

Factors Compromising the Auditor Independence: A Study on the Perception of Malaysian Publicly Listed Companies

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Abstract

One of the critical responsibilities of the auditor is to form an independent view of the company's financial performance in the auditor's statement. In Malaysia, the issue of auditor independence has recently become prominent due to the IMDB scandal. Hence, this study focuses on determining the factors that compromise auditor independence in Malaysian publicly listed companies. This study has identified four main factors which are perceived to affect auditor independence. They are audit fees, audit tenure, auditor market competition and non-audit services. This study aims to investigate the relationship between the four compromised factors and auditor independence. A set of questionnaires was developed and distributed among 280 accountants, financial managers and chief financial officer of Malaysian publicly listed companies. Each respondent is required to assess the compromised factors that contribute to auditor independence using a 'Five-point Likert scale'. The data collected then were tested and analysed using correlation and regression analysis. Findings reveal that audit tenure has positively and significantly influenced the auditor independence. Moreover, other factors have no significant influence on auditor independence. This study contributes to the literature of auditor independence and provides further evidence that long audit tenure can enhance the independence of auditors from the perspective of listed companies. Thus, the professional bodies, regulators and policymakers should carefully consider the recommendation on the restriction of auditor rotation and audit firm rotation before making it mandatory.

Keywords: Auditor independence, audit fees, auditor tenure, auditor market competition, audit quality non-audit services.

INTRODUCTION

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Recent reports of questionable accounting practices adopted by some companies in Malaysia have highlighted the

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issue of auditor independence, putting the auditing profession's credibility in doubt (Salleh and Jasmani, 2014). Auditors have been put under pressure to ensure that they provide guaranteed reports to company investors. The auditors performed their duties on behalf of the funders, taxpayers and shareholders in a company. They are responsible for offering an assertion on the reliability of the financial statement. The investors view the audited reports as reliable information, which can be used as a basis for an investment decision (Dart, 2015). Thus, the audited report is very crucial for investors to ensure that their investment in a particular company will bring positive returns.

The issue of auditors' independence is not a new topic in the corporate world. Auditor independence has persistently been the public's main concern. In the past few years, studies on the independence of the auditor have increased enormously. Numerous factors have contributed to this fact owing to the growing importance of sound corporate governance mechanisms arising from widely publicised accounting scandals in Malaysia and across the globe. Many high profile corporate collapses, such as the case of World Com and Enron in the United States (US), have been caused by poor audit quality associated with a perceived lack of auditor independence. The independence of the auditors is materially impaired when their objectivity is not aligned with the particular interest which would present a risk. The lack of auditor independence can be extremely significant to audit quality because audit independence and quality are closely related (De Angelo, 1981).

Furthermore, the issue of auditor independence needs to be tackled carefully and urgently. Ignoring the seriousness of the problem may cause the shareholders and investors to lose trust and confidence, not only on the credibility of the company's financial statement but also on the accounting profession. The public and other stakeholders have questioned the credibility and effectiveness of the audit function performed by the Big 5 audit firm since the controversial corporate scandals from the Western countries (Vinten, 2002; Bhasin, 2013). As such, identifying the factors that compromised auditor independence is pertinent to avoid another corporate collapse.

Many factors can jeopardise auditor independence. One of them stems from the conflict of interest that arises between the auditors' self-interest and the professional responsibility to provide excellent service. The main responsibility of the auditor is to be free from any factors that can jeopardise their independence. Primarily when they work very closely with the top management of the company, the independence of auditors can be impaired through their close relationship with the senior management of the audited company (auditor-client relationship). Auditor independence may be

impacted when the auditor is reluctant to disclose the breach that he found during the audit process.

This conflict of interest is closely related to audit fees. Audit fees are the cornerstone of accounting firms, and they get many referrals from other parts of their business. As such, audit fees can impair auditor independence. For example, auditors may request or demand a high amount of fees to perform their task as the auditors. The conflict of interest arises when the auditors who are supposed to provide quality services to the clients feel greedy and want the clients to pay more or otherwise they will not provide those services. This example clearly shows that the auditors have breached the notion of the independence which they have to uphold in the profession.

