready to accept the engagement and sometimes offered to take on an audit that was allocated less than 2 days for completion without asking who the members of the management team were. This implied that the independence verification was not properly carried out. Moreover, the audit firm selected to perform the audit did not obtain critical records of the company even though the ISA require this to enable the auditor to be reasonably sure whether the latest financial data are free from material misstatement. Since these records were not requested, I was led to conclude that it would not be accurate to judge these financial data as free from any material misstatement and could have been a disclaimer of opinion if these records had been obtained.

It is worth mentioning that although the experiment covered most audit firms in the SME market in the UAE, the results of such an experiment should not be generalized to all firms in the same context or to firms of different size.

Following this introduction, the chapter discusses the experimental population from which a sample was drawn. It also elaborates on the experiment design by explaining what was involved in the experiment. The chapter also outlines and discusses the results of the experiment and concludes by reflecting on the ethical considerations that are specific to this experiment, since this is highly pertinent to a discussion of the results.

8.2 Experimental Population and Sample

Since the research aim was to focus on the market of small audit firms which are dealing with the SMEs in the UAE, the firms surveyed did not include the big audit firms such as the Big 4 firms and some of the multinationals. The exclusion of these firms was based on the fact that such firms rarely engage in this market. Moreover, the Big 4 firms are subject to rigorous quality peer reviews from their head office either annually or once every three years, and/or internal reviews to ensure that certain standards are observed. These audit firms from the outset have in place well designed methodologies and audit procedures, and the programs and audits undergo review at different levels within each firm.

Given the regulatory structure of the market, as well as common practice in the field in the SME market, local offices tend to have fewer internal controls in place and the decision making and audit performance can be observed in some cases by even a single individual. Their audit files, if they exist, are rarely reviewed. Due to such known weaknesses of internal control within some firms, the experiment focused on small and medium sized firms which in any case tend most to engage in this market.

A list of 109 audit firms in total was identified for inclusion in the experiment, from this number, as noted above, the Big 4 were excluded, as well as other firms for which contact information was unobtainable. This resulted in 80 firms. An email was sent to all of them (see Appendix 9 for a copy of it). The 109 firms represented more than 95% of the firms practicing in the UAE. The firms contacted for the experiment represented 76% of all the audit firms practicing in the UAE, and covered almost 80% of the local firms in the country (for a general

background on how the market for SME audit is structured, please refer to section 3.3.3, Chapter 3, above, for information on accounting and audit firms in the UAE).

8.3 Experimental Design

I posed as the finance manager of a company which was looking to conduct an annual audit. An existing company with a valid license issued from the Department of Economic Development in Abu Dhabi was selected³. The selection of this entity was based on the general principle that the assignment for the auditor should be a straightforward one. This was a newly established company, i.e. it did not have many transactions going through its accounts. The purpose here was to ensure that the accounts were simple enough for the auditors to develop as clear an understanding of the company as possible before issuing an audit report. The company was only one year old, and the transactions that were recorded were to do only with expenses related to rent, office supplies, legal fees, salaries, and travel. As shown in Appendices 10 and 11, the company in reality had no revenue. The total expenses incurred were AED 445,284, and assets totaling AED 25,000 which included a laptop, deposits, and bank guarantees only. The liabilities were AED 125,742, which consisted mostly of amounts for rent, salaries, and to a related party. Equities were AED 100,741, from the accumulated losses of AED 445,284 that were financed by the owner's injections of funds to the company and the company capital.

As shown in Appendices 12 and 13, the researcher manipulated the financial statements by entering a number of unsupported transactions. First, revenue of AED 1,535,000 was identified and an equivalent amount was recorded as receivable from

³ Permission was sought from the company partners to use the license number for research purposes only, on condition that the license number and company identity were kept anonymous, and also not to disseminate or use the audit report for other purposes than this research.

one client. The cost of revenue was also recognized as an amount of AED 743,500 and an equivalent amount was recognized as payable to one of the parties related to the company. These two entries alone brought the results from an actual loss of AED 445,284 to a profit of AED 346,216.

The 80 firms which had been contacted were asked on the email to audit the above company as soon as possible. The only documentation that was sent to them was the prior balance for the 11-month period ending November 2014, and a copy of the trade license. The contacted firms were also asked to submit an audit proposal highlighting their audit fees and the duration of the audit (see Appendix 9 for this email). I did not plan to follow up any of the firms in question, and depended only on the responses received as a result of the email.

8.4 Experiment Results

To exactly the same email, sent to 80 audit firms, 27 firms responded with an offer to do the work (a response rate of 33.75%). I did not follow up the organizations that did not respond. Because the object of the research was to see who would respond with an unrealistic proposal, within a particular time frame. This would indicate the unrealistic speed of the audits that these firms expected, which is a strong quality indicator, basically producing lower quality audits. Of the 27 firms that replied, 96% sent back an official commercial proposal within 2 working days. 10 of the 27 firms, (37%) phoned me in my role as the finance manager seeking more information to clarify understanding of the engagement and the industry to which the company to be audited belonged. They also sought to understand the reasons behind the requirements of this audit. One might have thought that this was a positive indicator that these firms were complying with the due diligence requirements before

accepting the engagement, but I was surprised to discover that the phone call was always followed up by an immediate offer of the assignment.

Table 65 below summarizes what the responding audit firms offered summarized by audit fees and assignment duration.

Table 65 – Summary of Experiment Audit Proposals

Company Name	Information Requested by firm 1= None 2= Basic information	Fees	Assignment duration
Company 01	1	3,000	2
Company 02	2	12,000	5
Company 03	1	4,000	3
Company 04	2	5,000	3
Company 05	2	2,000	2
Company 06	1	3,500	2
Company 07	1	3,000	2
Company 08	2	7,000	5
Company 09	1	4,000	3
Company 10	1	3,000	3
Company 11	1	4,000	3
Company 12	2	15,000	5
Company 13	1	2,500	2
Company 14	2	16,000	5
Company 15	1	2,000	2
Company 16	1	1,500	3
Company 17	1	6,500	4
Company 18	1	2,000	2
Company 19	2	7,500	4
Company 20	2	5,000	5
Company 21	1	3,000	2
Company 22	1	Rejected	
Company 23	1	2,500	1
Company 24 Branch 1	2	15,000	5
Company 24 Branch 2	1	3,000	2
Company 25	2	5,000	4
Company 26	2	6,000	3
Total Number of responses			27
Total sampled audit firms			80
Response rate			33.75%

From the 27 offers received, only one firm refused the job, because it was not registered in Abu Dhabi. It is interesting to note that the understanding of this firm was incorrect: the situation is that as long as a firm is registered as an auditor with the Ministry of Economy, it can legally practice as an auditor regardless of its location in the UAE (please refer to the conclusion section, below, for a more detailed discussion of the way in which different jurisdictional claims over audits may limit the work of auditors). 15 offers were for fees that were below AED 5,000. 7 offers were for fees that were between AED 5,000 and AED 10,000, while 4 offers were for a fee greater than AED 10,000 as shown in the table below.

Table 66 - Summary of the Fees of Audit Offers

Fees	Number of offers
Rejected	1
< 5,000	15
5,000 - 10,000	7
> 10,000	4
Total Offers	27

With regard to the time frame of the audit, 10 firms agreed that the audit would be conducted in under 2 days, 11 asked for only 3-4 days and 6 indicated a need for more than 5 days, as shown in the table below.

Table 67 – Summary of Timeframe of Audit Offers

Time in days	Number of offers
1-2	10
3-4	11
5 or above	6
Total Offers	27

8.5 Discussion

From my experience in the audit industry (please refer to section 4.9, Chapter 4, above, concerning the role of the researcher as a participant observer), combined with what the standards stipulate in relation to accepting/working through an

engagement and conducting the audit, it was apparent that a large proportion of the audit firms in the experiment were not acting professionally.

In any typical audit engagement there are basic processes that must be adhered to by the auditor in order to enable him/her to perform a proper high quality audit that would allow the audit firm to give a proper opinion on the financial statement. The basic process of an audit engagement is as follows:

- a) Acceptance of a client
- b) Planning the audit approach
- c) Substantive testing
- d) Audit finalization and issuing the opinion

The following sections outline what is mandated by the current auditing standards, before discussing the results of the experiment.

Acceptance of clients

As required by International Auditing Standards ISA nos. 200, 210, and 220, in any audit engagement the auditor must assess whether there are any reasons that might oblige the audit firm to reject a proposal for the audit engagement being requested. Research has established the value of this step; Lai & Chen (2014) discuss how critical it is from a risk management perspective for audit firms to evaluate which clients to accept. The ramifications for not doing so properly could not only lose a firm's reputation, but also lead to legal battles that might close a firm down (Ethridge, Marsh, & Canfield, 2005). The details of this process are outlined in Table 66 below. The table also shows where these audit firms fell short in meeting this requirement. To aid an overall understanding of how critical those steps are, each procedure is giving a rating for importance and compliance in the form of a color

coded group and a rate as a percentage. The table sets out how respondents performed overall in relation to meeting these standards.

Table 68 - Client Acceptance Assessment Based on Appropriate Audit Procedure

Appropriate Procedure to take place	Actions taken in experiment	Rate
Verify the client's background by inquiring about its management and nature of its business Evaluate professional and ethical requirements – independence, etc.	The acceptance stage for all bidders handled in two ways: either no procedure at all was initiated and a proposal was sent directly; or a very rudimentary 5-minute phone conversation gave the auditor a very brief idea of the engagement. However, no questions were asked about management that would allow an audit firms to ensure its independence. Nor were any questions asked with a view to ensuring compliance with local laws and ethics	50% 
Verify the reason for obtaining an audit	This was done via a phone call or email. Not all the firms that proposed an audit verified the reason. They were often satisfied to know that the statement was needed only to allow the license to be renewed.	10% 
Determine if there is a need to get an expert opinion	No questions were ever asked on the complexity of the transaction or whether any of the assets needed a valuer or if any points requiring legal advice.	10% 
Prepare proposal	All were very successful in providing a proposal in under 3 working days.	5% 
Staff selection	Very few firms had a section on staff capabilities in their proposal	5% 
Obtain engagement letter	None of the firms mentioned an engagement letter and the firm that was selected did the work without being officially engaged.	20% 

Red: Due procedure was not followed and the risk was not mitigated

Orange: Certain procedures were followed but might not have been sufficient

Green: Procedures were followed and the risk was mitigated

From the above table and as evident from doing a simple average of the weighted average of compliance based on the assigned rate, we can conclude that the audit firms that participated in the experiment showed only 21% compliance with the required procedures related to client acceptance. This low rate of compliance is an indication that the firms in the sample were proposing to take on assignments and engage in auditing without assessing whether their independence was unchallengeable or if the assignment needed an expert opinion and without obtaining an engagement letter from the client.

Another aspect that the experiment revealed relates to how much time is needed to perform an audit and what fee is requested. Although the amount of time and the proper fee for such a job are always based on the subjective evaluation of an auditor, one may safely estimate an average time and audit fee for a simple job of this kind. This audit job could be completed in 5 days or so, and should earn an audit fee of more than AED 10,000. But since this is a subjective matter and based on my opinion, slight variations in the offers are to be expected. The huge variations in Tables 66 and 67, related to the length of time required to perform the task and the appropriate fee, are indicative of the expected quality of the work to be delivered by an auditor. For example, it is unreasonable to expect that the same job could take a day and would earn an auditor AED 3000, while a different auditor estimated a period of 5 days and charged higher audit fees. The inexplicable variations in audit fees charged by audit firms is something that is well documented in audit research.

To pursue further this point about fees, I followed up the firm that proposed the lowest audit fee (AED 2,500), and managed to negotiate a price of AED 1,250. Soon after it accepted this engagement in a phone conversation, this firm sent me some draft financial statements by email. The following day I received transactions

which were part of the financial statements – all unsupported. I was asked to review the financial statements and if I had no concerns to actually sign them and wire the transfer of AED 1,250 to the firm's account so that it could print the hard copy of the financial statements and sign and stamp it. I did as requested and received from the audit firm the financial statements properly signed and stamped.

