

# Factors Affecting the Independence of the External Auditor within the Auditing Profession

Hasen Mohamed. A. Albeksh

Social Sciences Institute, Department of Business administration, Kastamonu University, Turkey

---

**Abstract:** The primary aim of this study is to find out the factors affecting the independence of the external auditor in the auditing profession, which is considered one of the main factors that has a great effect on the profession of auditing and diagnose those the factors which are classified into objective factors and other personal which affects to varying degrees on independence of the external auditor, and In order his help avoid the negative effects of these factors on the independence , has been highlighted on literature of independence of the external auditor in the auditing profession and has been used both of the historical approach, inductive approach and descriptive approach to determine the impact of the factors on independence of the external auditor. The study has reached a number of findings the most important of that the auditing standards and professional behavior are the most impact factor on the independence of the auditor and that the integrity, honesty and truthfulness of the qualities that must be provided by the independent auditor. The study concluded with a set of recommendations the most important that there is a need to adopt all policies and procedures that lead to preserve the independence of the auditor, especially creating the environmental circumstances leading to the achievement of the required independence and participating in achieving the required quality for the auditing profession.

**Keywords:** External Auditor Independence, Audit Performance, Audit Quality.

---

## 1. INTRODUCTION

The independence and impartiality of the auditor is the most important principles established by the successive international conferences held during the last decades the Supreme Audit Institutions of representatives of the countries of the world, because it has been a major concern to both the shareholders and became the application of this principle is inevitable to secure effective control over public money efficiently and effectively manage the economy [1]. This attention has been concentrated in light of recent scandals in the profession of accounts' auditing in the corporate world; prominent among these is the collapse of Enron in 2, December, 2001 and subsequently its audit partner, Arthur Anderson due to their failure to expose the inappropriate dealings of the company [2]. followed by six out of ten biggest bankrupts of companies which occurred in this period [3].

The independence of the external auditor is one of the most important issues the audit has received considerable attention since the very beginning of the composition of the audit profession, because the external auditor is seen as a pivotal player in advising the management of corporate and organizations to perform their roles in a correctly manner; to be able to carry out their functions in a responsible and professional manner, the importance of independence of the external auditor cannot be overemphasized. In light of this, it was important to understand the factors that have the ability to influence the audit exercise by hampering the independence of the external auditor [4].

In this context, this paper aim to study the factors affecting the independence of the external auditor in the auditing profession, and independence of the external auditor has got with great interest by researchers in the field of auditing, and the reason for this is that independence auditors as the primary basis for the quality of the audit process and then the confidence of investors in the financial and non-financial information, and in this area have tried many of the studies revealed the relationship between independence of the external auditor, and reflects on the quality of the audit process,

and that the difference in views among all parties interested in the audit about the concept of independence of auditor and the quality of the audit indicates that the crystallization of this concept once and for all as a concept and comprehensive reference, and this requires us to stand on the study of the concept of independence of auditor and the most important factors affecting it in auditing profession.

The researcher followed both of the historical approach to keep track of previous studies that have to relation the study, inductive approach and descriptive approach to determine the impact of the factors on independence of the external auditor in increasing the efficiency and effectiveness of the audit process, through extrapolation of studies and research to explaining and describe the impact of the factors independence of the external auditor on audit profession, even the ideas, relations and the scientific and practical aspects which were included in these researches and studies were descriptive. The method used in this study is considered one of the qualitative descriptive studies non quantitative, which are characterized by giving the researcher an actual and clear theoretical basis in the understanding and interpreting.

And we summarize lessons that can be learned in order to statement of factors independence for the external auditor, It has been divided this paper into four segments. The first segment examines general introduction. The second segment discusses the theoretical framework and approach employed to support this paper where it examines. the theoretical framework represented in the auditor Independence - a general overview, terms and definitions, social identity theory, factors affecting external auditors' independence and threats on the auditor's independence. The third segment literature review and evaluations of the literature review. Finally, The fourth segment examines the results and recommendations which concluded for it this study.

### **1.1. Problem of the Study:**

The problem of the study is to answer a number of questions, including:

1. What Are the factors affecting the independence of the external auditor in the auditing profession?
2. What Are the priorities of the factors affecting the independence of the external auditor on the auditing profession?

### **1.2. Significance of the Study:**

The importance of the study lies in shed light to statement the factors which impact of independence and neutrality the external auditor in the auditing profession.

