



Towards an Understanding of Audit Quality:
Exploring Perceptions of Audit Quality and Audit Quality Indicators in Saudi
Arabia

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Dedication

To those whose names I proudly carry, my beloved parents, Dalal and Abdulmohsen, to my siblings, to my wife, and to all those who have imparted knowledge to me in my lifetime.

Declaration

I, the author, confirm that the thesis is my own work. I am aware of the University's Guidance on the Use of Unfair Means (www.sheffield.ac.uk/ssid/unfair-means). This work has not previously been presented for an award at this, or any other, university.

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Abstract

This study explores perceptions of audit quality (AQ) and audit quality indicators (AQIs) in Saudi Arabia. AQ and AQIs are explored from the perspectives of external auditors, members serving on the boards of directors of Saudi listed companies (BoDs), and members of the Professional Practice and Quality Review Committee (PPQRC) of the Saudi Organisation of Chartered and Professional Accountants (SOCPA). This research focuses on how these stakeholders define AQ and AQIs, and how Western auditing practices have shaped perceptions of AQ and AQIs in the Saudi context.

A mixed-methods research design is used to collect and analyse data. Data from a questionnaire issued to 200 participants are descriptively analysed and semi-structured interviews undertaken with 34 participants are thematically analysed. The findings reveal general shared perceptions of AQ among the participants, despite their different interests. The study finds that AQIs in Saudi Arabia are predominantly associated with the auditor and the audit firm, and Western auditing practices have a strong influence on perceptions. The International Financial Reporting Standards/International Auditing Standards (IFRS/ISAs) also shape perceptions of AQ and AQIs in the local environment.

The study contributes on multiple levels. Theoretically, it provides a deeper understanding of AQ and AQIs in the Saudi context. Methodologically, it advances research by employing a mixed-methods design that integrates quantitative and qualitative approaches in the Saudi context. Empirically, it contributes in its field of research by exploring the role of Western auditing practices in shaping AQ and AQIs in Saudi Arabia. Practically, it provides insights for auditors, BoDs, and regulators for improving audit quality practices in Saudi Arabia. It also serves as a reference guide for future research within the Gulf Cooperation Council (GCC) and other developing countries.

Keywords: audit quality, perceptions, indicators, Saudi Arabia, external auditors, Board of Directors, SOCPA, Western auditing practices, international standards, IFRS, ISA.

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List of Abbreviations

AAOIFI	Accounting and Auditing Organisation for Islamic Financial Institutions
ACCA are in London	Association of Chartered Certified Accountants (a global professional accounting body headquarters are in London)
AICPA	American Institute of Certified Public Accountants
AMF	Arab Monetary Fund
AQ	Audit Quality
AQIs	Audit Quality Indicators
Aramco	Saudi Arabian American Oil Company
BIS	Bank for International Settlement
BoDs	Board of Directors
CASOC	California Arabian Standard Oil Company
CMA	Capital Market Authority (Saudi Arabia)
COVID19	Corona Virus Disease 2019
CPA	Certified Public Accountant
EA	External Auditor
EU	European Union
FASB	Financial Accounting Standards Board (United States)
FATFF	Financial Action Task Force
FFIEC	Federal Financial Institutions Examination Council (United States)
FDI	Foreign Direct Investment
FDIC	Federal Reserve (United States)
FRC	Financial Reporting Council (United Kingdom)
GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office (United States)
GCC	Gulf Cooperation Council (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the UAE)
G20	Group of Twenty Countries
IA	Internal Auditor
IAASB	International Auditing and Assurance Standards Board (United States)
IADI	International Association of Deposit Insurers
IAIS	International Association of Insurance Supervisors
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IASC	International Accounting Standards Committee
ICAEW	Institute of Certified Public Accountants in England and Wales

IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standards
IFSB	The Islamic Financial Services Board
IMF	International Monetary Fund
IOSCO	International Organisation of Securities Commissions Organisations
ISA	International Auditing Standards
IsDB	Islamic Development Bank Group
IT	Information Technology
KPIs	Key Performance Indicators
MENA	Middle East and North Africa
MSCI	Morgan Stanley Capital International
OIC	Organisation of Islamic Cooperation
OPEC	Organisation of Petroleum Exporting Countries
PCAOB	Public Company Accounting Oversight Board (United States)
PhD	Doctor of Philosophy
PPQRC	Professional Practice and Quality Review Committee (in SOCPA)
SABIC	Saudi Arabia's Basic Industries Corporation
SAMA	The Saudi Central Bank
SEC	Securities and Exchange Commission (United States)
Socal	Standard Oil of California
SOCPA	Saudi Organisation for Chartered and Professional Accountants
SPSS	Statistical Package for the Social Sciences
TASI	Tadawul All Share Index (Saudi Arabia, stock exchange index)
TBP	Time Budget Pressure
UAE	United Arab Emirates
UK	United Kingdom
UNCTAD	United Nations Conference on Trade and Development
US/USA	United States/ United States of America
WTO	The World Trade Organisation

Glossary

Big Four: The four major global accounting firms (PwC, EY, KPMG, and Deloitte).

Centre/Periphery: A term used in post-colonial theory which describes the binary geographical framework of colonialism, whereby European/Western powers are considered the centre, while the colonies are relegated to a periphery or marginalised status.

HADAF: An electronic service offered by the Human Resources Development Fund in Saudi Arabia. Its primary objective is to streamline and manage the support processes of the Human Resources Development Fund (HADAF) relating to employment and training initiatives for Saudi citizens who work for private sector enterprises.

Hegemony: A term used in post-colonial theory that denotes the dominance of one group over another, often legitimised by prevailing norms and ideologies. In contemporary usage, the term hegemony is often employed as shorthand to describe the relatively dominant position held by a particular set of ideas, which tend to become widely accepted and intuitive, consequently hindering the spread or even the expression of alternative ideas.

Imperialism: A term used in post-colonial whereby one group or nation presumes its inherent superiority over other groups or nations. This presumption then leads to the belief that the 'superior' possesses the right or duty to impart their civilisation or message to what they consider as "inferior" or "primitive" cultures.

Murabaha: An Islamic financing structure known as cost-plus financing, where both the seller and buyer agree to the cost and markup of an asset.

Nomu: A parallel market on the Saudi Stock Exchange for companies with the goal of joining the main stock exchange.

NVivo: A qualitative software for data analysis use in qualitative research.

Othering/the other: a term used in post-colonial theory which involves the act of portraying and categorising colonised indigenous populations as being beneath their European counterparts. Gayatri Spivak introduced this term, which serves to examine the communicative and various methods employed by colonisers to establish and perpetuate negative and inferior perceptions and assumptions about the colonised indigenous people.

Qur'an: The Holy Book of Allah (God) in the Muslim religion.

Riba: An Islamic term which means interest.

Saudisation: A term which originates from the word *Saudi*, which refers to Saudi labour in the market. It is a term used by the Government to favour the employment of nationals (Saudis) over foreigners.

Sharia: The Islamic law.

Tadawul: The main Saudi Stock Exchange.

Chapter 1: Introduction

1.1 Background

Over the past three decades, the subject of audit quality (AQ) has attracted the attention of academics and professionals working in the field of accountancy and auditing services. Attention paid to this subject significantly increased in the 1980s. It further intensified after the announcement of Enron's bankruptcy in 2001, the subsequent collapse of Arthur Andersen in 2002, and the bankruptcy of WorldCom in the USA in 2002. Scrutiny of the topic also peaked during the time of the financial crisis of 2008, and again when scandals emerged involving the Canadian networking company Nortel in 2011, and the financial services company Wells Fargo in the USA in 2016 (Awolowo, 2016; 2018). In the aftermath of these crises, interest in AQ grew among the various stakeholders invested in the auditing process, such as international regulatory bodies, investors, users of financial statements, auditors, corporate boards of directors, and academics working in the fields of accountancy and economics.

In this environment, various stakeholders began their work of attempting to define AQ. However, they faced challenges in this regard, mainly because different stakeholders hold different views about what AQ is and what it means. For example, an auditor's opinion of AQ can differ from a client's opinion of AQ, and the client's opinion may differ from the regulator's opinion, and so on. Each different opinion may be valid, but each is incomplete. This is noted by Knechel et al. (2013), who states that, "Audit quality is much debated, but little understood". Brydon (2019) also highlighted the importance of audit quality to the business organisations, but he recognised that there are many strands as to what audit quality is, including the auditor as an individual which could include one's personality, independence and other traits or other matters such as governance, disclosures, and the quality of financial reports. Moreover, accounting and auditing research does not hide the controversy surrounding the definition of AQ or its meaning. Indeed, this situation has inspired the investigation of audit quality indicators (AQIs) from different perspectives, in an attempt to gain a deeper understanding of AQ.