Variations in audit fees can be seen not only between different firms and firms of different sizes, but even within different branches of the same firm. One audit firm that had an office in Dubai offered to do the work in 5 days for AED 15,000, while a branch office in a different Emirate (Ras Al Khaima) offered to do the same job for AED 3,000 in two days. One would expect that such an offer from a different Emirate should cost more if the audit team has to travel to a different place, which should add to the cost of the audit (e.g. hotels, transport, etc.)

a) Planning the audit approach

The IAASB have published ISA 315, which explains the need to understand the firm being audited and its context by assessing the risks of material misstatements that it poses. ISA 330 is also concerned with the auditors' procedures to counter the assessed risks involved in the engagement. According to Hubbard (2000) a number of tips are provided to encourage audit planning, such as requiring the management of the audit firm to sign the planning documents as well. Hughes (1974) in an attempt to cover the most important planning areas such as audit timing, audit extensiveness, audit scheduling and audit surprise, claims that they are all mitigated when the assignment is properly planned. This process is, however, very difficult to assess without having access to auditors' files and working papers. The table below shows the procedures that should be considered and compared to the researchers' insights on the subject matter. Each procedure is giving a rating for

importance and compliance in the form of three color coded groups and a percentage rate.

Table 69 – Engagement Planning Assessment Based on Appropriate Audit Procedure

Appropriate Procedure	Researchers' insights	Rate
Perform audit procedures to understand the context of the business as well as the internal controls, as required by ISA 315	The auditor should verify a number of things, such as: Regulations and laws applicable to the entity, as required by ISA nos. 250, 550, and 570. Nature of the entity – Major contract, Governance, Organizational structure, etc. Strategies and objectives Internal controls through testing policies and procedures, etc. Even though I had no access to the audit files, none of the above was requested. Hence it may be concluded that the audit firms did not comply with this requirement	50% 
Evaluate the risks of material misstatements	Since none of the above understanding that an auditor should fully understand the entity, I was not in a position to assess the risks that are associated with the entity and link them to the assertions required – completeness, existence, valuation, occurrences, measurements, obligations, presentation and disclosures. Moreover, the audit firm was thus unable to determine the degree of risk and consider the likelihood of adverse occurrences.	20% 
Calculate Materiality, as required by ISA 320, and 520	It is difficult to assess if audit firms have done this and I would not have been able to assess this properly.	15% 
Arrange the audit program with a commentary on all identified risks, as required by ISA 315	It is difficult to assess if audit firms have done this and I would not have been able to assess this properly.	15% 

Red: Due procedure was not followed and the risk was not mitigated

Orange: Certain procedures were followed but might not have been sufficient

Green: Procedures were followed and the risk was mitigated.

From the above table and as is evident from a simple average of the weighted average of compliance in conjunction with the assigned rate, we can conclude that the audit firms that participated in the experiment showed only 32.5% compliance with the procedures that relate to planning the audit approach. This low rate of compliance is an indication that audit firms in the UAE are performing audit assignments without properly planning the audit approach.

One major difficulty in this experiment is to use the audit files of the firms concerned conclusive evidence on planning the audit. I naturally had no access to this. However, it can be safely assumed that the firms in question did not meet the standards required (see the above table), to reach the audit conclusion that was provided.

b) Substantive testing

According to ISA 500, auditors are supposed to obtain proper audit evidence by control testing and/or substantive testing. The mix of testing approaches must provide sufficient and appropriate audit evidence to substantiate a proper audit opinion. The standard also considers the reliability of the evidence that must be obtained, which may not be the same as the oral representation of issues by the management. All the audit evidence obtained must meet the standards of assertions, namely, to be supplied, complete, accurate, and observing rights and obligations, valuation, and existence. According to Florea & Florea (2011) a number of ways to obtain relevant audit evidence is available to auditors and each method suits some circumstances and together they ensure that the relevant assertions are covered. Some of these methods are physical examination, confirmation, documentation,

analytical procedures, enquiries to the client, re-performance, and observation of procedures. The table below shows some of the procedures that should be carried out by an audit firm. The listed procedures are those that I am confident were not carried by the audit firm in my experiment since it did not request any of the required documentation. Below, only the areas that formed part of the company financial statement are discussed.

Table 70 - Minimum Audit Procedures Required

Appropriate Procedure that should have been followed
<p>Cash and Cash Equivalents: Perform bank confirmations Test bank reconciliation Enquire from management regarding cheques drawn before year-end and released after year-end. Test the translation of cash accounts denominated in foreign currencies Test transfers between client bank accounts Identify arrangements with related parties</p>
<p>Fixed Assets Obtain a fixed asset continuity schedule Obtain a detailed listing of fixed assets Test fixed asset additions Test disposal of fixed assets Test depreciation expenses</p>
<p>Accounts Receivables Obtain a detailed listing of receivable balances from accounts (aged by customer) Test cut-off of the sales/accounts receivable by selecting sales according to a review of the cut-off data Confirm the selected receivable balances accounts Review write-offs of bad debts Assess the adequacy of the allowance for doubtful accounts</p>
<p>Accounts Payable and Other Accruals Obtain a detailed list of accounts payable (aged by vendor) Test suppliers' balances by testing supplier statements, performing direct confirmations, reconciling suppliers' statements, and investigating variances. Search for unrecorded liabilities</p>
<p>Intercompany Balances Intercompany Confirmations Test Intercompany transactions</p>
<p>Revenue Review major contracts Test sales invoices</p>
<p>Cost of Sales Verify the costing of projects Test any subcontracting arrangements</p>

General and Administrative testing

Testing all invoices of the various classes of expenses

The above comprises the minimum required procedures that the audit firm should have carried out in the course of its field work. Since none of the above procedures took place, the audit firm was not able to identify the revenue of AED 1,535,000 that was identified along with the equivalent amount that was recorded as receivable from one client. The cost of revenue was also recognized as an amount of AED 743,500 and an equivalent amount was recognized as payable to one of the related parties of the company. These entries have no supporting documentation and a simple inquiry would have identified these entries to an auditor. This section was not rated, because I believe that compliance was 0%, since nothing was required from the audit firm beyond the Trial Balance and the Trade Licence of the company.

c) Audit finalization and opinion issuance

For the final stage of the audit process, the ISSAB have also issued standards of guidance. ISA 570 requires auditors to re-evaluate going concern issues before issuing audit opinions. ISA 250 also requires audit firms to ensure compliance with laws and regulations. ISA 501 requires an assessment to be made on all potential litigations and claims by providing proper accruals and appropriate disclosures. In this process, audit firms are required to do the following:

- Obtain legal representation from the clients' lawyer
- Obtain a management representation letter
- Subsequent event testing
- Re-assessing materiality

The selected audit firm, however, did not ask for the above legal and management representation. In my opinion, the audit firm, given the standards for

guidance, was very careless in getting no representation from the members of management to state that the financial statement reflected the company's situation and that they were responsible for all the figures and disclosures. This practice clearly indicates that these audit firms are not worried about the consequences of their audit opinions. Such irresponsibility may be due either to the fact that in the history of the UAE auditors have never been held responsible for their opinions; or to pure ignorance on the part of their firms. In any case, such reckless acts can be controlled and minimized if only minimum governance is in place.

8.6 Ethical Considerations

This experiment presents me with a number of ethical issues. The nature of the experiment, and the ramifications it may have had on the firms that took part (involuntarily) in the experiment raise some ethical issues. Moreover, the company that was the subject of the experiment and its owners should be taken into consideration when reflecting on the ethics of this approach. Additionally, I occupied two apparently conflicting positions, as a professional who belonged to the industry and as a researcher wishing to bring some issues to the surface. It is hence important for me to reflect on these issues and take what action is needed to deal with them.

In general, in designing and conducting the experiment, I was aware of most of the above ethical issues. This helped me to embed some safety measures to minimize, if not rule out, all possible harm to those involved. Alongside general issues of confidentiality which are pertinent to the entire process of this dissertation, there are some experiment-specific ethical concerns that I should tackle, before, during and after the experiment was conducted. The following section focuses on these.

The first problem the researcher had to face was that of ‘informed consent’. The respondents were aware of the nature of the research when I employed the other methods of collecting data for this dissertation (e.g. interviews, survey). Informed consent is defined as “the process in which a patient/participant consents to participate in a research project after being informed of its procedures, risks, and benefits (Bulger, 2002) [3].

Ideally, all the participants in the experiment should have been made fully aware of its nature and what it entailed at the same time as obtaining their formal consent to taking part in it; however, this would of course have defeated the purpose of the experiment. Hence, I had to make up for the lack of consent by protecting the identity of respondents in every possible way. For this reason, data collected from the experiment which reveal the identity of the firms has either been destroyed or the traces which would allow these firms to be identified have been removed.

A related ethical dilemma for me was my role as part of the audit industry. Being a witness to such fraudulent and illegal activities raises some ethical questions, such as what role should be played to stop them. This issue can be resolved, however, by thinking of the dissertation overall, and its intention to propose a solution to resolve quality related issues in the industry.

Informed consent from the owners of the company was obtained before conducting the experiment. In addition, the financial statements audited by the firm that was paid AED 1,250 were destroyed immediately after the research was finalized. To verify the existence of these statements, they were shown to my advisor before their destruction.

8.7 Conclusions

It can be concluded that the audit quality will vary from a firm to another, on the basis of the rapid response that was received from the firms when they were approached, the huge variability of the audit fees offered and the varying times agreed for conducting the audit. Furthermore, the quality of such an audit may be questioned, given the departure from professional standards (ISAs) shown in many instances by those offering the service. This finding is critical to the audit industry in the UAE, showing that firms which act in this manner anticipate no consequences and that the short period of time allocated to me to conduct this audit is alarming. It reflects the complete negligence of the firms and endorses the view that they are not concerned that any governing body may check on them at a future date.

From the results of this experiment, it can be argued that the UAE has many audit firms dealing with SMEs and not complying with the International Auditing Standards. This noncompliance can be seen as an option preferred by such audit firms; there is no regulatory structure to ensure that they adhere to the minimum standards of audit quality, and do not focus only on the commercial aspects of the job.

One limitation of the experiment is my inability to examine the audit files of many of those firms. However, this shortcoming cannot be addressed in the present research, due to the inherent difficulties of client confidentiality, and the attendant legal issues.

CHAPTER 9: CONCLUSIONS & RECOMMENDATIONS

This chapter summarizes the overall research findings and assesses the dissertation's overall contribution. The chapter also lists the dissertation's recommendations and practical implications for the industry, and suggests ways in which the results of the study may be disseminated.

9.1 Summary and Main Findings

This section summarizes the main findings of the dissertation. Although various methods for data collection were used (survey, interviews, participant observation, field experiment), the summary does not distinguish between them but on the main areas of data no matter how they were collected.

The general context of the profession in the GCC and the UAE: The Ministry of Economy, Commercial Affairs Sector, which deals with policies and procedures for audit firm registration is also responsible for the monitoring aspects of the profession.

Research has shown that the UAE auditors who audit government institutes and semi-government entities are monitored by different local authorities, such as the State Audit Institute (SAI) and the Abu Dhabi Accountability Authority (ADAA). However, audit firms such as the models that exist internationally and work for private businesses, small and medium enterprises in particular, are not monitored by any authority, any not-for-profit association, or any professional institute. The main regulation concerning the work of the SME audit firms in the UAE is related to the general regulation covering those who are permitted to set up an auditing firm.

Given the lack of a regulatory body or institute to co-ordinate the work of audit professionals in the country, the reliance on International Accounting and

Auditing Standards to provide a general framework in which professionals can operate is heavy. Given the structure of the market in the UAE, whereby many small and medium sized audit firms compete for a small market of SME clients and no regulatory or governing body exists to oversee the former, an environment is created where commercialism is favored above professionalism. In this country, the audit industry for SME clients has become more and more commercially driven, far from serving the public interest by maintaining the highest levels of professional practice.

This industry in the UAE is mostly regulated by commercial laws. It follows the UAE Federal Law No. 22 of 1995. The law lays down the registration requirements, licensing, auditors' duties and responsibilities, and penalties. It also lists the training requirements, the procedures and the application process for registering and outlines the rights and obligations of registered auditors.