In addition, the conflict of interest can be caused by the long audit tenure relationship with the company, exceptionally when the period of engagement with the company exceeds five years. A long audit relationship may allow the auditor to be complacent and relaxed in performing their audit function because they want to maintain their 'good term relationship' with the management (Ling et al. 2016). Furthermore, the auditor tends to listen to what the management wants instead of following their judgment as the auditors of the company. The conflict of interest occurs when the auditors have to decide either to listen to management or not. If they follow what the management wants, then their position would be secured; otherwise, their service as external auditors might be terminated. This long audit relationship has to be prevented because when the management intervenes in audit judgment, the independence of the auditor is considered jeopardised.

In the current competitive market for audit services, audit firm needs to offer competitive services that are perceived by clients as comparable and of high professional standard and exceed the expectation of the current and future clients, for them to stay in the market. The level of competition in the audit market does not contribute and help the audit firms to compete healthily to provide quality services to their clients continuously. When the auditing firms compete with one another, they might have a conflict of interest either to continue to provide an excellent service to their clients according to their capabilities or just serve several clients without considering the quality of service they offer and only considering the profits they obtained. When they served clients out of their capabilities, their independence could not be maintained. This kind of service may send the wrong signal about the quality of audit work performed by the auditor and the audit firm. Therefore, the concept of auditor independence is said to be impaired due to their conflict of interest to maintain profits.

Conflict of interest might also occur when the auditor provides non-audit services (NAS) to the audited listed companies. NAS raised serious questions concerning the activity and accountability of auditor's performance and independence especially to investor perception (Dart, 2015). These questions arose mainly due to a series of unexpected failures of large companies and disclosures of questionable and legal or illegal payment to auditors, including NAS. Thus, self-review might occur when the auditors conduct management decisions and audit one's work. In addition, the auditors are acting for the client's management in an adversarial situation. Hence, the conflict of interest also lies in the provision of NAS.

A real conflict of interests may exist between auditors and their audit clients, and if not addressed, then the auditors' independence reputation which is the foundation of the profession could be compromised (Allen and Siegel, 2002; Tepalagul and Lin, 2015). Thus, in this profession, which relies on the independent attribute, the conflict of interest with their position as an auditor is a real problem in auditor independence. Numerous studies investigated the factors that influence auditor independence. However, research that unveils the views of the listed companies as the company being audited on the issue of auditor independence is limited, specifically in Malaysia.

The Malaysian Code on Corporate Governance (MCCG) 2000 was revised in 2007, 2012 and 2017. The MCCG has put greater emphasis on the issues of independence specifically to directors. However, the attention given to auditor independence is limited. Nevertheless, the MCCG 2012 does provide a recommendation that the audit committee should have appropriate policies and procedures to assess the suitability and independence of external auditors. In addition, the audit committee is advised to obtain written assurance from auditors confirming that they are and have been independent throughout the conduct of the audit process. The paper is further organised as follows. The next section presents the literature review and hypothesis development, followed by the research methodology section, the finding and analysis section and lastly, the discussion and conclusion section.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Auditor Independence

Auditor independence, in particular, refers to the absence of influence or control in the matter of auditor's conduct, action and opinion (Kinney, 1999). Auditor independence is essential to provide assurance in terms of the quality of audit service

performed by the auditor. The quality of an audit report is perceived to be impaired if the auditor lacks independence. Auditor's conflict of interest may be because the auditor has to maintain a close relationship with their clients. This close relationship is critical to the auditor for financial reasons (audit fees), specifically if the audit firm is small in size and depends on a single major client (Sawan and Hamuda, 2014). An audit firm's tenure that run for more than 5 years can also create bias in the auditor reports and negatively affect the audit function performed by the auditor (Ouyang & Wan, 2013; Yip and Pang 2015). Tenure can also create an opportunity for auditors to offer NAS which may affect their independent judgment on the company financial position. In this case, the auditor and top management may work together to deceive shareholders and investors. Moreover, a stiff audit market competition can add to the current lack of auditor independence. Thus, all these factors may influence the perception of stakeholders and the public on the level of auditor independence.