AQIs are the determinants, or proxies of AQ and are important in attempts made to measure AQ. Wooten (2003) describes measuring AQ as problematic because, as previously noted, the definition of AQ may differ according to individual perceptions since AQ is not visible, and from one society to another, and, thus, differences of opinion exist about AQIs. However, in previous research, AQ has been linked to various AQIs, such as: the size of the audit firm; the audit fees; the eligibility and competence of the auditor; the selection of the auditor; the duration of the engagement between the

auditor and the client; a company's board of directors; audit committees (Little et al., 2018). Further, several attempts to define AQ by trying to estimate AQIs have been made by accounting organisations in the United States and in the United Kingdom, including the Financial Reporting Council (FRC) and the Public Company Accounting Oversight Board (PCAOB) (Bedard et al., 2010; IAASB, 2013; PCAOB, 2015; FRC, 2020). Most stakeholders in the auditing field have made extensive efforts to comprehend AQ, its indicators, and establish a comprehensive framework for it. This effort aims to benefit international trades while enhancing investor and stakeholder trust in the auditing process (Francis, 2004; Chadegani, 2011; Christensen et al., 2016; Little et al., 2018). However, as definitions of AQ and view of AQIs vary depending on stakeholder opinions, as well as the location and nature of the study, further research into understanding AQ within diverse contexts is essential (Bedard et al., 2010; Aburous, 2016; Hooper, 2017; Little et al., 2018). Understanding AQ also helps to bridge knowledge and expectation gaps between stakeholders. The expectation gaps in AQ refers to the disparities or differences in the expectations that stakeholders have regarding the role and effectiveness of audits compared to the actual performance of audit services (Duff, 2004; Sikka et al., 2018). These expectation gaps occurs when there is a difference between what users of financial statements expect an auditor to achieve and what the auditor actually delivers or when there is a difference between what auditors communicate in their audit reports and what users of financial statements believe should be communicated (Fadzly et al., 2004; Behzadian et al., 2017; Detzen and Gold, 2021). For example, some stakeholders expect auditors to detect all fraud or errors, but ISAs may not require auditors to provide such absolute assurance. Such gaps relate to differences in views and understandings of AQ between auditors (the provider of the audit service) and the other stakeholders (users of financial statements) including regulators and BoDs, which can result from varying views on the role of auditors, their responsibilities, and their capabilities (Holm and Zaman, 2012; Sikka et al., 2018).

The importance of AQ is connected to a desire to protect investments, to create economic stability and growth, to boost market efficiency, to increase public trust, and to increase stakeholder involvement and accountability in the auditing process (Deis, 1992). However, Francis (2004) notes the high costs and complexity involved in defining and maintaining AQ.

1.2 Problem Statement

AQ concerns all business stakeholders in general, including current and future investors, corporate board members, regulators and legislators, and external auditors. Economic growth and stability are the goals of many countries and economies around the world, including Saudi Arabia. Interest in the quality of auditing has increased among international organisations, transcontinental multinational

companies, and global capital investors, all of whom seek to standardise accounting and auditing practices for the purpose of achieving AQ.

Previous studies have sought to try to understand AQ, and to define it, and to assess it using AQIs. However, because definitions of AQ differ according to stakeholder opinions, and the place and nature of the study, further investigations about perceptions of AQ in different contexts are needed. This may be due to social differences, historical contexts, and economic disparities between countries and societies (Herrbach, 2001; He et al., 2017; and Sulaiman 2023). Saudi Arabia is one of the largest oil exporting countries in the world and has recently launched its economically and socially seismic Vision 2030, which aims to diversify sources of income, reduce dependence on oil revenues, and attract foreign investors (Nurunnabi, 2017). The Saudi Vision 2030 has coincided with changes in the auditing profession in Saudi Arabia, including the shift to using and fully adopting international accounting and auditing standards (IFRS/ISAs) for the purpose of AQ. This is in line with a global trend towards standardisation (SOCPA, 2012; 2017), and is especially important because the regulatory body SOCPA does not provide a definition of AQ. In this context, there is a paucity of research about perceptions of AQ and AQIs in Saudi Arabia.