Many companies in the country have hence adopted the International Accounting Standards. This is directly related to the fact that the accounting profession in the UAE is not mature and the country has not developed nation-wide accounting standards. Research has shown that the country lacks the governing framework necessary to monitor an auditor's dealing with SMEs. The accounting profession in the UAE is fragmented and is not subject to local laws. According to the literature analysis, the Big 4 and other international accounting firms import their knowhow and assurance practices and methodologies to the UAE.

The absence of a governing body to regulate the audit firms that deal with the private sector, SMEs in particular, may substantially influence the UAE economy. To fund their operations, SMEs mostly rely on two sources. These are either loans from shareholders or additional funds provided by company owners in the form of an equity increase. In either case, bankers and shareholders rely on a firm's audited

financial statements before they decide to approve the additional loan or equity funding. It is, of course, in the interest of management to obtain these funds to secure their jobs; hence, they may be inclined to show better financial performance than is warranted to ensure that these funds are approved. The existence of audit firms which do not carry out audits as required allows financial statements to be published which do not show the true status of the company to be approved for funding. This then allows the funds to reach the hands of management based on the wrong decision that the bankers or shareholders have made by relying on an audited financial that showed a rosy picture of the company. Eventually, these companies fail to settle their debts and are liquidated and banks have to write off loans made to them; or shareholders accept that they have invested in a loss making entity and look for new management staff, who do the same thing all over again.

Exploring the quality of SME audits in the UAE: This dissertation examined the quality of SME audits in the UAE, using a survey, participant observation, and interviews. I used my background as an auditor to identify some of the issues of concern. The use of a survey and interviews was essential to explore quality issues in sufficient depth. The focus of the survey was on examining the perceptions of auditors and professionals on the quality of the audits performed for SME clients. The survey used the IAASB audit quality framework to gauge these perceptions in relation to four broad factors: input, output, context and interactions. The three groups (auditors from the Big 4, medium sized and small auditing firms, non-auditing professional groups) perceived audit quality differently in relation to the input, output, contextual and interaction factors of the IAASB Audit Quality Framework. The Big 4 auditors and the professionals in the UAE had higher confidence in the Big 4 audits that were performed for SMEs. This finding was

opposed to the way in which mid-tier firms perceived themselves to be better practitioners when it came to auditing the country's SMEs. This means that many of the attributes of auditors matter, including their skills, experience, mindset, their audit methodology, ethical values, the availability of adequate technical support, and the effectiveness of the auditing tools. Therefore, the key aim of the audit quality framework should be to increase the understanding and awareness of the elements of audit quality, encourage effective communication between stakeholders, and enhance the further improvement of audit quality.

It has been found that the policy of auditing is based on a well-established system of values, attitudes, ethics, experience, knowledge, procedures of the audit process and quality control. Understanding these factors ensures a good position when it comes to proper auditing. Auditing training is essential because auditing skills are integrated into a quality audit framework which requires continuous professional development. High quality auditing depends on the standard setters, education providers, professional bodies, and regulators. Audit quality is a complex concept which investigates its own influence on the conduct of audit engagements and audit evaluations. It emphasizes the societal and organizational context which enhances the understanding of the process through which auditors attain the appropriate audit quality.

The interviews in the present study confirmed the survey results that the quality of SME clients varied the interviews also highlighted the need for higher ethical standards from the auditing practitioners. Most of the interviewees link the lower ethical standards in the UAE to the demographics of the country and in turn to the loyalty of its professionals towards their profession. There was a great emphasis on the view that many auditors are commercially driven and for this reason many

shortcuts are resorted to. Many interviewees, moreover, raise concerns over the knowledge and experience that local auditors have in the UAE. Since most of these auditors are expatriates from different countries with different qualifications, the interviewees linked the commercial aspect of running an audit firm to the facts surrounding a firm's choice of which auditor to hire. Cheaper professionals with little experience, even almost none, are recruited from Asian countries on a part-time basis, ignoring better educated professionals who hold higher accredited degrees. Some interviewees confirmed the existence of the extreme practice of some audit firms, who perform no audit procedures whatever and issue unqualified opinions on miss-stated financial assertions for very low fees. All these issues have reduced the quality of the audit work that is being done for the SMEs, which over time has become reflected in lower fees, indicating that less and less time is being put into the audit procedures. Finally, the respect for the profession, according to my interviewees, is at the minimum; it seems as though anyone can get an audit completed in little time at minimum cost.

The research shows the perceptions of audit professionals with regard to the variables that measure audit quality. These people differ from auditors from the Big 4, auditors in the mid-tier firms and professionals in the industry such as internal auditors, finance managers, CFOs and academics. The research also reveals a number of negative perceptions of the quality of the audits that are being performed these days in the UAE; these negative perceptions were attributed to a number of factors, such as time allocated to the work, audit fees, auditors' education, auditors' experience, the involvement of governance bodies, and the proper *interaction* of all shareholders, etc.

Examining the quality of audits using a field experiment: performing a field experiment to examine the quality of SME audits was seen as essential to support the anecdotal evidence presented earlier. The field experiment results reflected the concerns of the interviewees on the quality of audits for SME clients. I sent a number of audit firms dealing with SME clients a set of financial statements to audit, without supporting documents. The experiment showed that a great many auditors responded with an offer to perform this service, without asking for supporting documents or getting any additional information about the company to be audited. The respondents also demanded audit fees that varied very widely, some charging very small amounts, while others charged extortionately. The number of days required to perform the service also varied greatly. The field experiment confirmed allegations by interviewees that auditors working for SME clients do not follow any auditing standards to ensure that a minimum standard of work is provided.

Implication of findings with reference to UAE context: In the context of the UAE and based on the comments of the interviewees and evidence from the context chapter, it was evident that the UAE context relating to input factors is very challenging to the audit industry. There is a lot of emphasis on the fact that auditors in the UAE are not as loyal to the profession and to the notion of public interest as compared to other countries. This perception is derived from the fact that the demographics of the UAE is very diverse and the turnover rates in the audit industry are even higher than the average turnover rates for the industry in other countries. It is also noted that there is more emphasis on the commercial aspect of the business rather than the professional commitment to serve public trust. Even though that this

is a for-profit industry and the commercial aspect is given, however, it was noted that the emphasis over the commercial aspects is higher than any other country.

It is also worth mentioning that auditors have a diverse background in the UAE and they hold recognized certifications from different international bodies. There is a pool of knowledge share within audit firms, as most of the employees come from different backgrounds and have different recognized certifications. Auditors hold certifications such as ICAEW, ACCA, CPA, CA, and others. They at some time have the combined knowledge to resolve very complex transactions but unfortunately they lack the interest to do so. The time to conduct an audit was also one of the areas that was heavily emphasized that in the context of the UAE an audit manager can have a big portfolio of audit clients as compared to how other audit manager in other countries handle as lower audit clients. The big portfolio of cliental indicates lesser time spent on each engagement in order to maximize the job profitability. The concept of maximizing profitability is acceptable, however, not at the cost of audit quality.

In general, the UAE context lacks the local staff that work in this industry. It is evident that this industry is heavily employed by expats and very few Emaraties work in this industry. The local authorities such as ADAA and SAI are encouraging the Emaraties to get into this industry through a number of initiatives such as financially bridging the Emaraties salaries if they work in the private industry. Or by the simple fact that Emaraties can practice audit if he has only a bachelor in accounting as compared to an expat who needs a certification and five years post experience.

9.2 Theoretical Contribution of the Dissertation

Although the aim of a professional doctorate is to contribute to professional and organizational practices by researching an issue that is of practical significance to the field, this dissertation also has some theoretical contributions to the wider literature on auditing and audit quality. The dissertation is the first to operationalize the general framework of IAASB, with all its components, to explore issues of audit quality. The uniqueness of the region also contributes to the value of the findings and their originality, since no study has explored audit quality with reference to all the components of the IAASB model in the UAE. Such a study is timely because the UAE is at the center of the GCC countries, and plays an important role in its financial markets and operations.

The dissertation is also the first to use a field experiment on authentic auditors to examine issues of audit quality in the UAE, and determine whether auditing practitioners are following International Auditing Standards in their engagements. The study shows overall how weaknesses in the regulatory and professional structures of the profession may lead to poor quality audits in the UAE.

9.3 Practical Implications and Recommendations – Towards Better Quality Audits for SMEs in the UAE

Enhancing the quality of audits is a very complex task, and can be handled from different perspectives. It is important to recognize that there is no single model that can be identified for use in generating quality audits in all contexts. The history, context and regulatory structures of professional groups vary from one place to another, and as a result the recommendations that this dissertation proposes should be seen in relation to the UAE in a wider context. Hence, suggestions for improving audit quality have to encompass a variety of proposals, perhaps starting with macro-

processes such as the establishment of a governing body, as well as micro-processes such as better training in best practice for auditors serving SME firms. The users of financial statements should also be educated about the nature of audits and what expectations they should hold; this would help to enhance the quality of the audits in the long run.

According to the Ministry of Economy, the Commercial Affairs sector is responsible for “setting the necessary legal framework for organizing the audit accounts profession based on the legislations issued in this respect in joint cooperation with the economic legislations department and other governmental and private entities in the country.” (Ministry of Economy website).

A major recommendation that this dissertation is making is **the creation of a special governing body** to span all the Emirates and govern auditors overall, including the audit firms which provides services for SME clients. The role of this body would be not only to police what happens in the field, but also to educate SME auditors and promote best practice. The presence of such a body would ensure at least that a minimum level of audit quality is adhered to; otherwise, the transitional nature of the UAE may encourage practicing audit firms to follow no standards that would encourage high quality audits. Such a governing body could be modelled on previously existing models in the country, such as the ADAA, which audits governmental entities.

An alternative recommendation which might be implemented would be to **help resolve some of the issues related to audit quality by means of currently existing governing bodies (e.g. ADAA, SAI) and extend their jurisdiction.** ADAA for example, has a wealth of experience in checking the quality of audits performed on governmental institutions in Abu Dhabi. If the SAI or ADAA took on

this role, and trained other Emirate related bodies it might help to reduce quality problems in the various emirates where the SME clients are located. Such official bodies have experience in auditing larger entities, and their monitoring of audit firms dealing with SMEs might be seen as a more efficient way of solving the problem of the minimal standards observable at present. Such bodies are well resourced; for example, according to ADAA (2015) the government gave them AED 125 million to operate for the year ending 31 December 2014, which is a great deal to spend on their work. Of the 125 million, 111 million was spent on employees' salaries and benefits. It would be useful if the ADAA, for example, could allocate 2 of its staff members who were properly trained to a small department such as is required for governing those audit firms deal with SMEs. The function of this department would not be the same as what ADAA currently does in auditing local departments, councils, and authorities. Companies and projects are also part of the subject entities that are now monitored by ADAA, in addition to the institutions, companies and projects in which the Abu Dhabi Government's interest is equal to or greater than 50%, inclusive of their subsidiaries. It would be impractical for the ADAA to attempt to do the same for SMEs.

ADAA could set up a new department to review audit firm compliance at a very high level through requiring its staff of 2 to select audit firms and some of their audited files at random to ensure that audit procedures for SMEs are being maintained at the right quality. If these two individuals managed to cover 3 visits to an audit firm every month, it would be enough cover 72 audit firms a year, which is almost 66% of the audit firms in the UAE at present. This would mean that every single audit firm in the country could be visited at least once in every 18 months.

Once this practice is established, audit firms would be encouraged to meet at least the minimum criteria in their audits, and maintain audit files intact since they could always expect to be visited and would not know which files would be examined. The experiment in this study would be an exemplary case. If this file were picked for review, it would be evident to ADAA that no supporting documentation, confirmations, or representation letters were maintained in the audit file. Should an audit firms be caught in a similar practice, warnings could be applied for the first couple of instances followed by fines. If the audit firm in question was not able to comply with the current standards, the firm's license could be revoked. This solution is practical and very efficient; it would not cost ADAA more than the salaries of two local civil servants, whereas if very senior staff were hired it might cost as much as AED 1.5 million per year, almost 1.3% of what was being spent altogether on ADAA's employees in 2014.

