



Factors Influencing Audit Quality in Bangladesh



Inspiring Excellence

BUS 400: Internship [Summer 2018]

Internship Research Report on
Factors Influencing Audit Quality in Bangladesh

Prepared for

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Subject: Submission of Internship Report

Dear Sir,

I am pleased to submit my internship research report on “Factors Influencing Audit Quality in Bangladesh” as a requirement for the Bachelor of Business Administration Degree.

I worked at ACNABIN Chartered Accountants as an intern; I got the valuable insights about the working environment of an organization. This really helped me significantly to enrich my practical knowledge.

Three months of work experience has given me the opportunity to explore the activities of auditors. The report contains the determinants of audit quality. As a student of Accounting and Finance, I am interested to topics related to corporate financial reporting and auditing. This is why I have worked on the factors that should get focused during audit. I used descriptive statistics for interpreting the data I have collected from auditors. All the hypothesis and recommendations made in this paper are either influenced by related literature or made from my own logical assumption.

I have tried to prepare this report to the required standard. I look forward for your kind appraisal on this study.

Sincerely,

Mohammad Rakibul Hasan

ID: 14304131

Acknowledgement

I am grateful to Allah for the good health and well-being that were necessary to complete this report. I wish to express my sincere thanks to my academic internship supervisor Dr. Suman Paul Chowdhury, Assistant Professor of BRAC Business School for permitting me to conduct the study. Thanks to my on-site internship supervisor, Md. Ahsan Kabir, Senior Assistant Manager of ACNABIN Chartered Accountants for allowing flexible office hours that helps me to spend enough time on the research report. I also thank my organization, BRAC University and Office of Career Services and Alumni Relations (OCSAR) for giving me the opportunity of self-development through practical experience.

EXECUTIVE SUMMARY

This report titled “Factors Influencing Audit Quality in Bangladesh” is an outcome of BBA internship program. It tries to understand the factors that should be considered during auditing. This paper contains two parts. The first chapter of the report starts with the overview of ACNABIN Chartered Accountants, a CA firm where I have completed my intern. A brief organization history is described at the beginning. After that, company’s mission and vision statement is mentioned and explained in brief. As ACNABIN is a CA firm, it provides a wide range of services to its clients. The services it provides to its clients are also summarized. The first chapter ends with the methodology and limitation of the report.

The second chapter starts with the definition of audit, audit quality, and the short history of forming accounting regulatory bodies. Then, the importance and expectation of audit quality is discussed concisely. After that, I have added the review of various journal papers and books related to the topic. After reading the literatures, I have added hypothesis that reflects the literature review or my own assumption. Descriptive statistics is used to analyze and interpret the data. Like other research reports, it is found that auditor firm size and auditor competencies positively influence audit quality. Even though it was presumed that provision of NAS services can have negative impact on quality, the study has found no negative influence. Finally, it’s been revealed that the long audit tenure impairs auditor independence by creating over familiarity between auditor and client.

After analyzing findings, conclusion and recommendation for further study is given.

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Chapter 01: Introduction

It is absolutely essential to have practical experience in corporate world after studying for years at university. Internship program assists a student to achieve hands-on experience in professional world. An internship program also helps a student understand the way a company operates and find his/her future career.

As I want to study chartered accountancy after completing my graduation, I wanted to do my intern at CA firm to understand the environment and future of accounting. So, I have chosen ACNABIN Chartered Accountants, one of the largest ca firms in Bangladesh, to work as an intern. The 12 weeks internship program has given me the opportunity to gain practical knowledge about audit and consultancy.

I visited few companies as an external auditor during my internship program. My intern report topic is “the factors influencing audit quality in Bangladesh.” To work on this topic I had to study journal papers on related topic that has enriched my knowledge about the factors an auditor must focus on to ensure the fairness of corporate financial statement reporting.