### **1.3. Aim of the Study:**

The main aim of this study is to identify factors that affect the independence of the external auditor: And the sub-aims are:

1. To diagnose the factors which are classified into objective factors and other personal this affects to varying degrees on independence of the external auditor.
2. To avoid the negative effects of these factors on the independence.

## **2. THEORETICAL FRAMEWORK**

### **2.1. Auditor Independence – A General Overview:**

Audit with the history of commercial and financial events began. If business and financial events occur which, in the modern sense, but there is not necessarily a matter of control. Many people and resources to the case is the definition of a comprehensive review which is expressed in different ways scrutiny [5]. The need has emerged for an audit to ensure the accuracy and integrity of financial information which depend upon by users of financial statements in the rational decision-making, because the audit lends credibility and confidence to the financial statements [2].

So that it has been a lot of important questions about the honesty of the fiscal reports of the auditor, and it has been prevailed a state of mistrust in the auditing profession plus the suspicion of the quality of audit services, and auditing profession had faced more pressures and criticism in purpose of study and assess the quality of the audit, and what increasing these pressures is the absence of the ways to evaluate these qualities [6].

The importance of auditor independence was underpinned after the corporate scandals [7]. From the bankruptcy filing of Enron on December 2, 2001 for 12 months, an unprecedented string of large bankruptcies and corporate scandals emerged. Six of the ten largest corporate bankruptcies occurred in this period [3] ; [8]. These scandals negatively influenced public perception of the audit function. In this regard, most regulators for auditing profession have stated that such occurrences have the capacity to threaten the audit profession and wider economic impact. Audit failures detected on

a firm can have a negative impact on other firms who use the same auditor, It is therefore clear that the audit function can have a huge economic impact if not handled appropriately [2].

Independence is the main justification and the hallmark of existence of the auditing profession. It is recognized as a key attribute to be maintained by the auditors in all circumstances [6]. Independence for organizing the audit and other interest groups is indispensable prerequisite to conduct an audit. Auditors must strive not only to be independent of audited organizations and related interest groups, but also to be objective in dealing with the issues under consideration. It is not enough just to be neutral only, in fact, but also in personal appearance and behavior [9]. Also non-audit services could lose auditors' independence to capture larger non-audit service [10] ; [11].

## **2.2. Terms and definitions:**

The auditor's independence, and what he have of individual specifications such as specialized knowledge, professional competence, expertise and the liability of the auditor are important factors influencing the quality of professional judgment for auditor [12]. Saputra, (2015) explains that independence requires an attitude of responsibility separate from the client's interest. The auditor must maintain an attitude of healthy professional skepticism [13].

Rick Hayes, et.al (2004, P. 85) [14]. Describes the notion of auditor's independence is having a position to take an unbiased viewpoint in the performance of audit tests, analysis of results, ratification and confirmation in the audit report. While Bahram Soltani (2007) clarified that auditor independence refers to the auditor's ability to preserve an objective, neutrality and impartial mental attitude throughout the audit [15]. As Independence means, according to the rule operative (101) issued by the Auditing Standards Council as : take an unbiased stance on the part of the auditor when he conducting the check process.

Gay & Simnett (2003) define auditors independence & is "ability to withstand compression from management influence when conducting an audit or providing audit-related services, So that the professional integrity of the auditor is not compromised" [16].

Based on what has been mentioned above can be concluded that the independence of the auditor is the auditor's ability to maintain an objective and impartial mental attitude and impartially throughout the audit in the interests of the client in conducting the audit, analyzing the results, and attestation in the audit report [13].

As mentioned above, the independence whether philosophically or historically the foundation of the auditing profession. Also there is an important point is that without independence, there will be no need for external auditors as the management of corporate will basically have their way and pave the way for eliminating the basic factors of accountability and transparency of the firm's management.

## **2.3. Social Identity theory:**

In this theory, individuals derive results from a self-classification process, it provides for clients on influencing their auditors very much. And individuals form themselves to multiple social groups, these groups are separate organizational identification and can be competing with each other and could be found in different settings, includes auditors [17]. From here social Identities can influence the way of thinking and decision making for individuals, and with individuals takes on the group's values and standards and auditors are likely to identify with their clients.

In this aspect, the theory predicts which audit firms employees who have a lot of contact with a particular client will identify with this client ad this specifically applies to auditors, who are working for long periods of time with the same clients. It is likely to determine the auditors with their clients because they know the clients' business and accounting well and they may even need to put employment options. About this, Conclude that auditors identify with their profession, their clients, their organization and that the social identity theory forecasts these multiple identifications [17].