Moreover, ADAA might not have to hire dedicated staff for this, for they might be able to use staff time better if idle time was shown in their timesheets. But at the end of the day, the benefits to the country from implementing this practice cannot be measured money. With more reliable financial information in the market, the whole economy would become stronger and the whole financial sector would become more transparent. Lenders would be able to provide more secure loans and investors would be in a better position to invest once they had more reliable data.

Another recommendation that would enhance the quality of audits for SME clients in the long run would be the organization of small and medium sized auditing firms into societies, where best practice can be shared and also advice from the more experienced staff.

In summary, audit quality can be improved in a number of ways; broader mechanisms such as the introduction of a governing body to ensure meeting the basic standards of audit work is needed, and internal mechanisms within those firms (e.g. training) can be looked at. Issues of hiring in the context of the UAE should not be ignored. Hiring properly experienced staff who have suitable qualifications, knowledge and training is the first step. These candidates must be screened for ethics and values which meet the expectations of the profession. Internal quality reviews and peer reviews are also common ways of ensuring audit quality. Audit quality can also improve according to market preferences: bankers, lenders, investors, and, in the case of UAE, free zones, can dictate which audit firms they are comfortable with and trust their opinions.

9.4 Further Research

Researching issues of audit quality is not only interesting, but could also lead to significant changes in practice, so long as this research is made accessible to practitioners. Research into audit quality frameworks and the way in which they aid our understanding of audit quality in any given context is necessary. Such research is highly beneficial in the context of an emerging professional audit arena, such as that in the GCC context.

Although archival research and analysis of secondary sources are useful ways to conduct research, issues of audit quality are better investigated directly through interviewing and observing the work of audit firms. For such an approach, information derived from investors, boards of directors, third parties, and stakeholders is of high value, because it deepens our understanding of audit quality.

Thus, despite the fact that audit quality is a widely investigated concept, further research is needed to analyze the individual characteristics of auditors, the

influence of different auditors on the perception of audit quality and related factors. As the scope of this study was limited to the SMEs and auditors in the UAE only, further research should be conducted in other countries in the GCC.

9.5 Disseminations of Results

An important aspect of professional doctorates is related to the dissemination of results and ways of ensuring both continuity and willingness to change things in practice. The results of this dissertation will be disseminated in a number of ways. Some of those activities have already taken place:

- (a) Communication with professional bodies and regulators in the UAE: this will be done through summary documents to be sent, as well as oral presentations to a selected number of these bodies.
- (b) Presentations to audit practitioners in the field: this will form part of reflecting on auditors' practice as professionals. I made a presentation to a group of international audit practitioners (Empacta) in a workshop that was organized by two academics from UAEU on 13th November 2015. The workshop generally focused on creating connections between research scholars and auditing practitioners in the field. The 18 participants of the workshop (mostly professionals) came from various parts of the world. The presentation of some of the research findings was meant not only as a way of disseminating the findings, but also a way to elicit practitioners' feedback and reflections on these findings. A long and very interesting discussion was generated by the participants, in which most of them agreed that the results of the present work are in agreement with their own observations about the quality of audits in this market in their own counties. Participants who came from developed

professional and regulatory contexts (e.g. Germany) were surprised that such bad auditing practice occurs in the context of the UAE. More presentations with local practitioners in the UAE are planned.

- (c) Participating in academic conferences: I will engage with the academic community to discuss the findings of this study and already have a paper accepted for presentation at the “UAEU Annual Research and Innovation conference” which is organized by UAEU and due on 24-25 November 2015. In this conference I will present the experiment results again, with a view to providing a platform to strengthen scientific research and innovation. In this conference, around 285 different researchers will present papers from different fields.
- (d) Research publications: one of the ways by which I hope to disseminate the results of this study is through publications, both in academic journals and professional outlets. For example, findings from the experiment chapter are already being presented at an academic conference, and the paper for the conference will be submitted for review in an academic journal.

It is worth mentioning that, given the gravity of some of the findings of the study (e.g. the experiment results), I may be asked by some decision makers to one-to-one meetings where the results of this study can be closely discussed.

9.6 Limitations of the Study

It cannot be denied that various challenges have been faced in compiling this research. For example, a major challenge that I faced was access to field data. The auditing industry is well-known to be very protective of its operations, and audit firms in particular have many reasons to treat their audit files as confidential. They

are bound by their clients not to share confidential information with others. Sharing audit files with outsiders, moreover, entails opening the door to criticism and so does releasing information about audit programs and firms' methodologies, which is proprietary. I was aware of these challenges and accordingly structured the data collection methods to obtain data from sources that complemented each other. For example, while it was not possible to obtain direct access to client files to assess the quality of audits for SME clients, a method such as the field experiment that I used helped to offset this limitation.

Another limitation faced was the financial limitation on following up all 27 offers received in the experiment out of the 80 audit firms that were approached (this was an acceptable response rate). However, only one firm was selected to produce an audit report for the bogus company, and I paid it for its services. It can be argued that, even though one company produced an unacceptable audit opinion, this cannot be generalized to the remaining 27 firms. But the amount of money that would have been needed to pay all the audit firms for producing a financial report would have had serious implication for the researcher. It is also argued that the representativeness of the firm chosen was endorsed by the phone calls conducted with some of the 27 firms, whose staff confirmed over the phone their willingness to issue an audit report in a very short time without obtaining the necessary audit evidence (see Chapter 8, above).

Another challenge that I faced was the limited number of my interviewees, compared to certain other studies in the field. Theoretically more interviews would have yielded more data, but 14 interviewees in relation to the number of auditors in the UAE is not a small number. In any case, the interviews reached 'saturation point', whereby the themes emerging from the interviewees were starting to repeat

themselves. Even a chance addition to the interview protocol did not yield new interview data; at this point, it was felt that additional numbers would not add any qualitative value to the material already gathered.

9.7 Reflections on Meeting the DBA Program Goals

The DBA program has 10 program learning outcomes (PLOs). Students are expected to meet these PLOs by the time of graduation. I am aware that these PLOs are linked to all the activities and courses that we take during the program life cycle, via a map, which indicates which activities contributed to the achievement of the PLOs. Naturally, the final assessment of whether I meet those PLOs or not is left to the examination committee, but upon reflection on those goals and assessing my own progress after completing my dissertation, I can say that I believe I have met all the program learning outcomes, to varying degrees.

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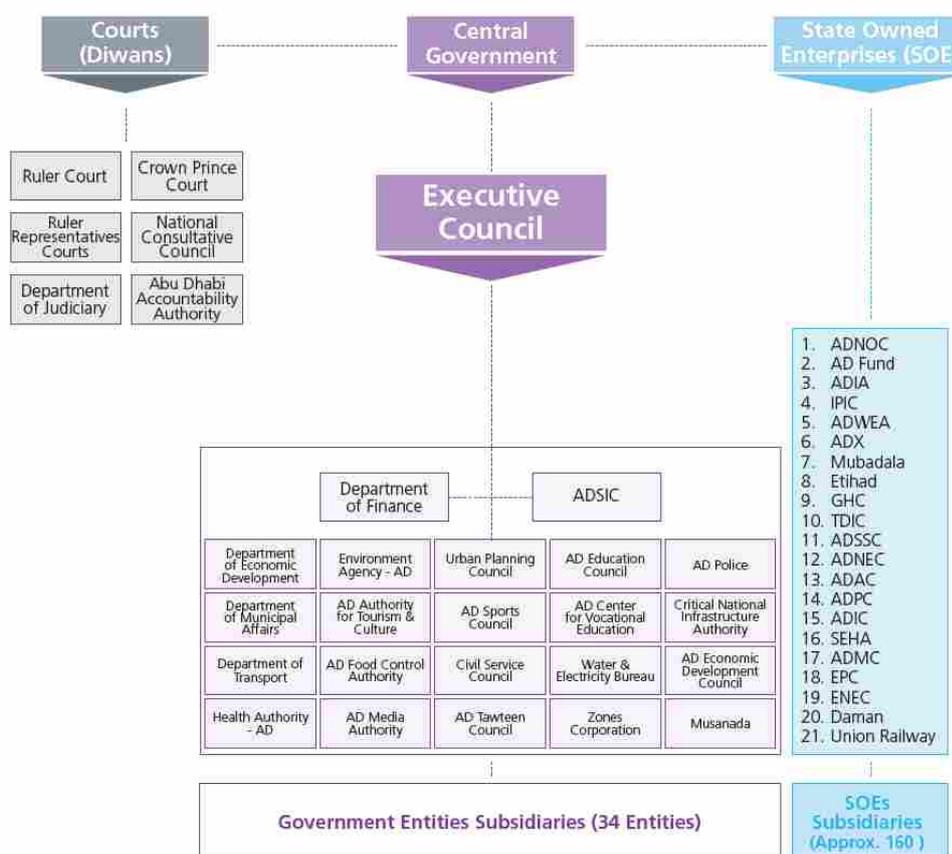
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APPENDICES

Appendix 1 – Subject Entities as Defined by ADAA



(ADAA, 2012)

In addition to the above, and according to (ADAA, 2012), ADAA have the following subject entities that fulfill its criteria

Table 71 List of ADAA Subject Entities

Abu Dhabi Quality and Conformity Council	Abu Dhabi Retirement Fund
Khalifa Fund for Projects Development	Abu Dhabi Municipality
Western Region Development Council	Al Ain Municipality
Emirates Heritage Club	Western Region Municipality
Dar Zayed for Islamic Culture	The Center of Waste Management - Abu Dhabi
Zoo and Water Life Establishment in Al Ain	The Center for Regulation of Transport by Hire Cars (Trans Ad)

The National Rehabilitation Center	Compensations Fund for Owners of Taxi
Abu Dhabi Farmers Services Centre	Licenses
Organic Agriculture Center	International Fund for Habara
Farmer Owner Financial Subsidies Fund	Conservation
Family Development Foundation	Mohamed bin Zayed Species
Zayed Higher Organization	Conservation Fund
Social Care and Minors Affairs Foundation	Statistics Centre - Abu Dhabi
Zayed bin Sultan Al Nahayan Charitable & Humanitarian Foundation	Presidential Flight Authority
Khalifa Bin Zayed Al Nahayan Charity Foundation	Office of the Brand Abu Dhabi
Emirates Foundation	
Private Housing Loans Authority	
Khalifa University for Science, Technology and Researches	
Emirates College for Educational Development	
Paris-Sorbonne University–Abu Dhabi	
Abu Dhabi Vocational Education and Training Institute	
Institute of Applied Technology	

Appendix 2 - List of the most Productive Free Zones in the UAE

The concept of free zones came to solve the foreign investors' issues in partnering with Emirate citizens and allowed investors to own a 100% of their business. However free zones are being regulated in a way that companies in the free zone are mostly serving the private industry and are not being favored by the government projects. This has limited free zone companies to land major contracts directly with government projects and are serving more of a subcontracting arm for the local companies that has at least 51% Emirate shareholder. Free zone authorities do require the companies established in the free zone to submit their audited financials, however, some free zones require companies to deal with audit firms that have presence in the free zone and some other free zones have established a listing of approved auditors to deal with. The concept of approved auditor list is also present with the banking industry who provides its clients with a listing of the approved auditors and moreover ranked in categories of A, B, or C as a quality measure imposed by bankers and free zones based on their internal judgment. Table below shows a list of free zones in the U