Saudi Arabia has a different social, political, organisational, legislative, and religious background from many other countries in the world, but it is not isolated from the rest of the world economically. Accounting scandals have occurred involving the Saad and Ahmed Al-Gosaibi Group and Ernst & Young in 2009, the Al-Mojil Group and Deloitte in 2009, the Saudi Mining Company (Maaden) and PricewaterhouseCoopers (PwC) in 2014, and the Etihad Etisalat Company (Mobily) 2014. This indicates that Saudi Arabia has experienced its share of accountancy related scandals (Zerban, 2017). In this respect, the need to understand AQ and AQIs is imperative in Saudi Arabia.

In 2012, the Saudi Organisation for Chartered and Professional Accountants (SOCPA) made the shift from using local accountancy standards to using international accountancy standards for preparing financial reports (IFRS) and for auditing (ISAs). In 2018, these standards were adopted in full in an attempt to regulate the auditing profession, to achieve AQ, and to align with the global trend towards standardisation (SOCPA, 2012; 2017).

1.3 The Significance of this Study

In recent years, SOCPA has increased the number of professional accountants (auditors) who hold accounting licenses to legally practise auditing in Saudi Arabia by 98% (SOCPA, 2022). This was done in an effort to develop the accounting and auditing profession, enhance confidence in the Saudi

national economy, and to ensure the provision of quality auditing that builds stakeholder confidence in AQ (SOCPA, 2022). SOCPA agreed that these goals are in line with the national transformation Vision 2030, and, thus, the Council of Ministers approved new laws for the profession of accounting and auditing in 2021, which replaced the previous system for certifying accountants.

The new Law of the Profession of Accounting and Auditing (2021) amended the conditions for obtaining a license to practise in the auditing profession and allowed part-time working. Practical experience requirements for qualified people were reduced to one year instead of three years. Furthermore, requirements for accounting specialisations were amended to allow majors in accounting, and other majors from officially recognised universities, such as Bachelor of Accounting, Economics, Finance, Public Administration, and Management. This was done with the aim of increasing the number of auditors in order to bridge employment demands in the market. SOCPA also initiated programmes aimed at improving AQ, particularly in local auditing firms (SOCPA, 2022). This was done to contribute towards national development, meet the needs of the growing Saudi market, to accord with international accounting and auditing standards, and in response to the various scandals that had emerged.

The importance of this study relates to the understanding of the auditing profession at a local level within the Saudi Arabian context, whilst recognising that there are global pressures to standardise accounting and auditing practice. In addition, According to SOCPA, the adoption of the international standards in Saudi Arabia should allow for improved AQ and consistency with the rest of the world. Thus, this study seeks to understand AQ from the point of view of the “other”.

1.4 Contributions of the Study

The recent changes made to the auditing profession in Saudi Arabia, as outlined in 1.3, have increased the importance of this current research. Indeed, the contributions made by the current research can be divided into four main areas: empirical, theoretical, methodological, and practical. These four areas of contribution will be discussed in more detail below.

1.4.1 Empirical Contribution

The exploratory nature of the current study contributes to bridging knowledge gaps about AQ and AQIs in the context of Saudi Arabia. This study is trying to understand the AQ and its indicators in Saudi Arabia, which differs culturally, socially, historically and economically from Western countries. These differences, which distinguish Saudi Arabia from others (see the context chapter), May mean a difference in perceptions of AQ at the local level and yet, despite the importance of

context in shaping such perceptions, many western quantitative studies do not pay attention to this particular environmental aspect.

The current study targets three main players connected to the auditing profession in Saudi Arabia, namely: members serving on the boards of directors of companies listed on the Tadawul and Nomu stock markets (BoDs) (the audit clients); members of the Professional Quality Control Committee of SOCPA (the legislator/regulator); and audit services providers (the auditors). The current study contributes to providing empirical evidence and insights by means of a questionnaire distributed to Saudi Arabian participants and conducting semi-structured interviews with Saudi Arabian participants specially recruited for this study.