Warren & Alzola (2009) Describes that this theory shows it is more attractive for individuals to identify with groups of a higher status, as these groups provide so much improvement opportunities. When auditors find non-professional identities is more attractive, such as the audit office or client they audit, and will identity of this professional identity is affected. This in turn will affect the decision-making process of an independent auditor. Also, Warren & Alzola (2009) Clarified that the way auditors perceive the image of the professional identity is crucial to auditor independence. They say it is important for auditors to be able to justify the auditing profession at the social level, one way to achieve this is to return to the traditional professional identity [18].

## **2.4. Factors Affecting External Auditors' Independence:**

Most of empirical studies on the perceived auditor independence "PAI" focused upon finding the importance of the factors which effect on independence, and it search whether these factors positively or otherwise related with the

perceived auditors independence (PAI) and, All these factors have an impact on the auditor 's independence. It is noted that most of these studies have been based with very little literature found in developing countries. There are many studies test the factors that affect the auditor's independence, and may be classified the factors affecting the auditor independence as follows:

#### **2.4.1. Objective factors:**

##### **- Size of Audit Firm:**

What distinguishes the big audit firms are owned mostly belonging to the group auditors partners either small offices of it is owned by the references and one large office less susceptible to loss of independence of small offices because of large offices to be less dependent on a particular client from small offices because the audit fees from customer particular constitute a small percentage of the total office revenues and therefore the big offices are willing to sacrifice a customer that threatens the independence of the office, and biggest the audit firms are often considered to be more able to resist pressures from the management (Higher auditor, s independence). Actually, it some characteristics inherent in small audit practices may increase the danger of impairment of independence, such as: the tendency toward a more personalized mode of service and close relationship with the client [19] ; [20].

Goldman & Barlev (1974), clarified that one should not conclude that big CPA firms are immune to pressures from their clients, the few court cases which challenge the assumption that CPA firms acted independently indicate that the use of a big CPA firm is no warranty of its ability to resist pressures from clients, as happened with Enron and Arthur Andersen [21].

##### **- Provision of non audit services:**

Factors Affecting External Auditors' Independence provision of non audit services As public concerns about the provision of non audit services impairing external auditor independence increased, recent studies have examined the association between non audit fees and auditor independence. However, no study has examined the effects of the provisions of non-audit services, on the success or auditor's perceptions of independence [22].

Audit offices provides services to its clients in addition to audit services, and these services management consulting and bookkeeping, that provide auditors for consulting services to clients creates common interests between the auditor and the client, and this raises doubts about the independence, and there are some audit firms doing business accounting for its customers and this may be the exciting to doubt the independence of the auditor, where it is unreasonable that the auditor audited the lists which prepared it, thus reducing external auditor independence and its impact on the quality of financial reporting [23]. While Frankel et al. (2002) mentioned that the accounting industry provision of non-audit services increases audit quality as auditors acquisition, understanding of client's characteristics and the associated audit risk. Regardless the economic bonding matter, there is another interest about the auditor's provision of non-audit services is that when auditors provide certain non-audit services and then perform the financial statement audit they are actually auditing their own work [24].

##### **- Audit firm tenure with the client:**

Independence will be lost if the auditor is involved in a personal relationship with the client, as this may influence their mental attitude and opinion. One of such threats is lengthy tenure.

In this aspect, There are two opinions about the impact of the duration of the relationship between the client and the auditor independent, the first opinion, look at the length of the relationship with the client leads to the quality of the audit process that requires the auditor thorough knowledge and deep nature of the client and the variables affecting the activity and the length of time to achieve that [1]. And this is reflected in the efficiency of the audit process and shorten the time of the audit and the lack of costs because, the client considered the old auditor more valuable for him and it will be the audit office of less dependence on the client and better able to resist the pressure and auditor has been working for years has one client that supports independence so feel stability and independence. The second opinion sees that the length of the link with the customer leads to a negative impact on the auditor's independence as the length of the period leading to the consolidation of the personal relationship with the client which makes auditor condone some of the things that affect the quality of the audit and the threat of auditor independence and integrity [19] ; [25].

About this, IFAC (2005) Clarified that familiarity is one of the large threats to auditor independence. The main concern of IFAC is that immoderate familiarity may result in auditors "complacency or hesitation" stabbed in an appropriate manner, and thus reduces the level of skepticism necessary for an effective audit [1].