Table 72 - List of Free Zones in the UAE

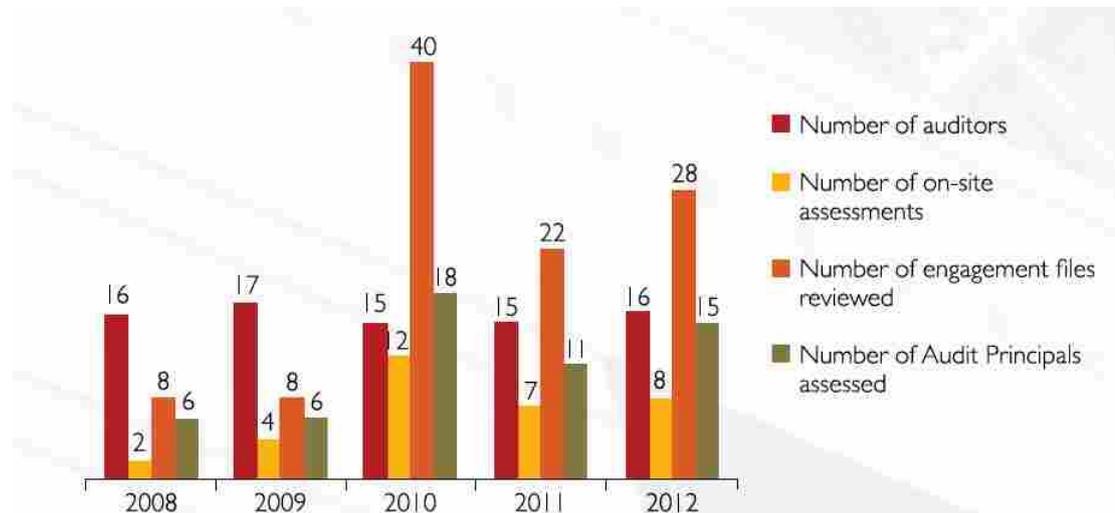
Masdar City	Abu Dhabi Ports Company	Abu Dhabi Airport Free Zone
Khalifa Industrial Zone	Zones Corp	TwoFour54
Dubai Airport Free Zone	Dubai Silicon Oasis	Jebel Ali Free Zone
Dubai Multi Commodities Center	Dubai Internet City	Dubai Media City
Dubai Studio City	Dubai Academic City	Dubai Knowledge village
Dubai Outsource Zone	Enpark	Intl. Media Production Zone
Dubai Biotech Research Park	Dubai Auto Zone	Gold and Diamond Park
Dubai Healthcare City	Dubai Intl. Financial Centre	Dubai Logistics City
Dubai Maritime City	Dubai Flower Centre	Intl Humanitarian City
Sharjah Airport Free	Hamriya Free Zone	Ahmed Bin Rashid FZ

Zone					
Ajman	Free	Zone	RAK	Investment	RAK Free Zone
Authority			Authority		
RAK Maritime City			Fujairah Free Zone		Fujairah Creative City

Appendix 3 – DFSA Findings

The DFSA monitoring team have assessed 33 onsite assessments, assessed 56 principals, and reviewed 106 audit engagements as follows:

Figure 17 - Summary of DFSA Reviews



(Dubai-Financial-Service-Authority-DFSA, 2013)

The DFSA monitoring team has summarized their finding in to three major points as follows:

All registered auditors in the DIFC should exercise a greater level of professional skepticism especially with areas related to management judgment. This research will measure the professional skepticism of participating auditors' throughout UAE. In order to see the level of professional skepticism that exists between auditors in the country as a whole rather than just DIFC.

Registered auditors should not only seek evidence that is supporting the balances in the financial statements and the management's judgments, they should also search for facts that might challenge these balances and judgments.

Registered auditors should work on obtaining more corroborating evidence to support their audit conclusion.

The key findings of the audit monitoring team of DFSA are summarized below:

Going concern was not properly investigated in five audit engagement files where the file lacked evidence that the audit partner have exercised due professional care to challenge the management's assumptions supporting the entity's going concern.

Employees' independence of six registered auditors was questioned by the DFSA monitoring team as these audit firms was retaining its employees passports. This kind of practice does impair the independence of the staff to raise any of their concerns since their passports are being withheld by the audit firms.

External confirmations on eight audit engagements were not received from independent third parties. Only one engagement out of those eight managed to perform alternative audit procedures as compared to seven engagements who failed to perform alternative audit procedures to cover the audit assertions that would have been covered if the audit confirmation were received. Also, eighteen audit engagements have failed to document the confirmation process. And fifteen audit engagements did not have the appropriate control over the confirmation process as it was evident that the client was the one who circulated the confirmations on behalf of the audit firm.

Preparation of financial statements is currently being done by the audit firms which present a self-review threat. This was evident in five audit engagement were the financial statements were prepared by members of the audit firm who were also part of the audit team. This self-review threat was properly identified by the audit partners but was not properly mitigated by assigning a member of the audit firm who is not involved in the audit.

Sufficient corroborating audit evidence was not assessed by the DFSA monitoring team as some engagements were performed by audit firms that are part of the network of the registered auditors. The registered auditor has issued an audit opinion to the client based on an inter-office opinion. The registered auditor has failed to obtain a copy of the audit file and to show the monitoring team that he has performed a review on the audit file. This did not allow the monitoring team to review the audit file in order to assess whether appropriate audit evidence was obtained.

Quality of audit work was found to be insufficient in two audit files and it was concluded by the DFSA monitoring team that the personnel that were involved in these files lacked sufficient knowledge over audit requirements and did not receive appropriate training.

Audit partners' involvement throughout the audit initiation, supervision and performance was not sufficient. Engagement partners either got involved at the final stages of the audit or have delegated his responsibility to newly promoted partners who are not properly registered as audit principle in accordance with the DFSA rules and procedures.

Sufficiency of audit procedure was found to be not enough in a number of files and in various occurrences. Certain material revenue transactions were not audited and the audit firm was satisfied with a representation letter from the management. Proper cross referencing of revenue samples was not done properly. In certain occurrences, senior in charge have documented that he has sited certain documents, however, no proper documentation of the references of these documents were done to allow re-performance. Also receivables were not tested properly

through independent third party confirmations and no alternative procedures were evident in file.

Appendix 4 - List of Audit Firms

Table 73 - List of Audit Firms in the UAE

1	Aarmak Auditing & Accounting	41	Ghanim Alsaadi Auditing (Old name -Ali Al Muhari Auditing)	81	ODEH & Co Certified Public Accountants
2	Abdul Husain & Associates	42	Ghassan Al Saheb Public Acc.	82	Paul & Hassan Chartered Accountants
3	Active Auditors	43	Griffin Nagda & Company)	83	PKF Chartered Accountants
4	AGX AUDITING	44	Haris & Associates Auditing	84	Pwc
5	AIM Auditing	45	Haytham Accounting & Auditing	85	Qubic Auditing
6	Al Ayoubi Accounting & Auditing Chartered Accountants	46	HLB Hamt Chartered Accountants	86	R.A.K Accounting & Auditing
7	Al Basha Accounting & Audit	47	HLB Jivanjee and Company	87	Ramesh Ramu & Audit Associates
8	Al Hamili& Co Public Accountants	48	Horwath Mak Chartered Accountants &Business Advisors	88	RAO & ROSS Chartered Accountants
9	Al Khader& CO (Chartered Accountants)	49	HRM Associates, Chartered Accountants	89	Rodl Middle East
10	AL KTTBI & ASSOCIATES Chartered Accountants	50	International Auditing & Consulting Center	90	RSM Dahman & Co Auditors

11	AL Maqtari Auditing	51	International Chartered Accounting	91	S. M. Joshi Chartered Accountants
12	Al Najma Auditors	52	JAXA Chartered Accountants	92	Saif Chartered Accountants
13	Al Rammahi Auditing Chartered Accountants	53	Jitendra Chartered Accountants	93	Sajjad Haider & Co Chartered Accountants
14	Al Saif Auditing & Accountants	54	Kaid Auditing Chartered Accountants	94	SALIM RAJKOTWALA CHARTERED ACCOUNTANTS
15	Alliott Hadi Shahid Chartered Accountants	55	Kanaan & Associates Certified Public Accountants (Old Name - Adonis Kanann Certified	95	Sangani & Co. Chartered Accountants
16	Alyah Auditing Accountants	56	Khalil Al Rahman	96	Shah & Alshamali Assoc
17	As'ad Abbas & Co	57	Kothari Auditors & Accountants	97	Shrichand Shroff Chartered
18	Ashok Kapur & Associates Chartered Accountants	58	KPMG Lower Gulf Limited	98	SKM International Chartered Accountants
19	ASP Auditing Chartered Accountants, Auditors & Consultants	59	KSI Shah & Associates	99	SPA Auditing Chartered Accountants
20	ASR Chartered Accountants	60	M Al Ali Auditing	100	Sufian Al Agha Co. Public
21	Awni Farsakh & Co	61	M&M Auditing Al Menhali	101	Suhaila & Associates Chartered
22	Axis Line International	62	M.A. Vasi Chartered Accountant	102	Talal Abu Ghazalah & Co International L.L.C
23	Baker Tilly MKM Chartered Accountants	63	M.S.K International Auditors	103	Tamim Auditing Accountants
24	BDO Chartered Accountants & Advisors	64	Mahendra Asher & Co. Chartered Accountants	104	Thakkar & Tahir
25	BEHL, LAD & AL Sayegh Chartered Accountants	65	Marshal & Associates Accountants Auditors	105	UHY Saxena Chartered Accountants

26	Caliber Middle East Chartered Accountants	66	MASHAL AL ZAROONI CHARTERED	106	United Auditing Accountants
27	Coast Accounting & Auditing	67	Master Auditing	107	Unity Auditing Chartered Accountants
28	Deloitte & Touche (M.E)	68	Masters Legal Accountants	108	Youssry & Co. Auditing and consultants
29	Dilawar Auditing	69	Mazars Chartered Accountants	109	Zenith Certified Chartered Accountant
30	El Medani Accounting & Auditing	70	MBK Auditing		
31	Ernst & Young Middle East	71	MERALIS CHARTERED ACCOUNTANTS & REGISTERED AUDITORS		
32	ESM Chartered Accountants Old name (MFS Chartered Accountants LLC)	72	Moaz Mohamed		
33	Essaar & Associates Chartered Accountants	73	Moore Stephens Chartered Accountants		
34	Ethics Plus Public Accountants	74	Morison Menon Chartered Accountants (RA KFTZ Branch)		
35	Excel Auditing & Accounting	75	MRS KNB Chartered Accountants		
36	Executive Chartered Accountants	76	MSI Alnoman & Ravi Chartered & Accountants		
37	Falcon International Consulting & Auditors	77	N.R Doshi & Co Chartered Accountants		
38	Farhat Office & CO.	78	Nayef Abu sekrean Public		
39	Fuller International Certified Public Accountants	79	NUF Chartered Accountants LLC		

40	GDT Associates FZC	80	Numerica Chartered Accountants
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Appendix 5 – Interview Protocols

Purpose of the Study. As part of the requirements for Doctorate of Business Administration at UAEU, I have to carry out a research study. The study is concerned with the Perceptions of audit quality in SME's in the UAE. We are in the process of conducting a study in the audit industry in the UAE to examine the need for more governance over the audit firms that deals with the private sector

What will the study involve? The study will involve a survey and a number of selected interviews of key personnel in the industry.

Why have you been asked to take part? You have been asked because of your direct experience in the field of study and your feedback will provide the study with more insightful information to make the study more meaningful.

Do you have to take part? This is a voluntary research that we hope most professionals will understand its benefits and would participate for the benefit of the industry as a whole. Attached is a consent form for participating in the research. If for any reason a participants decided to withdraw from this research even after conducting the interview he/she is entitled to do so within two weeks of the date of the interview. All data collected from the participant will be destroyed.

Will your participation in the study be kept confidential? Yes. No direct clues will be made in the research that might lead to your identity. All quotes and extracts from the interview will be entirely anonymous.

What will happen to the information which you give? Data collected will be held for the period of the research. All data will be kept after the research confidentially away from any third parties and will be destroyed after one year of the completion of the research.

What will happen to the results? The results will be part of the thesis submitted to the university. The thesis will be seen by the supervisor and the DBA panel who will assess and grade the study. The thesis might also be used by other students and get published in research journals.

What are the possible disadvantages of taking part? On the contrary, participating in this research will help develop this industry and might lead to a more controls and governance on audit firms.

What if there is a problem? At the end of the interview, I will discuss with you how you found the experience and in case you were distressed for any reason, you can ask to cancel and destroy all information collected in the interview process.

Who has reviewed this study? This study was approved by the College of Business and Economics Department of UAEU

Consent Form

I.....agree to participate in Ahmad Odeh's research study.

The purpose and nature of the study has been explained to me in writing.

I am participating voluntarily.

I give permission for my interview with Ahmad Odeh to be tape-recorded

I understand that I can withdraw from the study, without repercussions, at any time, whether before it starts or while I am participating.