Irmawan et al. (2013) found that the auditors' level of confidence in auditor independence is lower compared with the user of the audited reports in Indonesia. The lack of confidence in auditor independence from the auditor's perspective is related to situations, such as crossover from audit firm to client, provision of NAS, auditor litigation and indirect financial interest through shareholdings. Moreover, users have lower confidence in auditor independence when the auditor has a close relationship with a political figure and strict budget on audit fees. Furthermore, in the auditor group, non-Big four auditors expressed more concerned for situations related to family relationships and restrictions on audit fees. Several studies investigated the perception of users, namely, bankers and financial analysts (Shockley, 1981), debt market analysts (Fortin and Pittman, 2007) and investors (Chi et al., 2009; Azizkhani et al., 2013; Dart, 2015). Tepalagul and Lin (2015) suggested that study on the level of auditor independence focuses on the auditor rather than the audited company's perspective. Thus, this study fills the gap by examining the level of auditor independence from the perspective of the audited listed company.

The MCCG 2012 also has made recommendation for the audit committee to obtain written assurance from the auditors concerning their independence. In addition, the MCCG emphasises on the professional relationship to be maintained between the audited companies and the auditors. A written assurance would provide some form of trust and confidence towards the auditors' independence. Thus, the study hypothesised the following:

H1: The level of auditor independence in Malaysian publicly listed companies is high.

Audit Fee

Every audit task conducted by the auditors would be charged for a certain amount of audit fees. In other words, audit fees are the amount of money that the audit clients have to pay to auditors for their audit services (Al-Khaddash et al., 2013). Audit fees usually are associated with a higher risk of losing the auditor independence (Abu Bakar and Ahmad, 2009). This argument is supported by Al-Ajmi and Saudagaran (2011) who found that audit fees have a negative correlation with auditor independence. Al-Khoury et al. (2015) suggested that auditor independence will be affected if the client pays high audit fees. The client may use the high fees to induce the auditor to work as to what the client wants. High audit fees may lower the independence of the auditor in providing objective judgment of the company's financial position and reduce the possibility of the auditor to report any misconduct or breach of regulations on the part of the client (Holland and Lane, 2012). Thus, independence of the auditor may be impaired by high audit fees. By contrast, Craswell et al. (2002) found that higher audit fees do not associate with auditor independence. In addition, Tobi et al. (2016) found that high audit fees improve auditor independence and the quality of the auditor work. This notion can further be supported by Dart (2011) who found that investors are more concern about the negative impact of audit fees on auditor independence than audit tenure. Thus, in this study, we hypothesised the following:

H2: A relationship exists between audit fees and auditor independence in Malaysian publicly listed companies.

Audit Tenure

An audit firm's tenure can be described as the length of time the auditor performs the audit services of a given client. In Malaysia, the professional accounting body, namely, the Malaysian Institute of Accountants (MIA), considered the audit rotation but only limited to the audit partner's rotation. MIA has restricted audit partner rotation which requires audit partners to change and rotate every five years for listed companies in Bursa Malaysia and public interest entities (MIA, 2013). However, restriction on the audit firm rotation is not yet been considered in Malaysia. Many of the auditors of the large companies involved in the financial crisis had long-running audit relationships with those companies, for example, Enron, WorldCom and Satyam. A long association between a corporation and an audit firm may lead to such close identification of the

audit firm with the interests of its client's management. Therefore, the independent attribute of the audit firm would be impaired.

A long audit tenure is perceived to present a risk which can influence auditor independence (Abu Bakar and Ahmad, 2009). Ouyang and Wan (2013) found that long association, in their case 10 years, between the auditor and client is believed to impair the independence of the auditor specifically in the case of small companies. In addition, Yip and Pang (2017) revealed that audit tenure of more than five years does affect auditor independence. In parallel with the above studies, Al-Ajmi and Saudagaran (2011) found that long auditor tenure is the main factor that negatively impacts the auditor independence in Bahrain. Thus, mandatory auditor rotation may be implemented to reduce the possibility of auditor independence being affected by long audit tenure (Al-Khoury et al., 2015). However, a study in Spain did not find any significant impact of long audit tenure towards auditor independence (Argiles-Bosch and Garcia-Blandon, 2016). Therefore, this study proposed the following:

H3: A relationship exists between long audit tenure and auditor independence in Malaysian publicly listed companies.