**- Level of Competition in the Audit Service Market:**

The competition as a challenge and conflict often between two or more between adversaries contenders and equal and intense competition among audit firms that affect the independence of auditors whereas the auditors under competitive pressure reluctant much in the reservation in their reports about financial statements for fear of losing the customer. The audit market has been viewed as monopolistic competition the most important for external factor affecting auditor independence [18]. Firms that operate in a competitive environment intensely independent of the remaining difficulties since the client can easily get the services of another auditor [26]. So concerns about the perceived lack of competition in the market for audit and assurance services has been widely publicized on many occasions over many years [27] ; [28]. And in order to achieve a competitive equilibrium, audit fees should reflect audit effort and the expected costs of auditor business risks, and the competition as a challenge and conflict often between two or more between adversaries contenders and equal and intense competition among audit firms that affect the independence of auditors whereas the auditors under competitive pressure reluctant much in the reservation in their reports about financial statements for fear of losing the customer [20].

**2.4.2. Personal factors:**

**- The Qualifications:**

The external auditors have an important role in success of the auditing process. and depends primarily the qualifications, the audit process needs to professional staff that collectively has the necessary qualifications and competence to conduct the full range of audits required by its mandate. Auditors must comply with continuing education requirements established by their relevant professional organizations and standards related by auditing. [29].

Vocational rehabilitation for the external auditor is one of the most important issues the audit has received considerable attention since the very beginning of the composition of the audit profession, and with the recognizing the importance of the audit profession in the opinion impartial technical for the sincerity and fairness of financial statements to express clearly the result of business and financial position of the company in the audit.

And in this regard (Erdoğan, 2012). Clarified that, Training on the audit, the whole exercise consists of checking with the academic knowledge of control theory. It is necessary to establish the cause of development and control theory. Courses in auditing, licensing, education and learning in graduate programs, and this is an important issue is related to a large extent on the quality of education and increase efficiency [30]. There are two types of learning and learning strategies of supervision, and in learning uncensored and is calculated inputs and outputs without a comparison [31].

Benli & Kizgin (2009) Sees that, the vocational and technical education need to have a wide base of information, skill and flexibility. In order to achieve this in vocational and technical education, the positive effects of factors, such as School, lecturer, society, family, sector and technology, are needed to be ensured. Considering the vocational higher schools which are important components of the vocational and technical education, it will positively influence the success of the vocational and technical education if the social consideration changes positively, if the graduates are employed by the sector [32].

Arens & Loebbeck, (2002) [33]. Sees that there are general and personal standards in generally accepted auditing standards are:

1. Must be the performance of the audit by a person and a people who received the appropriate level of training and possess the technical skill appropriate to the work of an auditor or auditors.
2. Must be available auditors to work through all stages of independence and neutrality in the mental direction.
3. Care must be exercised when the usual professional performance of the audit and the preparation of the report.

**- Integrity and secretariat:**

The auditor has to be secretary and straight in all his professional relations; this requires that his name should not be linked to any distorted or misleading report or information or accounts prepared with negligence, incomplete or a kind of ambiguity leads to misleading. It also includes integrity, honesty, fairness and trust. Integrity implies fair dealing and truthfulness to keep confidence in the auditor by the public opinion, the auditor must perform all the professional responsibilities with the utmost integrity [34]. The ethical criteria require integrity in winning customers, maintaining the dignity of the profession in addition to the cooperation with his colleagues in all matters. At the completion of the professional work, the auditor must be objective, free of conflicts of interest, and his professional judgment is not influenced by others [35].

- ***Objectivity and Independence:***

The practicing auditor must be virtually and appearance independent when doing professional works, where that independence is considered the backbone of exercising auditing profession and imposes an obligation on all registered auditors not to compromise their professional or business judgment because of bias, conflict of interest or the undue influence of others. The auditor must execute his duty with dignity, objectivity and full intellectual independence.

Researchers believe that the auditor's independence constitutes the essence and basic foundation on which the process of auditing, representing an intellectual condition to the auditor to be free of all personal, external and organizational constraints which hinder his job performance. This is connected to the ethical conduct of the auditor [35].

**2.4.3. Threats on the Auditor's Independence:**

Independence is the basis of the auditing process because it assists the auditor to express the opinion of the auditor about the financial data in his report, without any effects on his judgment, His duty with honesty, faithfulness and secretariat. In the planning, testing of data, evaluating the results, and preparing his report. Based on the above description, the above factors may pose threats to the audit profession if external auditors deal with it.