Objective of preparing the report

Internship program is obligatory for all BBA students. Internship is indispensable for acquiring experience as a student. The internship program helps us acquiring practical knowledge about corporation and industry. During the internship program we, the students, get involved into the corporate field where we can implement our academic knowledge as well as understand the difference between reality and bookish knowledge.

After the completion of the internship program, submitting project paper will reveal the experience I have gathered so far. The purpose of preparing the report is shortly pointed below:

1. By preparing intern report, I can expose the responsibilities I have faced during twelve-week work experience.

2. As I worked at ACNABIN CA firm, where articled students and staffs provide audit and non-audit services to its clients. In this paper I will showcase the factors that may have influence on audit quality.
3. There will be recommendations based on the findings and analysis.

Methodology

To prepare the intern report I have collected information from sources which can be divided in two ways—

- ❖ Primary sources
- ❖ Secondary sources

Primary Sources—

1. Taking information from articled students and staffs
2. I also used my personal observation to prepare this report

Secondary Sources—

1. Journal papers on audit quality and related topics
2. I used internet as secondary source for collecting information

Limitation

The objective of this paper is to figure out the factors that influence audit quality. This paper has some limitations. The limitations include—

- **Time Constraint:** Internship period is only for 12 weeks which shorten the task of this large study topic.
- **Confidential information:** As I have completed my internship program at a private firm, I had to deal with confidentiality of information during preparing this paper.

- **Insufficient Respondents:** I have managed 42 respondents to complete this survey. During the internship program, time constraint and huge work pressure hindered me to reach to highly experienced auditors.

Chapter 02: ACNABIN

ACNABIN Chartered Accountants is one of the largest professional accounting service firms in Bangladesh. The firm has been providing accounting services to organizations from various industries and business segments for over 30 years. It was founded in 1985 with seven partners who merged their knowledge, skills, and experience with national and international organizations and consultancy firms. Now, the firm has ten partners who are highly skilled and competent in auditing, accounting, reviewing, business consulting, business process outsourcing, technology solutions, and taxation. Partners' proficiency, excellence, and competence in diverse fields of accounting has established it as a multidisciplinary organization.

ACNABIN was formed with a certain mission and vision in mind.

Mission Statement

ACNABIN Chartered Accountants, a partnership organization, has a mission to increase its value by assisting clients' succeed. The mission statement of the firm is—

“We adhere to the strictest principles of client confidentiality. The sensitive and competitive nature of proprietary information and the maintenance of trust demand it. We have built our success on such principles. We do our utmost to earn and keep client trust.”

To approach its vision, the firm ensures client confidentiality and provision of high quality services.

Vision Statement

The vision of the company is to build an organization that will stimulate a leadership environment. In its vision statement, ACNABIN states that it wants to lead in the market as the most accepted and trusted business advisor.

“We go beyond the traditional auditor and client relationship by becoming your trusted business advisor.”

Strategic Objective

ACNABIN has set up its strategic objective or intent to follow:

- ❖ ACNABIN Chartered Accountants wants to be reliable, trusted, and most accepted in the market.
- ❖ It wants to lead the market by maintaining the highest level of professional ethics, skills, and competencies
- ❖ The company has achieved a trusted position for financial institutions, telecommunications, liaison offices, and NGOs. Now, its intention is to promote itself as a trusted and reliable firm in other industries.

Affiliation

- ❖ ACNABIN Chartered Accountants is affiliated with Baker Tilly International (BTI). It is an independent member of BTI, which has the 8th largest network in the world with 145 independent member firms in 110 countries.
- ❖ The company was associated with ASNAF-ASEAN Accounting firms, Singapore since 2003 to 2010.
- ❖ It was an authorized representative firm of former Andersen SC until July 2002

The company also keeps a close relationship with many national and international audit and consulting firms through its efficient and dedicated services.

Values

ACNABIN is impassioned and vehement about assisting its clients and concurrently it develops the capability and prospects of its employees. As ACNABIN is now a member of Baker Tilly International, its internal culture is also driven by the core values of BTI—

- ❖ The company wants to lead in the market in a way so others follow it as an idol. It wants to lead by example.