This study meets the call for more accounting and auditing research in the Middle East and in developing countries (Kamla, 2007; Gallhofer et al., 2011; Boussebaa, 2015; Aburous, 2016; Hooper, 2017). It contributes towards providing a deeper understanding of the different economic nature of developing countries. Further, it attempts to understand the implications of fully adopting international standards in accounting and auditing (IFRS/ISAs) in Saudi Arabia, from the perspectives of the study participants, all of whom are stakeholders in the auditing process. To the best of the author's knowledge this is the first study in this particular area. Finally, the current research sheds light on the rapid regulatory, legislative, economic, and social changes being made in Saudi Arabia as a result of the Saudi Vision 2030.

1.4.2 Theoretical Contribution

This study contributes to the theoretical understanding of perceptions of AQ in Saudi Arabia. It seeks to uncover the implications of Western accounting practices in the Saudi environment, which is an environment much different from those where these practices originated. Specifically, it focuses on the period after the full adoption of international standards for accounting and auditing (IFRS/ISAs) in Saudi Arabia in 2018. This study uses the lens of post-colonial theory to understand the interaction of global auditing practices with local ones in the Saudi context, especially in relation to how perceptions have been shaped about AQ and AQIs. This approach provides an understanding of AQ and the adoption of Western auditing practices into the local Saudi environment.

The use of the post-colonial theory lens goes critically beyond the traditional approach of agency theory, which is widely used in previous studies (Bedard et al., 2010; Francis, 2004; Chadegani, 2011; Little et al., 2018) This current study contributes towards providing a critical examination of the perceptions held by participants from Saudi Arabia about AQ and AQIs. Further, it looks at the

involvement of Western accounting practices in shaping these perceptions. Although Saudi Arabia has never been physically colonised by another nation, it has been indirectly influenced by Western colonialism and imperialism (which is discussed in more detail in Chapter 3), especially in relation to the dynamics of colonial power.

1.4.3 Methodological Contribution

This study contributes methodologically by using a mixed methods (quantitative and qualitative) research approach to address the research gap especially in the context of Saudi Arabia. This aims to achieve a comprehensive and deep understanding of AQ and AQIs in Saudi Arabia. This study also adopts the interpretive approach, with the aim of providing deep insights into the research topic by listening to the voices of the participants as interested individuals. Further, a systematic study of previous research contributes to providing more insight into AQ and AQIs in Saudi Arabia and worldwide. Such an approach was chosen after close examination of the literature review of AQ and AQIs, and after gaining a deep understanding of the nature of the profession in the Saudi context. In addition, making use of both methods enables more accurate outcomes to be obtained. The methodology chosen seeks to fulfil the objectives of the research and answer the research questions. The post-colonial lens contributes to exploring and interpreting perceptions about AQ and AQIs, which offers meaning relating to the dynamics of power, and the cultural and global influences which have worked to form perceptions of local AQ in Saudi Arabia.

1.4.4 Practical Contribution

This study seeks to contribute on a practical level in the Saudi auditing context, which is currently witnessing rapid professional changes. The importance of this contribution comes through a comprehensive review of AQ and AQIs. The research provides a critical voice which can benefit decision makers and those who prepare policies and guidelines which regulate the profession in Saudi Arabia. The study offers SOCPA a comprehensive understanding of the opinions of two important parties, namely, auditors (service providers) and companies listed on the Saudi markets, Tadawul and Nomu (clients) about AQ. This can help SOCPA, the regulator, to understand its role in the local profession and its relationship with international organisations. It also contributes to raising the awareness of BoDs, external auditors, current and target investors, and institutions related to the profession, especially about the meaning of AQ and AQIs in the Saudi context. Moreover, it may provide a different meaning/understanding of AQ and draw the attention to many aspects of AQ and AQ in practices level and for the future.

1.5 The Research Questions and Research Aims

This study seeks to bridge knowledge gaps discovered in previous research by answering the following research questions:

How does applying postcolonial theory enhance our understanding of the indicators and conceptual meaning of Audit Quality (AQ) in the context of Saudi Arabia?

This question seeks to learn the ways in which AQ is defined by the participants. It asks participants to explain what they believe AQ is, and what shapes their perceptions towards it. Also, this question seeks to understand if there are any differences or similarities between the perceptions of different stakeholders in their understanding of AQ.