And occur when there is a direct or indirect financial relationship between the external auditors and the client, such as the presence of lending or borrowing operations between the auditor or any director, officer or major shareholder in the company is the subject of An Audit, The dependence on the fees of only one client, the benefits of his family with the client. These threats have an effect on the auditor's independence. As well as the acceptance of goods and services by the threat to the independence of the auditor and the client hospitality and excess excessive have the same threat to independence [36].

Titus et al, (2014) explains that, Advocacy threats happen when there is support by the external auditor for the client in his practices and in his views, also the client position in any facing with others or stand with him and defend him in court , and is there familiarity or intimacy between them.

Also include that the auditor or his assistant becomes a worker at the company of the client, and in a position that helps him to influence the audit process significantly, or he / her assistant prepares the basic data which is used in preparing the financial statements or in the auditing function [1].

### **3. LITERATURE REVIEW**

Chepkorir, (2013). Stated in his study entitled "Factors Influencing Auditor's Independence And Accountability" which aimed to determine the factors that help the independence and accountability of the auditor and examine the influence of the audit committee competence on the auditors independency, and determine whether the audit firms tenure has an effect on the auditor in KTDA Tea factories in Kenya. The findings revealed that the auditors independence was influenced by the four selected factors audit firm size, audit firm tenure, audit fees and audit committee's commitment in a significant and positive way. The effect of the size of the audit firm and the study concludes that the size of the company will affect the independence of the auditors and will protect them from happening manipulated, and thus there was likely a cover for auditors to provide accurate reports. The study also concludes that the independence of the audit is also affected by the acquisition of the audit firm. The study found that the auditors' review of a well-established accounts tend to have a high level of autonomy than those of a small business firm [37].

Yamani, (1991). Clarified in his study "The Experimental Study of Some Factors Affecting The independence of the external auditor from the perspective of auditors, lenders and investment analysts in Saudi Arabia", Which aimed to test the impact of some factors on the independence of the external auditor from the perspective of three categories the auditors, lenders and investment analysts, as major users of financial statements, and factors that were examined its impact on independence are:

1. The level of competition among audit firms.
2. Consulting services provided by the audit office to the customer.
3. The role of company management in the selection of the auditor.
4. Size of the audit office.

The study found that the role of company management in the selection of the external auditor is the most serious reasons for an independent external auditor, has recommended the study, including the following:

1. The need to develop the necessary laws to ensure that the auditor exercises done without exposure to the pressures of management.

2. Reduction of interference management in the process of appointment and removal of the auditor [38].

While Titus, Muturi & Kabiru (2014). Pointed in their study entitled "Factors affecting external auditors' independence in discharging their responsibilities: a survey of medium level auditing firms in Nairobi" Which aimed to identify factors that affect the independence of the external auditor That there is a combination of factors affecting the independence of the external auditors, including:

1. Provision of non-audit services by the auditor affects the auditor independence.

2. The tenure of an audit firm's affects the independence of an auditor.

3. The level of competition in the audit services market affects the auditor independence.

Findings Results indicate that audit firm tenure affects audit firm independence, it was showed that, forcing a change of auditors lowers the quality of audits and increase their costs. The longer an auditor is with a firm the more it learns about its individuals, its business and its intrinsic values. The study recommended to that external auditor must maintain quality in accordance with the generally accepted auditing standard when accumulating and evaluating the auditing evidence as it is important in having a better result of an audit process [1].

In this regard stated Bakar et.al, (2005) in their study "Factors influencing auditor independence: Malaysian loan officers' perceptions" which aimed to understanding of the factors influencing auditor independence from the perspective of commercial loan officers. The study examined the perceptions of commercial loan officers in Malaysian-owned commercial banks. The study concluded to the conclusion that smaller audit firms, audit firms operating at a higher level of competitive environments, audit firms serving a given client over a longer duration, larger size of the audit fees, audit firms providing managerial advisory services, and no existence of an audit committee, are perceived as having a higher risk of losing independence. Audit firm size appears to be the most important factor that affects the auditor independence, followed by tenure, competition, audit committee, audit firms providing managerial advisory services and size of audit fee [39].

In this aspect, Omri & Akrimi (2015). "Pointed in their study "Factors Affecting Auditor Independence in Tunisia: The Perceptions of Financial Analysts" which aimed to explore the perceptions of Tunisian financial analysts regarding factors influencing auditor independence. The study concluded to the conclusion that the principal threat factors relate to non-audit services provision by the incumbent auditor and the existence of personal and financial relationships. The principal enhancement factor is the positive reputation. Exploratory factor analysis reduces the factors to a small number of dimensions. The most important dimension identified is the economic dependence and existence of personal and financial relationships fee [40].