- ❖ An important value is to provide accurate and quality service with honesty and integrity.
- ❖ It wants to increase its value by communicating openly and acting ethically.
- ❖ Finally, it works to build a community that will be efficient and effective in team-working and handling responsibilities.

Services to Clients

ACNABIN offers a wide range of services to its clients in both private and public sector in Bangladesh. The services include—

- ❖ **Audit and assurance:** Audit specialists of ACNABIN provide different types of audit services to its clients maintaining the standards of BSA (Bangladesh Standard on Auditing) and ISA (International Standard on Auditing). ACNABIN's audit services include—statutory audit, internal audit, cost audit, compliance audit, forensic audit, management audit, performance audit, interim audit, donor audit, review management, etc.
- ❖ **Tax and legal services:** Every organization needs to consider tax issues during planning and budgeting. ACNABIN partners and employees are extensively knowledgeable and experienced to provide tax services very swiftly so that clients can make the best use of tax planning opportunities. Tax and legal services provided by ACNABIN contains—corporate and individual tax planning, personal income tax, deferred tax computation and application, indirect tax, tax implications, capital gain tax, designing VAT management system, Tax compliance and preparation of various tax returns, tax assessments and appeals, import duty and custom cases, etc.
- ❖ **Advisory**
- ❖ **Consultancy**
- ❖ **Outsourcing**

Chapter 03: Experience as an Intern

During my internship program at ACNABIN, I worked for three companies at different time and I had different responsibilities throughout this period. The companies are Fakhruddin textiles mills ltd. (FTML), Rancon autos ltd., and X company (the name is confidential).

FTML—Fakhruddin Textile Mills Limited is a subsidiary company of Urmi group. I visited this garment factory at Gazipur to audit wastage sales. Five internal people including internal auditor were sent to record the leftover selling. Here, I was the only outsider who worked as an external auditor and representative of ACNABIN Chartered Accountants.

There were different types of leftovers including plastic drum, plastic gallon, aluminum, steel, iron, etc. This garment purchases chemicals which basically come from China in plastic containers. After the usage of the chemicals, company sells all containers as wastage material. During the time I had to check out and follow following things—

1. All the wastages are kept in a separate storehouse.
2. The warehouse has an enclosure with lockers and adequate security so internal employees cannot hide leftovers
3. Segregating materials by category, size, weight, etc.
4. Ensure proper counting of drums by size and weighing irons, steels, and aluminums
5. Make sure that all wastages that are sold, enlisted properly in summary sheet
6. Signature at the end of summary sheet

Rancon Autos Ltd.—I went to the office of Rancon Autos Ltd. Located at Tejgaon as a junior auditor for few days. There I worked on few things which are mentioned below:

1. We know, statement of financial position is prepared from the trial balance. Therefore, all the accounts in the statement of financial position should be matched with trail balance accounts. Therefore, my responsibility was to match balance sheet accounts with trial balance accounts to observe that every account has been transferred properly and accurately.
2. Rancon Autos sells automobiles on account to its customers and these debtors pay monthly deposit to repay the loan. I took 100 sample accounts from large number of borrowers' accounts and sent those letters to be ensure that customers agree with the recorded balance amount.

X Company— After working at Rancon for two weeks, I was sent to ACNABIN office to work for consultancy service as a junior. The service was to prepare financial statements of provident fund loan for the year 2015 and 2016.