Auditor Market Competition

Audit market competition is determined by the supply and market demand for audit services. Audit firms can choose either differentiation or cost strategy to enhance their market share (Kato et al., 2016). To be competitive in the market, audit firms need to ensure that they can offer high-quality audit services at a competitive price. In addition, the competency, knowledge and skill of their partners have to be maintained and assured. Thus, competitive audit markets should be able to enhance audit quality and independence of the auditor. Yip and Pang (2017) provided evidence to support the assumption that a high level of market competition can improve auditor independence. However, most studies that examined audit market competition consistently agreed that auditor independence can significantly be impaired due to the high level of competition. Abu Bakar and Ahmad (2009) revealed that a high level of audit market competition is expected to impact auditor independence negatively. Al-Ajmi and Saudagaran (2011) further found that reliance on auditors on audit market competition is one of the critical factors threatening auditor independence. Francis et al. (2013) stated that when the Big 4 audit firm dominates the audit market, the audit quality will most likely be negatively impacted. The intense competition among private firms to obtain government contracts might affect the independence of auditors even when a government auditor audits a private company that receives government funding (Hariri, Haron and Patel, 2015).

Based on the above arguments, this study hypothesised the following:

H4: A relationship exists between audit market competition and auditor independence in Malaysian publicly listed companies.

NAS

Lately, the level of NAS offered by auditors increased. The auditors have begun to provide new services that are not related to the audit work, which is coupled with increased competition in the external audit market. In addition, another corporate collapse caused by audit failures has shocked the corporate world. Such failures can arise from a lack of either technical competence or independence. Thus, the independence of auditors has raised new concerns among interested parties in many countries, including Malaysia. Schmidt (2012) examined the impact of NAS on auditors' independence and found the following: (a) higher NAS fees led to an increased likelihood of litigation negotiation and (b) litigation is more likely to result in auditors' settlement and more considerable settlement amount. It would be great if the plaintiff's attorney argued that the independence of an auditor was hindered by economic dependence, in particular, due to NAS payments. Therefore, the provision of the NAS may result in a reduction in the independence of the auditors.

Many studies supported the arguments that NAS may negatively impact auditor independence. For example, Quick and Warming-Rasmussen (2015) found that high NAS could potentially adversely affect the objectivity of auditors when the non-audit fees are high. As such, they recommended that NAS fees should be a cap at a reasonable amount. Their finding is consistent with Ahadiat (2011) who discovered that NAS could negatively affect auditor independence. Moreover, auditor independence of mind is compromised by the size of NAS fees, particularly for clients who pay below the level of expected audit fees (Campa & Donnelly, 2016). Thus, the provision of NAS can compromise auditor independence.

Nevertheless, DeFond and Raghunandan (2002) found that NAS fees have no significant relationship with declining audit independence. This result may be caused by the loss of reputation and litigation costs that exceeded the benefits of undermining the independence of the auditors. Furthermore, Sobrinho and Bortolon (2016) found that the provision of NAS does not affect auditor independence in the country, which is characterised by weak legal protections for minority shareholders and high ownership concentration. On the contrary, Dobler (2014) found weak evidence of threats to auditors' independence among listed and family-owned private companies in German.

Considering that the majority of the prior studies above found that NAS has somehow influenced auditor independence, the present study hypothesised the following:

H5: A relationship exists between the provision of NAS and auditor independence in Malaysian publicly listed companies.