On the other hand Tesfamichael (2016). In his study "Perception of Auditors on Mandatory Audit Firm Rotation and Its Effect on Auditor's Independence in Ethiopia" Which aimed to study mandatory audit firm rotation and its effect on auditor independence in Ethiopia as the perception of external auditors. Factors affecting the ability of auditors to remain independent include long audit tenure, financial dependence on a single audit client, non-audit services provided to audit clients and ex-auditor employment with an audit client.

The study concluded to the conclusion that disclose the adoption of rotation rules was not given enough attention among the auditing firms in Ethiopia [41].

The complaints companies can lead to strong relationships with its customers, but not desirable, companies should look at these complaints about reactions to be able to notice the errors and shortcomings. We should believe that the complaints are a valuable source of information for the management of the business and they provide a valuable opportunity to collect and evaluate customer information effectively [42]. Governments are endeavoring to enhance their maneuverability to eliminate the associated risks by various packages of financial measures [43].

### **3.1. Evaluation of the Literature Review:**

Through what the researcher mentioned above about a literature review and a critical and in depth evaluation of previous research about factors affecting the independence of the external auditor within the auditing profession, and through what is addressed in previous studies, its first reason was to find out those the factors, which are classified into objective factors and other personal which affects to varying degrees on independence of the external auditor

The literature has shown that most the studies which addressed the factors affecting the independence of the external auditor in the auditing profession must cover the little evidence of in depth studies having been conducted on these studies, Where that there is the impact of a high level for these the factors on auditing profession, as smaller audit firms experience shorter tenure compared to their larger counterparts who often enjoy lengthy tenure. Differences in the length of tenure between the two types of audit firms could impair independence because in the long run, small audit firms will find it difficult to keep their existing clients and at the same time maintain a high degree of independence and objectivity due to increased competition and size mismatch. Ideally, the size of audit firm should match the size of audit. A size mismatch between large audit fees audited by small audit firms could cause termination of the audit engagement.

Last but not least, the common belief that independence is able to solve all the problems faced external auditors, while it is a part of the justice system in the audit profession. when the independence of the external auditor was discussed, researchers recommended that there is a necessity of vocational rehabilitation of the external auditor. In addition to continuous training of auditors and make courses for auditing companies in the specializations of accounting and financial sciences to reinforce the important role of the commitment to auditing standards effected in audit quality to be an effective prevention from falling in cheating, manipulating, embezzlement and betraying honesty.

#### **4. RESULTS**

The independence of the auditor considered a pivotal aspect for any entity, and the study reached the following conclusions:

1. The independence of an essential characteristic which enjoyed by external auditors to be able to carry out his work with integrity, objectivity and value his opinion to be from an External Parties and he has got the confidence of the public in audit profession to practically help the external auditor to maintain independence.
2. Provide the auditor for other services to the client cementing their relationship and makes the observer advocate "for the client rather" than to be a sergeant, "the addition of the financial interests derived from providing these services all that threatens its independence.
3. Commitment to foundations and professional standards leads to sign qualifying auditors.
4. Vocational rehabilitation of the external auditor affects the quality of the audit.
5. Continuous training of auditors affect the quality of the audit.
6. Commitment to auditing Standards effected in audit quality.

#### **5. RECOMMENDATION**

The study found the following recommendations:

1. Attention rehabilitation, scientific and professional partner of the audit because of its effective impact of raising the professional competence.
2. The need to implement the audit process in a proper way by the external auditor.
3. Include the Companies Act, some legal provisions to regulate the process of changing the external observer as a right discussion isolated or change to the shareholders' decision, and not to change the outside observer during the fiscal year that verified their accounts and the need to state the reasons for the change all of that to provide legal protection to him to keep the neutrality and independence.

#### **REFERENCES**

- [1] Titus, M., Muturl, W., & Kabiru, J. (2014). Factors affecting external auditors' independence in discharging their responsibilities: A study of medium level auditing firms in Nairobi. *International Journal of Business & Law Research*, 2(4), 22-35. Retrieved from <http://www.seahipub.org>.
- [2] Li, Y. (2010). The Case Analysis of the Scandal of Enron, *International Journal of Business and Management*, vol. 5, no. 10, pp: 37-41.
- [3] Mansouri, A., Pirayesh, R., & Salehi, M. (2009) Audit competence and audit quality: Case in emerging economy. *International Journal of Business and Management*, 4(2), 17.