Provident fund is a mandatory retirement savings plan where both employee and employer contribute a percentage of employee's basic salary. Provident fund is created by making a trust deed, which acts as memorandum of association for the provident fund. The responsibilities I performed during my internship period—

1. As the company provided insufficient documents at the beginning, I had to calculate loan schedule of individual employee's provident fund so that principal revenue and interest revenue can be recorded.
2. With the help of my supervisor, I also prepared loan summary issued by company and summary of receipts and deductions by payroll

Chapter 04: Factors Influencing Audit Quality in Bangladesh

The continuous accounting scandals in America and other countries in the beginning of the 21st century have raised questions about the auditor responsibility and the audit quality. Since the revelation of accounting malpractices by various large companies, the topic “factors of audit quality” has become one of the most discussed issues. To increase the credibility among investors and mitigate corporate governance risks, countries worldwide have reformed codes of best practices as guideline to identify misstatements in financial reporting. Few of these are mentioned below—

1. Cadbury Report in United Kingdom (1992)
2. Sarbanes Oxley Act in United States of America (2002)
3. Vienot Report in France (1995)
4. The Cromme Code in Germany (2001), etc.

The purpose of forming such regulations is to enhance the corporate governance environment (Adeyemi, Okpala, & Dabor, 2012).

Even though the regulatory bodies have intervened, it becomes challenging to ensure the reliability of financial statement auditing. This is why numerous researches have been conducted on audit quality factors all over the world. At first, the definition and importance of audit should be known before understanding determinants of audit quality.

Preparing financial statement by maintaining rules and regulations is the responsibility of corporate management and lending credibility of financial statement is the responsibility of auditor (Hayes, Dassen, Schilder, & Wallage, 2005). During the auditing, auditors accumulate information as evidence, scrutinize, and then report based on the fairness of the financial statement (Arens, Elder, & Beasley, 2014).

Audit is very essential for organizations to enrich trust and attract investors. A high quality audit can be measured and evaluated by focusing on various issues some of which are mentioned below:

1. Is the company free of treachery?
2. How efficiently the company is managed?
3. Is the internal control adequate?
4. Does the company have going concern issue?
5. Does the management have necessary information to take proper decision?

Auditors consider these questions during auditing financial statements and these are matters of corporate governance as well (Arens, Elder, & Beasley, 2014).

Many audit firms are not providing a quality audit despite the interventions of accounting regulatory bodies. This is why researchers have been investigating the factors influencing audit quality to enhance the relevance of audit and assurance.

Audit quality depends on two things— auditor independence and auditor competence. Any lacking in any of these two criteria will negatively affect audit quality (DeANGELO, 1981). He added that audit quality also depends on finding and reporting material distortions of financial statement.

Research on the determinants of audit quality was conducted by Suyono (2012). It is found that auditor accountability and independence significantly affect audit quality. Auditors' accountability has the superior effect on audit quality over the independence. However, auditor experience doesn't affect audit quality (Suyono, 2012).

Hosseinniakani, Inacio, & Mota (2014) found that auditor firm size is one of the most important factors of audit quality. Besides auditor firm size, the authors also found correlation among industry expertise, auditor tenure, NAS, auditor reputation, and auditor specifications. Authors studied literatures to figure out the determinants that have influence on audit quality.

Currently Bangladesh has numerous chartered accountant firm which offer audit and assurance service to the organizations. This study is to find out the factors of audit quality in Bangladesh. This report will help stockholders understanding the necessary policies to improve corporate financial reporting.

Literature Review

Auditor firm size

Numerous studies have been conducted on finding the relationship between the audit firm size and the audit quality. Arnett and Danos (as cited in DeANGELO, 1981) stated that the audit quality should not be judged solely on the audit firm size. They added that if an audit firm maintains accounting standards during auditing the clients, questioning its quality due to the size of the firm will be unfair.

Large audit firms have large number of clients. Therefore, failing to detect material distortions will cause more loss to large audit firms (DeANGELO, 1981). DeANGELO also said that large firms are financially stronger and their employees are technologically capable of finding material misstatements.

Audit quality has positive relationship with audit firm's size and experience. It means the larger and more experienced a firm is, the better quality it provides to its client (Rezaei & Shabani, 2014).