I understand that I can withdraw permission to use the data within two weeks of the interview, in which case the material will be deleted.

I understand that anonymity will be ensured in the write-up by disguising my identity.

I understand that disguised extracts from my interview may be quoted in the thesis and any subsequent publications if I give permission below:

I agree to quotation/publication of extracts from my interview

I do not agree to quotation/publication of extracts from my interview

Signed.....

Date.....

Appendix 6 – Circulated Survey – Mid-tier auditors

1. Audit Quality Indicators

Dear Sir/Madam

This survey is being conducted as part of my Doctorate of Business Administration dissertation requirement at UAEU, under the supervision of Dr Rihab Khalifa, at the Accounting Department at CBE, UAEU.

This questionnaire is being sent to a sample of professional accountants. The survey is concerned with the Perceptions of audit quality in Small and Medium Enterprises (SMEs) in the UAE. The overall aim is to look for ways to improve the quality of such audits given the current market context.

I realise that your time is valuable, but I hope that you might be able to spare some time to fill in this questionnaire. I must emphasise that the information you provide will be treated in the strictest confidence. Only the aggregated results of this survey will be published, no individual details will be divulged and no individual responses will be identified.

The survey has four sections, ...and is expected to take approximately about 15-20 minutes. Please answer the questions within UAE context.

If you would like to receive a copy of the aggregated results of the survey, and/or would be willing to discuss further the issues it addresses, please send an e-mail to and I will be happy to contact you. I would appreciate it very much if you would return the survey within two weeks from the date you receive this letter.

Thank you in advance for your kind co-operation.

Ahmed Odeh

DBA Student, CBE, UAEU

2. SECTION (A): BACKGROUND INFORMATION

1. What is your Name? (Optional)

2. What is the name of the organization you currently work for? (Optional)

* 3. What is your age?

- 18 to 24
- 25 to 34
- 35 to 44
- 45 to 54
- 55 to 64
- 65 to 74
- 75 or older

* 4. What is your gender?

- Female
- Male

* 5. What is your current position

* 6. What is your nationality?

* 7. Academic qualifications attained? (Please tick all that apply)

undergraduate degree(s)

postgraduate degree(s)

other, please specify

Other (please specify)

* 8. Professional qualifications attained

* 9. Professional qualifications currently being sought:

* 10. Remuneration, including benefits:

Less than AED 20,000

AED 21,000 - AED 30,000

AED 31,000 - AED 50,000

More than AED 50,000

* 11. How many professional years do you have working as an auditor:

* 12. How many of them are in:

UAE

Outside the UAE (Please
specify the country)

* 13. Size of organization you work for

Less than 20 employees

21 - 50 employees

51 - 100 employees

More than 100 employees

* 14. Firms size

- Sole practitioner
- Local firm
- Medium-sized firm
- Big 4

* 15. Majority size audits that your firm performs

- Public sector/Governmental audits
- Private sector listed companies
- Medium sized and small companies
- Charities

* 16. Which Emirates do you currently reside?

- Abu Dhabi
- Dubai
- Sharjah
- Ajman
- Fujairah
- Ras Al Khaima
- Umm Al Qaiwan

3. SECTION (B): AUDIT QUALITY RELATING TO INPUT FACTORS

Answer the following questions based on your experience in your audit firm, and also your perceptions of the audits of Big4 firms. Please tick the value in the scale that represents your view most.

- * 17. Engagement level: The engagement team recognizes that the audit is performed in the wider public interest, and exhibits integrity, objectivity, independence, professional skepticism, competence and due care

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on large clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

- * 18. Firm level: Governance arrangements are in place that establish independence and the appropriate "tone at the top."

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on large clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

- * 19. Firm level: The firm promotes the personal characteristics essential to audit quality

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on large clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 20. Firm level: Financial considerations do not drive actions and decisions that may have a negative effect on audit quality.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on large clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 21. Firm level: The firm emphasizes the importance of providing partners and staff access to high-quality technical support.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on large clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 22. Firm level: The firm promotes a culture of consultation on difficult issues

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on large clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 23. Firm level: Robust systems exist for making client acceptance and continuance decision.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on large clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 24. National level: Ethic requirements are promulgated that make clear both the underlying ethics principles and specific requirements that apply

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on large clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 25. National level: Regulators and professional accountancy organizations are active in ensuring that the ethics principles are understood and the requirements are consistently applied.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on large clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 26. National level: information relevant to client acceptance decisions is shared between audit firms.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on large clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

4. SECTION (B): AUDIT QUALITY RELATING TO INPUT FACTORS (cont.)

Answer the following questions based on your experience in your audit firm, and also your perceptions of the audits of Big4 firms. Please tick the value in the scale that represents your view most.

* 27. Engagement level: partners and staff have necessary competence make reasonable judgments, supervise subordinates, have enough time and access to those charged with governance.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on large clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 28. Firm level: partners and staff have sufficient time to deal with difficult issues as they arise.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on large clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 29. Firm level: engagement teams are properly structured.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on large clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 30. Firm level: partners and senior staff provide junior staff with proper appraisals and coaching and on-the-job training.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on large clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 31. Firm level: sufficient training is given to audit partners and staff on audit, accounting and specialized industry issues as needed.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on large clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 32. National level: partners and staff have sufficient time to deal with difficult issues as they arise.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on large clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 33. National level: robust arrangements exist for licensing audit firms/individual auditors.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on large clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 34. National level: education requirements are clearly defined and training is adequately resourced.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on large clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 35. National level: arrangements exist for briefing auditors on current issues and for providing training to them in new accounting, auditing or regulatory requirements.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on large clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 36. National level: the auditing profession is well-positioned to attract and retain high-quality individuals.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on large clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

5. SECTION (B): AUDIT QUALITY RELATING TO INPUT FACTORS (cont.)

Answer the following questions based on your experience in your audit firm, and also your perceptions of the audits of Big4 firms. Please tick the value in the scale that represents your view most.

- * 37. Engagement level: the engagement team complies with auditing standards, laws, makes use of IT, has effective interaction with internal auditors and management, as makes proper documentation.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on large clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

- * 38. Firm level: the audit methodology is adapted to developments in professional standards and to findings from internal quality control reviews and external inspections.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on large clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

- * 39. Firm level: the audit methodology encourages individual team members to apply professional skepticism and exercise appropriate professional judgment.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on large clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 40. Firm level: the methodology requires effective supervision and review of audit work.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on large clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 41. Firm level: the methodology requires appropriate audit documentation.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on large clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 42. Firm level: rigorous quality control procedures are established and audit quality is monitored and appropriate consequential action is taken.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on large clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 43. Firm level: where required, effective engagement quality control reviews are undertaken.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on large clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 44. National level: auditing standards are promulgated that make clear the underlying objectives as well as the specific requirements that apply.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on large clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 45. National level: bodies responsible for external audit inspections consider relevant attributes of audit quality, both within audit firms and on individual engagement.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on large clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 46. National level: effective systems exist for investigating allegations of audit failure and taking disciplinary action when appropriate.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on large clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

6. SECTION (C): AUDIT QUALITY RELATING TO OUTPUT FACTORS

Answer the following questions based on your experience in your audit firm, and also your perceptions of the audits of Big4 firms. Please tick the value in the scale that represents your view most.

- * 47. Engagement level: there is value to auditor's reports, and they are delivered on time to the shareholders.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on large clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

- * 48. Engagement level: there is value to auditor's reports, and they are delivered on time to those charged with governance and management.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on large clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

- * 49. Engagement level: there is value to auditor's reports, and they are delivered on time to the regulators.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on large clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 50. Firm level: there are sufficient reports from those charged with governance, such as the audit committee.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on large clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 51. National level: audit regulators provide information on individual audits.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on large clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

7. SECTION (D): AUDIT QUALITY RELATING TO INTERACTIONS

Answer the following questions based on your experience in your audit firm, and also your perceptions of the audits of Big4 firms. Please tick the value in the scale that represents your view most.

- * 52. Auditors have effective interaction between them and management, those charged with governance, users and regulators.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on large clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

- * 53. Management has enough interaction with those chartered with governance, regulators and users.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on large clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

- * 54. Those charged with governance, e.g. audit committees, have effective interaction with regulators, and users.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on large clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 55. Regulators have enough interaction with users of audited financial statements.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on large clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

8. SECTION (E): AUDIT QUALITY RELATING TO CONTEXTUAL

Answer the following questions based on your experience in your audit firm, and also your perceptions of the audits of Big4 firms. Please tick the value in the scale that represents your view most.

* 56. Business practices and commercial law are well established

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on large clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 57. Laws and regulations relating to financial reporting are clear.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on large clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 58. There is an applicable financial reporting framework.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on large clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 59. Corporate governance rules are established and clear

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on large clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 60. Information systems are used and adequate

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on large clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 61. There is a clear financial reporting timetable

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on large clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 62. Cultural factors affect the audit

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big4 on large clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

63. If there is one thing that you can recommend to improve audit quality in the UAE for SMEs, what would that be?

64. Additional Comments:

Appendix 7 – Circulated Survey – BIG 4 auditors

1. Audit Quality Indicators

Dear Sir/Madam

This survey is being conducted as part of my Doctorate of Business Administration dissertation requirement at UAEU, under the supervision of Dr Rihab Khalifa, at the Accounting Department at CBE, UAEU.

This questionnaire is being sent to a sample of professional accountants. The survey is concerned with the Perceptions of audit quality in Small and Medium Enterprises (SMEs) in the UAE. The overall aim is to look for ways to improve the quality of such audits given the current market context.

I realise that your time is valuable, but I hope that you might be able to spare some time to fill in this questionnaire. I must emphasise that the information you provide will be treated in the strictest confidence. Only the aggregated results of this survey will be published, no individual details will be divulged and no individual responses will be identified.

The survey has four sections, ...and is expected to take approximately about 15-20 minutes. Please answer the questions within UAE context.

If you would like to receive a copy of the aggregated results of the survey, and/or would be willing to discuss further the issues it addresses, please send an e-mail to and I will be happy to contact you. I would appreciate it very much if you would return the survey within two weeks from the date you receive this letter.

Thank you in advance for your kind co-operation.

Ahmed Odeh
DBA Student, CBE, UAEU

2. SECTION (A): BACKGROUND INFORMATION

1. What is your Name? (Optional)

2. What is the name of the organization you currently work for? (Optional)

* 3. What is your age?

- 18 to 24
- 25 to 34
- 35 to 44
- 45 to 54
- 55 to 64
- 65 to 74
- 75 or older

* 4. What is your gender?

- Female
- Male

* 5. What is your current position

* 6. What is your nationality?

* 7. Academic qualifications attained? (Please tick all that apply)

undergraduate degree(s)

postgraduate degree(s)

other, please specify

Other (please specify)

* 8. Professional qualifications attained

* 9. Professional qualifications currently being sought:

* 10. Remuneration, including benefits:

Less than AED 20,000

AED 21,000 - AED 30,000

AED 31,000 - AED 50,000

More than AED 50,000

* 11. How many professional years do you have working as an auditor:

* 12. How many of them are in:

UAE

Outside the UAE (Please
specify the country)

* 13. Size of organization you work for

Less than 20 employees

21 - 50 employees

51 - 100 employees

More than 100 employees

* 14. Firms size

- Sole practitioner
- Local firm
- Medium-sized firm
- Big 4

* 15. Majority size audits that your firm performs

- Public sector/Governmental audits
- Private sector listed companies
- Medium sized and small companies
- Charities

* 16. Which Emirates do you currently reside?

- Abu Dhabi
- Dubai
- Sharjah
- Ajman
- Fujairah
- Ras Al Khaima
- Umm Al Qaiwan

3. SECTION (B): AUDIT QUALITY RELATING TO INPUT FACTORS

Answer the following questions based on your experience in your audit firm, and also your perceptions of the audits of firms. Please tick the value in the scale that represents your view most.