RESEARCH METHODOLOGY

The data required to answer the research questions of this study were obtained through a survey questionnaire distributed to the targeted respondents. The respondents involved in the study include accountants, financial managers and chief financial officers (CFO) of Malaysian publicly listed companies located in Klang Valley. As of 31 December 2018, a total of 799 listed companies existed in Klang Valley, which is more than 67% of the total listed companies. To obtain the appropriate sample size as suggested by Krejcie and Morgan (1970), 360 questionnaires were distributed via web-questionnaires. The sampling technique applied in this study is purposive sampling, which is one of the non-probability sampling techniques. The purposive sampling technique was used in this study because the respondents selected have to fulfil two main criteria: (1) the respondent should be an employee of a listed company located in Klang Valley and (2) the respondents should hold a position of either an accountant, a finance manager or CFO. From 360 questionnaires distributed, 280 responded to the web questionnaire, which accounted for a response rate of approximately 78%.

The researchers self-developed the questionnaire items based on the variables identified in the literature review section. The questionnaire used in the study was constructed into six sections. Section A is about the respondent's profile. Section B is about auditor independence, which is the dependent variable in this study. Sections C, D, E and F are about audit fees, audit tenure, audit market competition and provision of NAS, respectively. They are the independent variables in this study. For every section, seven items have been carefully drafted in the form of a statement—a total of 42 questions that represent each variable identified as the factors that compromised auditor independence. The respondent is expected to indicate the extent they agree or disagree with each statement on the scale of 1—'Strongly disagree' to 5—'Strongly agree'. The five-point Likert scale is employed in this study because this is the most common and recommended scale used by researchers (Sekaran and Bougie, 2016).

FINDING AND ANALYSIS

Descriptive Statistic

The number of respondents was 280 persons, which consist of employees holding the position as accountants, financial managers and CFO of Malaysia-listed companies. These groups of respondents are selected because they work closely with the auditor and have a better knowledge of auditor roles. The data on the profile of respondents were categorised into gender, race, marital status, age, level of education, length of service and level of the position. The categorical data are presented in the frequency and percentage form as referred to in Table 1. Table 1 shows the respondents' profile.

Table 1: Profile of Respondents

Description of items	Category	Frequency	Per cent (%)
Gender	Male	126	45.0
	Female	154	55.0
Race	Malay	104	37.1
	Chinese	112	40.0
	Indian	39	13.9
	Others	25	8.9
Marital status	Single	113	40.4
	Married	166	59.3
	Others	1	0.4
Age	Below 25	22	7.9
	26–30	54	19.3
	31–35	61	21.8
	36–40	84	30.0
	Above 40	59	21.1
Level of education	Diploma	25	8.9
	Degree	205	73.2
	Master	33	11.8
	Doctorate	12	4.3
	Professional qualification	5	1.8
Length of service	Below 3 years	22	7.9
	3–6 years	85	30.4
	7–10 years	94	33.6
	Above 10 years	79	28.2
Position	Accountant	177	63.2
	Finance manager	91	32.5
	CFO	12	4.3

Reliability Test

Table 2 tabulates the value of Cronbach’s alpha test for the pilot study. In this study, all dependent and independent variables meet the requirement of Cronbach’s alpha. The value of Cronbach’s alpha for a dependent variable which referred to auditor independence is 0.946. In addition, the values of all the four independent variables, namely, audit fees, auditor tenure, auditor market competition and provision of NAS, are also highly reliable because all values are above 0.8 and near to 1.00. Thus, based on the above results, all items in the questionnaire were assumed to be reliable.

Table 2: Reliability Test

Type of variable	Variables	Number of items	Cronbach’s alpha	Reliability assumed
Dependent variable	Auditor independence	7	0.946	Yes
Independent variable 1	Audit fees	7	0.918	Yes
Independent variable 2	Auditor tenure	7	0.983	Yes
Independent variable 3	Auditor market competition	7	0.817	Yes
Independent variable 4	Provision of NAS	7	0.878	Yes

Level of auditor independence

To measure the level of auditor independence in Malaysian publicly listed companies, the values of mean and standard deviation are analysed and estimated based on the scale provided in Figure 1.