Fuerman (2006) conducted a comparative study between the audit quality of Arthur Andersen and that of the large 4 audit firms. It is also found that all the big 4 firms both jointly and individually performed higher than Arthur Andersen (Fuerman, 2006).

Lam and Chang (1994) studied the relationship between audit firm size and audit quality. The audit quality was measured by finding errors in prediction of earnings in brochures of IPOs in Singapore. This was a comparative study between Big six and non-Big six audit firms. It is found that there is no relationship between audit firm size and its service quality.

Audit tenure

Audit tenure is the period of time during which an audit firm examines its client's financial statements. Audit tenure can be classified as short and long audit tenure. It is highly argued and discussed whether audit tenure influences auditor independence and thus audit quality.

Audit quality includes two elements which are auditor competence and auditor independence and these elements can be influenced by auditor tenure (DeANGELO, 1981). DeAngelo (1981) expressed in his paper that long auditor tenure may assist acquiring extensive client knowledge and thus may enhance auditor competence which is an important component of audit quality. He added that long auditor tenure may even weaken the audit quality as it can create intimacy between the auditor and the client.

Short audit tenure may diminish the key components of audit quality—auditor competence and auditor independence. Auditor holds less knowledge about client's business during short audit tenure which weakens auditor competence. Short tenure may also impair auditor independence due to lowball fee because auditor can try to work with new client to recover the low audit fee (Dye, 1991).

The world has observed many Accounting scandals in this 21st century which forced regulators to fix the mandatory auditor rotation to increase trustworthiness of auditing financial statements. It is concluded that obligatory audit firm rotation does not increase audit quality and the required rotation will not be much worthwhile to the Turkish capital market (Türel, Taş, Genç, & Özden, 2017).

Quality of audit diminishes with the long audit period (Carey & Simnett, 2006). In this research it is found that auditor's tendency to issue going concern and affirmation of missing earnings benchmark become lower in audit with long period of tenure.

Knechel & Vanstraelen (2007) conducted a study on the relationship between auditor tenure and audit quality on private companies in Belgium. Here, authors measured the audit quality by scrutinizing that whether the auditor issued going concern report for bankrupt companies and the companies that survived bankruptcy. The going concern principle states that the company has the financial ability to pay its debt and it will continue its business operation in foreseeable future. In this study, authors presumed high audit quality when auditors didn't issue going concern opinion for companies that went insolvent or bankrupt afterwards and when auditors issued going concern opinions for companies that survived from bankruptcy. They concluded that long audit tenure does not decrease auditors' independence, moreover, it doesn't enhance audit quality as well. Regardless the audit tenure, auditors provide poor audit quality to its client in Belgium.

Non-Audit Service

It is found that non-audit services affect auditor independence and thus audit quality (Salehi & Moradi, 2010). To collect the data from the author designed questionnaires. The survey is taken from two types of profession. According to the survey, people with adequate knowledge in accounting field moderately agreed that NAS to audit client questions the auditor independence and so audit quality. While shareholders with less or no accounting knowledge believe that NAS negatively affects audit quality. From his point of view, it can be concluded that auditors have failed gaining trust in the market (Salehi & Moradi, 2010).

An expectation gap between ordinary people and accounting profession regarding the influence of NAS on auditor independence is found (Jenkins & Krawczyk, 2001). Authors examined three NAS services—valuation, legal consulting, and outsourced internal auditing services. Here, it's found that legal consulting negatively affects auditor independence. In addition, the study also suggested accounting professionals to work for gaining independence and trust of ordinary people.

Auditor competence

Auditor competence positively affects audit quality. It means the higher auditors' competence, the better audit quality he provides. Highly experienced and qualified auditors have more capability of asking more questions to be ensure that financial statement is presented fairly (Halim, T, Rosidi, & Achsin, 2014). Positive impact of auditors' competence on audit quality is also found in a Jakarta based research (Iryani, 2017).