- * 17. Engagement level: The engagement team recognizes that the audit is performed in the wider public interest, and exhibits integrity, objectivity, independence, professional skepticism, competence and due care

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
In audits conducted by my own firm on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by NONE-Big4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

- * 18. Firm level: Governance arrangements are in place that establish independence and the appropriate "tone at the top."

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
In audits conducted by my own firm on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by NONE-Big4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

* 19. Firm level: The firm promotes the personal characteristics essential to audit quality

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by my own firm on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by NONE-Big4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 20. Firm level: Financial considerations do not drive actions and decisions that may have a negative effect on audit quality.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by my own firm on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by NONE-Big4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 21. Firm level: The firm emphasizes the importance of providing partners and staff access to high-quality technical support.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by my own firm on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by NONE-Big4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 22. Firm level: The firm promotes a culture of consultation on difficult issues

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by my own firm on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by NONE-Big4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 23. Firm level: Robust systems exist for making client acceptance and continuance decision.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by my own firm on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by NONE-Big4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 24. National level: Ethic requirements are promulgated that make clear both the underlying ethics principles and specific requirements that apply

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by my own firm on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by NONE-Big4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 25. National level: Regulators and professional accountancy organizations are active in ensuring that the ethics principles are understood and the requirements are consistently applied.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by my own firm on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by NONE-Big4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 26. National level: information relevant to client acceptance decisions is shared between audit firms.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by my own firm on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by NONE-Big4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

4. SECTION (B): AUDIT QUALITY RELATING TO INPUT FACTORS (cont.)

Answer the following questions based on your experience in your audit firm, and also your perceptions of the audits of firms. Please tick the value in the scale that represents your view most.

- * 27. Engagement level: partners and staff have necessary competence make reasonable judgments, supervise subordinates, have enough time and access to those charged with governance.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by my own firm on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by NONE-Big4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

- * 28. Firm level: partners and staff have sufficient time to deal with difficult issues as they arise.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by my own firm on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by NONE-Big4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 29. Firm level: engagement teams are properly structured.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by my own firm on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by NONE-Big4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 30. Firm level: partners and senior staff provide junior staff with proper appraisals and coaching and on-the-job training.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by my own firm on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by NONE-Big4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 31. Firm level: sufficient training is given to audit partners and staff on audit, accounting and specialized industry issues as needed.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by my own firm on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by NONE-Big4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 32. National level: partners and staff have sufficient time to deal with difficult issues as they arise.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by my own firm on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by NONE-Big4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 33. National level: robust arrangements exist for licensing audit firms/individual auditors.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by my own firm on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by NONE-Big4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 34. National level: education requirements are clearly defined and training is adequately resourced.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by my own firm on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by NONE-Big4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 35. National level: arrangements exist for briefing auditors on current issues and for providing training to them in new accounting, auditing or regulatory requirements.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by my own firm on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by NONE-Big4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 36. National level: the auditing profession is well-positioned to attract and retain high-quality individuals.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by my own firm on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by NONE-Big4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

5. SECTION (B): AUDIT QUALITY RELATING TO INPUT FACTORS (cont.)

Answer the following questions based on your experience in your audit firm, and also your perceptions of the audits of firms. Please tick the value in the scale that represents your view most.

* 37. Engagement level: the engagement team complies with auditing standards, laws, makes use of IT, has effective interaction with internal auditors and management, as makes proper documentation.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by my own firm on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by NONE-Big4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 38. Firm level: the audit methodology is adapted to developments in professional standards and to findings from internal quality control reviews and external inspections.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by my own firm on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by NONE-Big4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 39. Firm level: the audit methodology encourages individual team members to apply professional skepticism and exercise appropriate professional judgment.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by my own firm on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by NONE-Big4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 40. Firm level: the methodology requires effective supervision and review of audit work.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by my own firm on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by NONE-Big4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 41. Firm level: the methodology requires appropriate audit documentation.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by my own firm on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by NONE-Big4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 42. Firm level: rigorous quality control procedures are established and audit quality is monitored and appropriate consequential action is taken.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by my own firm on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by NONE-Big4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 43. Firm level: where required, effective engagement quality control reviews are undertaken.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by my own firm on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by NONE-Big4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 44. National level: auditing standards are promulgated that make clear the underlying objectives as well as the specific requirements that apply.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by my own firm on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by NONE-Big4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 45. National level: bodies responsible for external audit inspections consider relevant attributes of audit quality, both within audit firms and on individual engagement.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by my own firm on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by NONE-Big4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 46. National level: effective systems exist for investigating allegations of audit failure and taking disciplinary action when appropriate.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by my own firm on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by NONE-Big4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

6. SECTION (C): AUDIT QUALITY RELATING TO OUTPUT FACTORS

Answer the following questions based on your experience in your audit firm, and also your perceptions of the audits of firms. Please tick the value in the scale that represents your view most

- * 47. Engagement level: there is value to auditor's reports, and they are delivered on time to the shareholders.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by my own firm on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by NONE-Big4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

- * 48. Engagement level: there is value to auditor's reports, and they are delivered on time to those charged with governance and management.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by my own firm on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by NONE-Big4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

49. Engagement level: there is value to auditor's reports, and they are delivered on time to the regulators.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by my own firm on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by NONE-Big4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

50. Firm level: there are sufficient reports from those charged with governance, such as the audit committee.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by my own firm on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by NONE-Big4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

51. National level: audit regulators provide information on individual audits.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by my own firm on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by NONE-Big4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

7. SECTION (D): AUDIT QUALITY RELATING TO INTERACTIONS

Answer the following questions based on your experience in your audit firm, and also your perceptions of the audits of firms. Please tick the value in the scale that represents your view most.

52. Auditors have effective interaction between them and management, those charged with governance, users and regulators.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by my own firm on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by NONE-Big4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

53. Management has enough interaction with those chartered with governance, regulators and users.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by my own firm on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by NONE-Big4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

54. Those charged with governance, e.g. audit committees, have effective interaction with regulators, and users.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by my own firm on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by NONE-Big4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

55. Regulators have enough interaction with users of audited financial statements.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by my own firm on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by NONE-Big4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

8. SECTION (E): AUDIT QUALITY RELATING TO CONTEXTUAL

Answer the following questions based on your experience in your audit firm, and also your perceptions of the audits of firms. Please tick the value in the scale that represents your view most.

56. Business practices and commercial law are well established

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by my own firm on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by NONE-Big4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

57. Laws and regulations relating to financial reporting are clear.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by my own firm on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by NONE-Big4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

58. There is an applicable financial reporting framework.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by my own firm on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by NONE-Big4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

59. Corporate governance rules are established and clear

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by my own firm on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by NONE-Big4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

60. Information systems are used and adequate

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by my own firm on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by NONE-Big4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

61. There is a clear financial reporting timetable

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by my own firm on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by NONE-Big4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

62. Cultural factors affect the audit

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by my own firm on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by my own firm on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by NONE-Big4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

63. If there is one thing that you can recommend to improve audit quality in the UAE for SMEs, what would that be?

64. Additional Comments:

Appendix 8 – Circulated Survey – Professionals

1. Audit Quality Indicators

Dear Sir/Madam

This survey is being conducted as part of my Doctorate of Business Administration dissertation requirement at UAEU, under the supervision of Dr Rihab Khalifa, at the Accounting Department at CBE, UAEU.

This questionnaire is being sent to a sample of professional accountants. The survey is concerned with the Perceptions of audit quality in Small and Medium Enterprises (SMEs) in the UAE. The overall aim is to look for ways to improve the quality of such audits given the current market context.

I realise that your time is valuable, but I hope that you might be able to spare some time to fill in this questionnaire. I must emphasise that the information you provide will be treated in the strictest confidence. Only the aggregated results of this survey will be published, no individual details will be divulged and no individual responses will be identified.

The survey has five sections, ...and is expected to take approximately about 15-20 minutes. Please answer the questions within UAE context.

If you would like to receive a copy of the aggregated results of the survey, and/or would be willing to discuss further the issues it addresses, please send an e-mail to and I will be happy to contact you. I would appreciate it very much if you would return the survey within two weeks from the date you receive this letter.

Thank you in advance for your kind co-operation.

Ahmed Odeh
DBA Student, CBE, UAEU

2. SECTION (A): BACKGROUND INFORMATION

1. What is your Name? (Optional)

2. What is the name of the organization you work for? (Optional)

* 3. What is your age?

- 18 to 24
 25 to 34
 35 to 44
 45 to 54
 55 to 64
 65 to 74
 75 or older

* 4. What is your gender?

- Female
 Male

* 5. What is your current position

* 6. What is your nationality?

* 7. Academic qualifications attained? (Please tick all that apply)

- undergraduate degree(s)
 postgraduate degree(s)
 other, please specify

Other (please specify)

* 8. Professional qualifications attained

* 9. Professional qualifications currently being sought:

* 10. Remuneration, including benefits:

- Less than AED 20,000
- AED 21,000 - AED 30,000
- AED 31,000 - AED 50,000
- More than AED 50,000

* 11. How many professional years do you have:

* 12. How many of them are in:

UAE

Outside the UAE (Please
specify the country)

* 13. Size of organization you work for

- Less than 20 employees
- 21 - 50 employees
- 51 - 100 employees
- More than 100 employees

* 14. Please specify the industry you work in:

- Construction and Engineering
- Financial Services
- Healthcare
- Retail
- Government or non for profit
- Education
- Other (please specify)

* 15. Did you encounter dealing with audit firms, if yes please select from the list below

- Big 4 Firms Only
- Non Big 4 Firms
- Both
- Niether

* 16. Did you ever work in one of the following

- Big 4 Firms Only
- Mid tier audit firms
- Both
- Niether

* 17. Which Emirates do you currently reside?

- Abu Dhabi
- Dubai
- Sharjah
- Ajman
- Fujeirah
- Ras Al Khaima
- Umm Al Qaiwan

3. SECTION (B): AUDIT QUALITY RELATING TO INPUT FACTORS

Answer the following questions based on your experience dealing with audit firms, and also your perceptions of the audits of firms even if you have never dealt with them. Please tick the value in the scale that represents your view most.

* 18. Engagement level: The engagement team recognizes that the audit is performed in the wider public interest, and exhibits integrity, objectivity, independence, professional skepticism, competence and due care

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by Big 4 firms on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by None Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 19. Firm level: Governance arrangements are in place that establish independence and the appropriate "tone at the top."

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by Big 4 firms on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by None Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 20. Firm level: The firm promotes the personal characteristics essential to audit quality

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by Big 4 firms on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by None Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 21. Firm level: Financial considerations do not drive actions and decisions that may have a negative effect on audit quality.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by Big 4 firms on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by None Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 22. Firm level: The firm emphasizes the importance of providing partners and staff access to high-quality technical support.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by Big 4 firms on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by None Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 23. Firm level: The firm promotes a culture of consultation on difficult issues

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by Big 4 firms on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by None Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 24. Firm level: Robust systems exist for making client acceptance and continuance decision.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by Big 4 firms on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by None Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 25. National level: Ethic requirements are promulgated that make clear both the underlying ethics principles and specific requirements that apply

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by Big 4 firms on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by None Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 26. National level: Regulators and professional accountancy organizations are active in ensuring that the ethics principles are understood and the requirements are consistently applied.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by Big 4 firms on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by None Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 27. National level: information relevant to client acceptance decisions is shared between audit firms.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by Big 4 firms on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by None Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

4. SECTION (B): AUDIT QUALITY RELATING TO INPUT FACTORS (cont.)

Answer the following questions based on your experience dealing with audit firms, and also your perceptions of the audits of firms even if you have never dealt with them. Please tick the value in the scale that represents your view most.