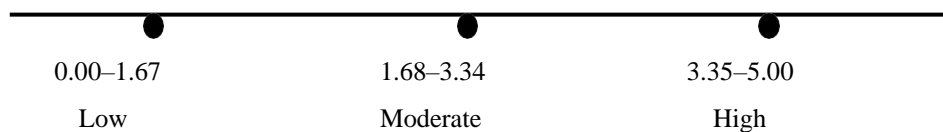


Figure 1. Scale used for Level of Auditor Independence

Table 3 shows that the mean value for the level of auditor independence in Malaysian publicly listed companies was between 3.35 and 5.00. This result indicates

that the level of auditor independence in Malaysian publicly listed companies was higher than expected. Meanwhile, for standard deviation (SD), the value showed 0.722, indicating a small SD. Thus, the SD value in this statistical data set was close to the mean of this study.

Table 3: Level of Auditor Independence in Malaysian Publicly Listed Companies

Variable/construct	Mean	Std. deviation
Level of auditor independence in Malaysian publicly listed companies (Total)	4.444	0.722

Correlation Analysis

Table 4 shows the correlation analysis result between the level of auditor independence in Malaysian publicly listed companies and audit fees, audit tenure, auditor market competition and provision of NAS. The result revealed that the correlation between audit fees and auditor independence was statistically and positively significant, but the strength of the relationship is considered weak.

Next, the correlation between long audit tenure and auditor independence is significant and positively related to a moderate degree of correlation ($r = 0.365$, $p < 0.01$). Meanwhile, for audit market competition, a significant and positive relationship is found between audit market competition and auditor independence ($r = 0.214$, $p < 0.01$). Nevertheless, the strength of the relationship is quite weak. Lastly, for the provision of NAS, the result showed that a significant and positive correlation exists between the provision of NAS and auditor independence ($r = 0.221$, $p < 0.01$). Again, the correlation between NAS and auditor independence is weak. Above all, the correlation result as tabulated in Table 4 provides initial support for the majority of the hypotheses.

In addition, the correlation analysis showed a correlation amongst the independent variables of the study. For example, audit fees are significantly and positively correlated with audit tenure, audit market competition and provision of NAS. This correlation means that the audit fees will increase if the relationship is longer than five years, the audit market is competitive and the auditor will offer additional services other than the audit work. Moreover, a significant positive correlation is observed between audit tenure and audit competition including the provision of NAS. Furthermore, audit market competition and the provision of NAS is significantly correlated. Based on the results,

none of the correlation value of the variables has a high value above 0.8, which assures that no multicollinearity issues exist (Sekaran and Bougie, 2016).

Table 4: Correlation Analysis

	(1)	(2)	(3)	(4)	(5)
Auditor independence	(0.946)				
Audit fees	0.279**	(0.918)			
Audit tenure	0.365**	0.377**	(0.983)		
Audit market competition	0.214**	0.193**	0.439**	(0.817)	
Provision of NAS	0.221**	0.405**	0.380**	0.326**	(0.878)

** Correlation is significant at the 0.01 level (2-tailed)

Regression Analysis

Table 5 presents the coefficient of multiple regression analysis regarding multiple determinations of R². R² explained the extent to which independent variables affect the dependent variable. In this study, 0.161% or 16.1% of the variance in the dependent variable was explained by the independent variables. Meanwhile, the remaining 83.9% affected by other variables was outside the independent variables. The F value of the proposed model is 13.169, which is highly significant.

Table 5: Model Summary for Factors Compromising Auditor Independence in Malaysian Publicly Listed Companies.

Model	R	R ²	Adjusted R ²	Std. error of the estimate	Durbin–Watson
1	0.401	0.161	0.149	0.53156	1.734

Predictors: (Constant), IV_4, IV_3, IV_1, IV_2
 Dependent Variable: DV

As presented in Table 6, audit fees have a positive beta value ($\beta = 0.151$), but the relationship between audit fees and auditor independence is not significant, whereby the p-value is above 0.001 ($p = 0.016$). Therefore, audit fee has no influence on the level of auditor independence. Secondly, long audit tenure has a positive beta value ($\beta = 0.269$) and is statistically significant ($p < 0.001$) to explain the level of auditor independence in Malaysian publicly listed companies. The result indicated that long audit tenure is a vital determinant factor in this study. For the third variable, which is audit market competition, the beta value showed a positive value of beta ($\beta = 0.054$) as

expected. However, the p-value is above 0.001 ($p = 0.389$), which means that audit market competition is not significantly related to the level of auditor independence. Lastly, for the provision of NAS, the beta value is positive, but again, the relationship is not significantly ($\beta = 0.039$, $p > 0.001$) related to the level of auditor independence.