- [4] Ali, O. and Nesrine, A. (2015). Factors Affecting Auditor Independence in Tunisia: The Perceptions of Financial Analysts, *Journal of Finance and Accounting*. Vol. 3, No. 3, 2015, pp. 42-49.
- [5] Erdoğan Murat, (2002). Finansal Muhasebe (Yöneticilerin Karar Verme Aracı Olarak) , *Beta Basın Yayım Dağıtım A.Ş., İstanbul, 2002 (975-295-131-7)*.
- [6] ALBEKSH, H. M. (2016). Compliance of Auditors to Ethics and Rules of Professional Conduct and Its Impact on Audit Quality. *Imperial Journal of Interdisciplinary Research*, 2(12).
- [7] Abu Bakar, N.B. & Ahmad, M. (2009) Auditor Independence: Malaysia Accountant's Perception, *International Journal of Business and Management*, Vol 4, No 12.
- [8] Albeksh, H. M. A. (2016). The Crisis of the Ethics of Audit Profession: Collapse of Enron Company and the Lessons Learned. *Library Journal*, 3, e3205.
- [9] Jelic, M. (2012). The Impact Of Ethics on Quality audit Results. *International Journal for Quality Research*, 6(4).
- [10] Gul, F. A., Jaggi, B. L., & Krishnan, G. V. (2007). Auditor independence: Evidence on the joint effects of auditor tenure and non-audit fees. *Auditing: A Journal of Practice & Theory*, 26(2), 117- 142.
- [11] M. Thornton, J., & Shaub, M. K. (2014). Tax services, consequence severity, and jurors' assessment of auditor liability. *Managerial Auditing Journal*, 29(1), 50–57.
- [12] Craswell, A., Stokes, D. J., & Laughton, J. (2002). Auditor independence and fee dependence. *Journal of Accounting & Economics*, 33, 253-275.
- [13] Saputra, W. (2015). The Impact Of Auditor's Independence On Audit Quality: A Theoretical Approach. *International Journal of Technology Enhancements and Emerging Engineering Research*, 4(12), 348-353.
- [14] Rick Hayes, Roger Dassen, Arnold Schilder, Philip Wallage (2004). *Principles of Auditing\_ An Introduction to International Standards on Auditing (2nd Edition)*
- [15] Bahram Soltani.2007. *Auditing\_ An International Approach - Trans- Atlantic Publications, Inc.*
- [16] Gay, G. & Simnett, R. (2003), "Auditing & Assurance Services in Australia", 2<sup>nd</sup> ed., McGraw-Hill Book Australia Pty., Sydney.
- [17] Bamber, E.M. and V. M. Iyer (2002). Big 5 auditors' professional and organizational identification: consistency or conflict. *Auditing: A Journal of Practice & Theory* Vol. 21 (September): 21-38.
- [18] Warren, D. E., & Alzola, M. (2009). Ensuring independent auditors: Increasing the saliency of the professional identity. *Group decision and negotiation*, 18(1), 41-56.
- [19] Shockley, R.A. (1981), "Perceptions of auditors" independence: an empirical analysis", *The Accounting Review*, Vol. LVI No. 4, pp. 785-800.
- [20] Gerakos, J., & Syverson, C. (2015). Competition in the audit market: Policy implications. *Journal of Accounting Research*, 53(4), 725-775.
- [21] Goldman, A. and Barlev, B. (1974), "The auditor-firm conflict of interest: its implications for independence", *The Accounting Review*, October, pp. 707-718.
- [22] Ashbaugh, H., LaFond, R., Mayhew, B. (2003), Do non audit services compromise auditor independence? Further evidence, *The Accounting Review*, Vol. 78 No. 3, pp. 611-39.
- [23] Chung, H., Kallapur, S. (2003), Client importance, non audit services, and abnormal accruals", *The Accounting Review*, Vol. 78 No. 4, pp. 931 – 55.
- [24] Frankel, R., Johnson, M. and Nelson, K. (2002). The relation between auditors' fees for non-audit services and earnings management, *The Accounting Review*, Vol. 77, pp. 71-105.
- [25] Lixin (Nancy) Su, Xuezhou (Rachel) Zhao and Gaoguang (Stephen) Zhou. (2016) Auditor Tenure and Stock Price Idiosyncratic Volatility: The Moderating Role of Industry Specialization. *AUDITING: A Journal of Practice & Theory* 35:2, 147-166.