- * 28. Engagement level: partners and staff have necessary competence make reasonable judgments, supervise subordinates, have enough time and access to those charged with governance.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by Big 4 firms on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by None Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

- * 29. Firm level: partners and staff have sufficient time to deal with difficult issues as they arise.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by Big 4 firms on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by None Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

- * 30. Firm level: engagement teams are properly structured.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by Big 4 firms on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by None Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 31. Firm level: partners and senior staff provide junior staff with proper appraisals and coaching and on-the-job training.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by Big 4 firms on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by None Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 32. Firm level: sufficient training is given to audit partners and staff on audit, accounting and specialized industry issues as needed.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by Big 4 firms on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by None Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 33. National level: partners and staff have sufficient time to deal with difficult issues as they arise.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by Big 4 firms on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by None Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 34. National level: robust arrangements exist for licensing audit firms/individual auditors.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by Big 4 firms on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by None Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 35. National level: education requirements are clearly defined and training is adequately resourced.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by Big 4 firms on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by None Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 36. National level: arrangements exist for briefing auditors on current issues and for providing training to them in new accounting, auditing or regulatory requirements.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by Big 4 firms on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by None Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 37. National level: the auditing profession is well-positioned to attract and retain high-quality individuals.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by Big 4 firms on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by None Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

5. SECTION (B): AUDIT QUALITY RELATING TO INPUT FACTORS (cont.)

Answer the following questions based on your experience dealing with audit firms, and also your perceptions of the audits of firms even if you have never dealt with them. Please tick the value in the scale that represents your view most.

- * 38. Engagement level: the engagement team complies with auditing standards, laws, makes use of IT, has effective interaction with internal auditors and management, as makes proper documentation.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by Big 4 firms on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by None Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

- * 39. Firm level: the audit methodology is adapted to developments in professional standards and to findings from internal quality control reviews and external inspections.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by Big 4 firms on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by None Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

- * 40. Firm level: the audit methodology encourages individual team members to apply professional skepticism and exercise appropriate professional judgment.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by Big 4 firms on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by None Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 41. Firm level: the methodology requires effective supervision and review of audit work.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by Big 4 firms on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by None Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 42. Firm level: the methodology requires appropriate audit documentation.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by Big 4 firms on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by None Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 43. Firm level: rigorous quality control procedures are established and audit quality is monitored and appropriate consequential action is taken.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by Big 4 firms on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by None Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 44. Firm level: where required, effective engagement quality control reviews are undertaken.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by Big 4 firms on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by None Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 45. National level: auditing standards are promulgated that make clear the underlying objectives as well as the specific requirements that apply.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by Big 4 firms on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by None Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 46. National level: bodies responsible for external audit inspections consider relevant attributes of audit quality, both within audit firms and on individual engagement.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by Big 4 firms on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by None Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 47. National level: effective systems exist for investigating allegations of audit failure and taking disciplinary action when appropriate.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by Big 4 firms on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by None Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

6. SECTION (C): AUDIT QUALITY RELATING TO OUTPUT FACTORS

Answer the following questions based on your experience dealing with audit firms, and also your perceptions of the audits of firms even if you have never dealt with them. Please tick the value in the scale that represents your view most.

* 48. Engagement level: there is value to auditor's reports, and they are delivered on time to the shareholders.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by Big 4 firms on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by None Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 49. Engagement level: there is value to auditor's reports, and they are delivered on time to those charged with governance and management.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by Big 4 firms on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by None Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 50. Engagement level: there is value to auditor's reports, and they are delivered on time to the regulators.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by Big 4 firms on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by None Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 51. Firm level: there are sufficient reports from those charged with governance, such as the audit committee.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by Big 4 firms on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by None Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 52. National level: audit regulators provide information on individual audits.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by Big 4 firms on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by None Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

7. SECTION (D): AUDIT QUALITY RELATING TO INTERACTIONS

Answer the following questions based on your experience dealing with audit firms, and also your perceptions of the audits of firms even if you have never dealt with them. Please tick the value in the scale that represents your view most.

- * 53. Auditors have effective interaction between them and management, those charged with governance, users and regulators.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by Big 4 firms on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by None Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

- * 54. Management has enough interaction with those charged with governance, regulators and users.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by Big 4 firms on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by None Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

- * 55. Those charged with governance, e.g. audit committees, have effective interaction with regulators, and users.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by Big 4 firms on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by None Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 56. Regulators have enough interaction with users of audited financial statements.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by Big 4 firms on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by None Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

8. SECTION (E): AUDIT QUALITY RELATING TO CONTEXTUAL

Answer the following questions based on your experience dealing with audit firms, and also your perceptions of the audits of firms even if you have never dealt with them. Please tick the value in the scale that represents your view most.

* 57. Business practices and commercial law are well established

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by Big 4 firms on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by None Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 58. Laws and regulations relating to financial reporting are clear.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by Big 4 firms on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by None Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 59. There is an applicable financial reporting framework.

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by Big 4 firms on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by None Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 60. Corporate governance rules are established and clear

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by Big 4 firms on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by None Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 61. Information systems are used and adequate

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by Big 4 firms on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by None Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 62. There is a clear financial reporting timetable

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by Big 4 firms on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by None Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

* 63. Cultural factors affect the audit

	Strongly Disagree	Disagree	Neither Disagree Nor Agree	Agree	Strongly Agree
In audits conducted by Big 4 firms on big clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In audits conducted by None Big 4 firms on SME clients	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

64. If there is one thing that you can recommend to improve audit quality in the UAE for SMEs, what would that be?

65. Additional Comments:

Appendix 9 – Circulated Email

“Dear Sir, I am in the process of renewing the attached license that expired last week. I need the financials audited and I do not have a lot of time. Please see attached the financials of the company. It is only one year old and very straightforward. Can you please tell me how much will it cost to get them audited and how long do you need. The attached is the financials up to end of November only, so the audit will only be for the period of 11 months”

Appendix 10 – Original Profit and Loss Statement of Company for the period ended 30 November 2014

Table 74 – Experiment: Original Profit and Loss Statement of Company for the period ended 30 November 2014

	<u>TOTAL</u>
Ordinary Income/Expense	
Expense	
60000 · Advertising and Promotion	450
60200 · Bank Service Charges	428
61100 · Business Licenses and Permits	452
61200 · Legal & Visa Fee	9,942
62000 · Training & Conference	22,035
62200 · Travel Expense	79,750
62300 · Meals and Entertainment	3,269
63100 · Health Insurance	600
63200 · Interest Expense	365
65200 · Printing and Stationary	1,669
67100 · Rent Expense	61,014
67200 · Signage Expenses	2,739
67500 · Retainers Fee	300
68100 · Telephone Expense	8,104
69000 · Payroll Expense	<u>254,167</u>
Total Expense	<u>445,284</u>
 Net Ordinary Income	 <u>(445,284)</u>
 Net Income	 <u><u>(445,284)</u></u>

Appendix 11 - Original Balance Sheet of the Company as of 30 November 2014

Table 75 – Experiment: Original Balance Sheet of the Company as of 30 November 2014

	Nov 30, 14		Nov 30, 14
ASSETS		LIABILITIES & EQUITY	
Current Assets		Liabilities	
Checking/Savings		Current Liabilities	
10002 · ADIB	(8,122)	20000 · Accounts Payable	28,707
10010 · Petty Cash	17,183	20001 · Due to Related Party	22,035
10013 · PRO Petty Cash	(1,155)	Total Accounts Payable	50,742
Total Checking/Savings	7,906	Other Current Liabilities	
Other Current Assets		20002 · Salary Payable	75,000
12000 · Bank Guarantees	3,000	Total Other Current Liabilities	75,000
Total Other Current Assets	3,000	Total Liabilities	125,742
Total Current Assets	10,906	Equity	
Fixed Assets		31000 · Capital Account	
14000 · Furniture and Equipment		31001 · Mr. Bak	76,500
14001 · Laptop	2,095	31002 · Mr. IAP	71,889
Total 14000 · Furniture and Equipment	2,095	Total 31000 · Capital Account	148,389
Total Fixed Assets	2,095	32000 · Current Account	
Other Assets		32001 · Mr. Bak	155,632
16000 · Security Deposit	12,000	32002 · Mr. IAP	189,274
Total Other Assets	12,000	Total 32000 · Current Account	344,906
TOTAL ASSETS	25,001	33000 · Retained Earnings	(148,752)
		Net Income	(445,284)
		Total Equity	(100,741)
		TOTAL LIABILITIES & EQUITY	25,001

Appendix 12 – Modified Profit and Loss Statement of Company for the period ended 30 November 2014

Table 76 – Experiment: Modified Profit and Loss Statement of Company for the period ended 30 November 2014

	Total
Sales	1,535,000
Cost of Sales	(743,500)
Expense	
60000 · Advertising and Promotion	(450)
60200 · Bank Service Charges	(428)
61100 · Business Licenses and Permits	(452)
61200 · Legal & Visa Fee	(9,942)
62000 · Training & Conference	(22,035)
62200 · Travel Expense	(79,750)
62300 · Meals and Entertainment	(3,269)
63100 · Health Insurance	(600)
63200 · Interest Expense	(365)
65200 · Printing and Stationary	(1,669)
67100 · Rent Expense	(61,014)
67200 · Signage Expenses	(2,739)
67500 · Retainers Fee	(300)
68100 · Telephone Expense	(8,104)
69000 · Payroll Expense	(254,167)
Total Expense	(445,284)
Net Income	346,216

Appendix 13- Modified Balance Sheet of the Company as of 30 November 2014

Table 77 – Experiment: Modified Balance Sheet of the Company as of 30 November 2014

	Nov 30, 14		Nov 30, 14
ASSETS		LIABILITIES & EQUITY	
Current Assets		Liabilities	
Checking/Savings		Current Liabilities	
10002 · ADIB	-	Accounts Payable	
10010 · Petty Cash	-	20000 · Accounts Payable	28,707
10013 · Trade receivables	1,525,906	20001 · Due to Related Party	22,035
Total Checking/Savings	1,525,906	Total Accounts Payable	50,742
Other Current Assets		Other Current Liabilities	
12000 · Bank Guarantees	3,000	20002 · Salary Payable	75,000
Total Other Current Assets	3,000	Total Other Current Liabilities	75,000
Total Current Assets	1,528,906	Total Current Liabilities	125,742
Fixed Assets		Total Liabilities	125,742
14000 · Furniture and Equipment		Equity	
14001 · Laptop	2,095	31000 · Capital Account	
Total 14000 · Furniture and Equipment	2,095	31001 · Mr. Bak	76,500
Total Fixed Assets	2,095	31002 · Mr. IAP	73,500
Other Assets		Total 31000 · Capital Account	150,000
16000 · Security Deposit	12,000	32000 · Current Account	
Total Other Assets	12,000	32001 · Mr. Bak	138,632
TOTAL ASSETS	1,543,001	32002 · Mr. IAP	187,663
		32003	743,500
		Total 32000 · Current Account	1,069,795
		33000 · Retained Earnings	(148,752)
		Net Income	346,216
		Total Equity	1,417,259
		TOTAL LIABILITIES & EQUITY	1,543,001

Appendix 14 – DBA Program Learning Outcomes

1. **Develop** oral presentations to communicate effectively and without guidance, using technologies to support the oral presentation of information where needed to academic and professional peers. (*‘Creating’ category in the revised Bloom’s taxonomy*).
2. **Write** effectively to communicate highly complex and diverse matters to expert audiences. (*‘Creating’ category in the revised Bloom’s taxonomy*).
3. **Apply** a range of mastered skills and techniques including synthesis, evaluation, planning and reflection, required to critically extend and redefine professional practice and knowledge. (*‘Applying’ category in the revised Bloom’s taxonomy*).
4. **Apply** advanced skills in developing innovative solutions to critical problems using expert skills, demonstrating intellectual independence. (*‘Applying’ category in the revised Bloom’s taxonomy*).
5. **Act** with authority, creativity, autonomy, independence, scholarly and professional integrity. (*‘Creating’ category in the revised Bloom’s taxonomy*).
6. **Demonstrate** abilities associated with professional leadership of peer groups and teams. (*‘Applying’ category in the revised Bloom’s taxonomy*).
7. **Assess** consistently and sensitively manage diverse ethical issues in highly complex contexts and make fair judgments. (*‘Evaluating’ category in the revised Bloom’s taxonomy*).
8. **Examine** the complex social and cultural contexts of leadership. (*‘Analyzing’ category in the revised Bloom’s taxonomy*).
9. **Evaluate** the state of research and practice in a business field and highlight possible ways to contribute to that field. (*‘Evaluating’ category in the revised Bloom’s taxonomy*).
10. **Create** new knowledge in the field, through independent research, innovative and creative practical solutions to a challenging business problem through conceptualizing, designing, implementing, and adapting research processes in complex contexts. (*‘Creating’ category in the revised Bloom’s taxonomy*).