Table 6: Coefficient of Auditor Independence

Model	Unstandardised coefficients		Standardised coefficients		
	B	Std. error	Beta	t	Sig.
1 (Constant)	3.266	0.250		13.090	0.000
Audit fees	0.112	0.047	0.151	2.416	0.016
Long audit tenure	0.117	0.029	0.269	4.065	0.000
Audit market competition	0.030	0.035	0.054	0.863	0.389
Provision of NAS	0.039	0.063	0.039	0.615	0.539

Dependent variable: auditor independence

DISCUSSION AND CONCLUSION

This study contributes to the existing literature on auditor independence by providing an understanding from the perspectives of an emerging market, particularly the Malaysian context. The perceptions of accountants, CFO and financial managers of Malaysian publicly listed companies were sought to determine the current perceptions on the level of auditor independence and factors that compromise auditor independence.

The results of the study indicated that from the perspective of Malaysian publicly listed companies (represented by accountants, financial managers and CFO), the level of auditor independence is considered high. In other words, listed companies have high trust and confidence that the auditor appointed by them can provide objective and independence view in judging the financial position and performance of the respective listed companies. The reason for this is because the audit committee of the listed companies is encouraged to obtain a written assurance from their respective auditor, confirming that they are being independent in performing the audit services. Besides, the Companies Act 2016 make it a requirement that only a qualified person who is also shall be independent and free from any influence of management and shareholder can be appointed as the auditor of a company. With the written assurance and the requirements of the Act concerning auditor, it provides support which boosts the listed company confidence on the independence of their auditor. The policymaker, regulator and professional body have taken some various policies and strategies to increase the

level of trust and confidence among the user of the audited accounts. The shareholders, investors and members of the public commonly mainly rely on the audited statements audited by the auditor in making an informed investment decision. Thus, the accounting professional needs to ensure that they practice a high standard of professionalism and integrity in their profession.

This study found that most respondents believed that auditor independence might improve if the auditor maintains a long-term relationship with the audited company. The reason is that long audit tenure may allow the auditor to understand the need of their clients and as such improve their knowledge and competency, which will later result in better audit reports and quality. Moreover, factors, such as audit fees, auditor market competition and the provision of NAS, are considered less likely to impact auditor independence. The results of the study are not consistent with previous studies, which suggest that long audit tenure can jeopardise the auditor independence (Dart, 2011; Ouyang & Wan, 2013; Al-Khoury et al., 2015; Yip and Pang, 2017).

The key finding of the study suggested that the long auditor tenure can increase the level of auditor independence. The finding of the study is in contrast to the results of Abu Bakar and Ahmad (2009), who found that long audit tenure increases the risk of auditor independence being impaired. The reason for the inconsistency is probably because their study only focused on accountants registered with MIA. Furthermore, the present study provides the current views of the accountants, financial managers and CFO of Malaysia-listed companies after MIA imposed the restriction on auditor partner rotation in 2013. The implementation of the policy related to auditor tenure and auditor rotation could provide more significant safeguards to protect investor investment. However, the negative impact of the mandatory audit rotation in terms of high costs, losing accumulative knowledge and low audit quality (Yip & Pang, 2017; Qawqzeh et al., 2018) should not be ignored. Therefore, professional bodies, such as MIA, need to re-look into the audit partner rotation restriction and carefully assess the recommendation on the firm audit rotation restriction before making it mandatory. The enhancement of audit independence in Malaysia can hopefully restore the investors' confidence in the accounting profession and promote more informed investment decision making without compromising the professionalism of auditors.

This study is limited to selected respondents and confined to a small geographical location. As such, the results may not be generalised to other respondents that were not included in the study and the entire population of the listed companies in Malaysia. In addition, the data collected using the web-questionnaires may be subjected to bias response, which may affect the reliability of the finding. Future research on this topic

should look into the above limitations and extend further to include additional factors that have not been identified and discussed in this study.

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