- [26] Alleyne, P.A., Devonish, D., and Alleyne, P. (2006). Perceptions of auditor independence in Barbados, *Managerial Auditing Journal*, Vol 21, No 6, pp621-635.
- [27] Kend, M., Houghton, K., & Jubb, C. (2014). Competition issues in the market for audit and assurance services: are the concerns justified?. *Australian Accounting Review*, 24(4), 313-320.
- [28] Groff, M. Z., & Salihović, A. (2016). Audit market concentration for the segments of listed and non-listed auditees in Slovenia. *Journal of Economics and Business*, 2016(1).
- [29] [https://na.theiia.org/.../Public\\_Sector\\_Governance](https://na.theiia.org/.../Public_Sector_Governance).
- [30] Erdoğan Murat,(2012). “VUK-TFRS Geçiş Sürecinde Üniversitelerde Denetim Eğitim ve Öğretim Döngüsü Önerisi ve Web Tabanlı Bir Yazılım ile Denetim Uygulaması” 24. *Dünya Sürekli Denetim ve Raporlama Sempozyumu, 3-4 Mayıs 2012, Malatya*.
- [31] T.Ulusoy (2010). İMKB Endeks Öngörüsü İçin İleri Beslemeli Ağ Mimarisine Sahip Yapay Sinir Ağı Modellemesi, *Uluslararası İktisadi ve İdari İncelemeler Dergisi*, Sayı 5, ISSN: 1307-9832, 21-40.
- [32] Benli Tahir & Oktik, Ş., Karaosmanoğlu, k., Eltez, A. Güneş- Elektrik Enerjisi Dönüşüm Sistemlerinin Anket Değerlendirmeleri.
- [33] Arens Loebbeck, Alvin A. & James, (2002). The entrance of an Integrated Audit, The translation of Mohamed Mohamed Aldeseeti, Mars Publishing House, Riyadh, Saudi Arabia.
- [34] Arens, A., Loebbecke, J. (2000). *Auditing: An integrated approach, 8th edition. Upper Saddle River, NJ: Prentice Hall*.
- [35] Al qtaish, h. F., baker, a. A. R. M., & othman, o. H. (2014) The ethical rules of auditing and the impact of compliance with the ethical rules on auditing quality. *International journal of research and reviews in applied sciences*, 18(3), 1
- [36] Al Nawaiseh, M. A. L., & Alnawaiseh, M. (2015). The Effects of the Threats on the Auditor's Independence. *International Business Research*, 8(8), 141.
- [37] Chepkorir. C., (2013). Factors Influencing Auditor's Independence And Account-ability, A Case Study of KTDA Affiliated Tea Factories In BOMET and KERICHO County, KENYA. a research project submitted to school of business and economics in partial fulfillment for the award of degree in business management (accounting option) maasai mara university.
- [38] Yamani, A., (1991), “the factors that affect on external auditor independency from point of views the analysts and borrowers in the Saudi Arabia”, *General management Journal*, Al Riyadh, (71), pp. 183-229.
- [39] Bakar, N. B. A., Rahman, A. R. A., & Rashid, H. M. A. (2005). Factors influencing auditor independence: Malaysian loan officers' perceptions. *Managerial Auditing Journal*, 20(8), 804-822.
- [40] Omri & Akrimi (2015). Factors Affecting Auditor Independence in Tunisia: The Perceptions of Financial Analysts. *Journal of Finance and Accounting. Volume 3, Issue 3, May 2015, Pages:42-49*.
- [41] Tesfamichael, T. (2016). *Perception of Auditors on Mandatory Audit Firm Rotation and Its Effect on Auditor's Independence in Ethiopia* (Doctoral dissertation, AAU).
- [42] Benli Tahir, Yıldırım Kızgın, Kübra Karaosmanoğlu, Gülay Hız (2013). A Field Study on the Determination of the Credit Card Users' Awareness of the Products/Services Offered with Credit Cards: Turkey Case. *International Journal Business and Management*; Vol. 8, No. 23; 2013 ISSN 1833-3850 E- ISSN 1833-8119 Published by Canadian Center of Science and Education.
- [43] Ulusoy Tolga, (2011) “Financial power analysis of countries: Transmitters (adsorbents), setters and unresistants ” *African Journal of Business Management. (2011 Bahar Döneminde Yayında)*.