After studying several journal articles on audit quality, following hypothesis has been developed

H1: Audit Quality is positively influenced by audit firm size

H2: Higher audit quality significantly depends on auditors' competence

H3: Provision of non-audit services negatively affects audit quality

H4: Short audit tenure impairs audit quality

H5: Long audit tenure affects auditor independency

Methodology

This study is designed to apprehend the determinants of audit quality in Bangladesh. A survey research method is used to collect information from respondents regarding different dimensions of audit quality. Survey questionnaire is prepared according to literature review and discussion with experienced auditors.

Article students and senior managers are considered as respondent as they are directly involved in auditing financial statement. Email invitation and printed paper was offered to auditors to complete the survey. 42 out of 60 auditors have responded to the survey and the MS Excel is used to analyze the survey result. I have used likert scale for scaling responses of auditors in this survey research.

Finding and Analysis

Auditors' opinion has been collected to conduct the study on "factors influencing audit quality in Bangladesh." after working at audit firm and reading journal papers, I have considered following four factors that could have influence on audit quality--

1. Auditor firm size
2. Audit tenure
3. Provision of non-audit services
4. Auditor competence

Auditor firm size

Descriptive statistics for measuring influence of auditor firm size on audit quality is presented below.

	N	Mean	SD	Mode	Max	Min
Large audit firms want to hold their reputation which encourages them to be independent (DeAngelo, 1981)	42	2.18	0.90	2	4	1
Large audit firms are more capable of finding material distortions in financial statement	42	2.06	0.85	2	4	1

The first question is taken from “auditor size and audit quality” written by DeAngelo in 1981. DeAngelo said that large audit firms have more incentives to provide better service than smaller firms. Auditors in Bangladesh hold the same opinion. The mean score of 2.18 means, auditors agree that large audit firms provide clients’ expected quality to enlarge market capital by increasing trust. Standard deviation score of 0.9 means responses are less deviated. The less the SD score, the less deviated the responses are. Mode score of 2 says that large number of auditors agrees with the DeAngelo’s statement. However, the observation varies from strongly agree to disagree.

Secondly, auditors agree that large auditors are more capable of finding material misstatement in financial statement audit. Like the first question, here, mode score is 2 which means that most of the auditors agree that large firm size impacts audit quality. However, observation varies from strongly agree to disagree.

According to the interpretation of data mentioned above it can be concluded that audit quality is positively affected by the auditor size.

Audit Tenure

Three questions that are mentioned below were asked to auditors for analyzing the influence of audit tenure on audit quality.

	N	Mean	SD	Mode	Max	Min
Auditors acquire less knowledge on client's business during short audit tenure	42	3.13	1.15	2	5	2
Short audit tenure fixed by audit firm due to low ball fee	42	3.29	0.84	4	4	2
Long audit tenure creates over familiarity and intimacy between auditor and client	42	2.38	0.94	2	4	1

First and second question was asked to realize the impact of short audit tenure on audit quality. The mean score of these two questions are respectively 3.13 and 3.19 which shows auditors neither agree nor disagree about the impacts of short audit tenure. However, the first question's mode score of 2 says that most of the auditors agree that short tenure hinders acquiring enough knowledge about client's business. In this case, standard deviation is as high as 1.15 means the responses vary widely. Therefore, it has become difficult to come to the conclusion.

The large number of auditors disagrees to second question. It shows, majority agrees that low-ball fee doesn't affect audit duration. Here, the SD of 0.84 indicates that responses are moderately deviated. Based on the mode score, it can be said that low fee doesn't influence audit tenure.

The mean score of final question is 2.38. This mean score indicates that long audit tenure affects auditor independence as it causes close relationship between auditor and client. The SD score of

0.94 shows the reliability of the information, the less the standard deviation, the more and higher the reliability. Mode score of 2 exposes that most of the auditors agreed that long audit tenure creates closeness and therefore harms audit quality.

The above discussion regarding audit tenure rejects hypothesis 4 and accepts hypothesis 5.

Auditor competence

	N	Mean	SD	Mode	Max	Min
Auditors need to have adequate knowledge on client's industry to detect financial statement errors	42	1.69	0.87	1	2	1
Audit quality is highly dependent on auditor's functional competencies like understanding ICS, taking interviews, supervising teams, providing solutions, etc.	42	1.56	0.63	1	2	1
Auditors need to know research methodology and statistical tools to analyze data	42	2.31	0.87	3	3	1
Auditors must be aware of any changes in national and international accounting and auditing standards (IAS, IFRS, BFRS, etc.)	42	1.13	0.34	1	2	1

Four questions were asked to auditors for understanding the impact of auditor competence on audit quality. Here, almost all auditors do agree that auditors need to be highly competent enough to audit financial statement properly. Auditors have emphasized on being updated with any changes in national and international accounting standards. According to this survey result, auditors strongly agree that functional competencies, knowledge about client's business and accounting regulations positively affect audit quality. However, many auditors don't think that expertise in statistics enhances audit quality.

Provision of non-audit services

	N	Mean	SD	Mode	Max	Min
An auditor who provides non-audit services to an audit client is more prone to give an unqualified opinion	42	3.63	0.87	4	5	2
Provision of non-audit services declines auditor skepticism	42	3.79	0.81	4	4	2
Non-audit service fee influences audit quality	42	3.06	1.18	4	5	2

To understand the influence of provision of non-audit services, three questions mentioned above have been asked to auditors. The first question is about to know auditor's tendency of making unqualified opinion to client. It has a mean score of 3.63 which means that there is no propensity of making unqualified opinion to non-audit service client. The minimum observation is "2=agree" and the maximum observation is "5=strongly disagree." However, the mode score of 4 defines that most of the auditors disagree to the statement. The standard deviation score of 0.87 shows that there is harmony among the responses. It can be concluded from auditors' point of view that auditor doesn't have any prone to give unqualified opinion to NAS client

Auditor independence is about objectivity, skepticism, and integrity. The second question was to know if provision of NAS causes declination to skepticism. The mode score of 4 indicates that most of the auditors have disagreed to the question. According to the responses, provision of NAS doesn't cause any reduction in skepticism during financial statement audit. The standard deviation score of 0.81 shows high consonance among responses and more reliability.

The third question was how likely NAS fee impacts audit quality. The mean score of 3.06 shows the neutrality about influence of NAS fee on audit quality. The minimum score of 2 tells that few people agreed that NAS fee affects audit quality.

In a nutshell, according to auditors' viewpoint, provision of non-audit services does not influence audit quality, and this finding reject hypothesis 3.

Chapter 05: Conclusion

This study was conducted to determine the factors of audit quality in Bangladesh. Descriptive statistics is used to analyze the data. A conclusion can be drawn up as follows:

1. Auditor firm size positively influence audit quality. It is found that large audit firm size are more independent to maintain their reputation. And well qualified auditors are more capable of finding material misstatement.
2. Long audit tenure negatively affect audit quality. According to the study, long audit tenure creates over familiarity and closeness which harms auditor independence. However, I haven't got any relevant result regarding short audit tenure.
3. Auditor competence very significantly influence audit quality. Specifically, auditors agree that auditors must be aware of any changes in rules set by regulatory bodies.
4. Provision of non-audit services does not negatively effect audit quality. NAS to audit client doesn't decrease skepticism, rather auditors' opinion represents fairness of presenting financial statement.

This study has some restrictions which can be considered for further research:

1. This research is conducted on only 42 auditors' opinion. The number of respondent is very low.
2. The survey questionnaire was fixed which was presented in likert scale. A open-ended interview with experienced auditors and using qualitative data analysis software would be more appropriate.
3. Descriptive statistics has been used to prepare this report. Regression analysis using dependent and independent variables would provide more specific result
4. Auditors viewpoint is reflected in this paper. Analyzing audit reports with financial statements would give more accurate result.

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