In what ways do international standards in accounting and Western auditing practices influence the implementation of Audit Quality and Audit Quality Indicators (AQIs) in Saudi Arabia, considering the perspectives of external auditors, regulators, and board of directors of Saudi listed companies?

This question seeks to glean how AQIs are perceived from the point of view of BoDs, auditors, and members of the PPQRC of SOCPA. Also, this question is concerned with trying to understand AQIs, taking into account the Saudi context, as well as the nature of the profession in Saudi Arabia. In addition, this question seeks to explore if the use of Western IT/practices makes any difference to how AQIs are viewed. Specifically, this question seeks to explore the role played by international standards in shaping the perceptions of the participants, especially after the adoption of IFRS/ISA standards in Saudi Arabia. This question will attempt to understand how Western practices of auditing have shaped participants' perceptions of AQ and AQIs.

1.7 Structure of the Thesis

This thesis is divided into nine chapters, and the content of each chapter is described separately below:

Chapter 1: The thesis begins with an introduction chapter, as described in 1.1 above.

Chapter 2: The second chapter deals specifically with the Saudi Arabian context of the current study. It provides background information about the history and development of Saudi Arabia as a country, its 21st century economic importance, and the social, cultural, political, and religious environments of the country. This chapter provides an overview of the Saudi context in relation to the lens of post-colonial theory. It also reviews the development of the accounting and auditing profession in Saudi

Arabia, from its inception to the present day. The chapter explains in detail the roles of the three targeted participant groups chosen to take part in the current study in relation to the auditing profession in Saudi Arabia. It also provides context information on the Saudi stock markets (Tadawul and Nomu), and the Saudi Central Bank. Chapter 2 reviews the importance of the Vision 2030 transformation project, and notes how international standards in accounting and auditing were introduced in full in Saudi Arabia in 2018. It concludes by describing some of the effects of the Vision 2030 and the introduction of international standards on the accounting and auditing profession in Saudi Arabia. Finally, Chapter 2 offers a prelude to the next chapter, which is the literature review chapter.

Chapter 3: The third chapter reviews previous research which looks at AQ and AQIs, specifically, the studies that deal with the definitions of AQ, the concept of AQ, and the relationship between AQ and AQIs. Chapter 3 discusses previous frameworks used for the review of AQ and AQIs in various contexts. The literature review looks at international standards in auditing and accounting and their relationship to AQ and AQIs, and concludes by presenting a summary of the literature reviewed, and by introducing Chapter 4, which describes the lens of post-colonial theory used in the current research.

Chapter 4: This chapter presents an introduction to post-colonial theory, by offering definitions of this theory and a summary of the work of its most prominent proponents. The chapter describes the role played by Edward Said's work *Orientalism* (1978) in the origins of post-colonial theory. By reviewing key studies in the field of post-colonial theory, this chapter seeks to outline the relationship of colonialism and imperialism to post-colonial theory. It also sheds light on the 21st century phenomenon of globalisation and its relationship to post-colonialism. Further, Chapter 4 describes the relationship between post-colonialism, neo-liberalism, and globalisation, and the effects all three have had on the accounting profession worldwide, in developing countries, and, specifically, in Saudi Arabia. Additionally, it looks at the relationship between the auditing profession and international standards in accounting and auditing, in the light of post-colonial theory. It also looks at the Saudi context and the global context through the post-colonial lens. The chapter concludes by presenting a summary of the most important topics covered in the chapter, and by offering a prelude to the next chapter, which focuses on the Saudi Arabian context.

Chapter 5: The fifth chapter is the methodology chapter. Here, the researcher reviews the research philosophy and design used for the current study, which is a mixed-method approach (qualitative and quantitative methods). The chapter outlines the design of a quantitative questionnaire, and the qualitative method of semi-structured interviews. The chapter also reviews the stages of data collection undertaken using the quantitative and qualitative data, and how the data were analysed. This chapter

also covers some of the challenges faced by the researcher during the data collection and analysis phase, such as the impact of the global COVID 19 pandemic, and how the challenges posed by this were overcome. The chapter concludes with a summary, and an introduction to the next chapter, which is the quantitative data analysis chapter.

Chapter 6: The sixth chapter examines the quantitative data analysis undertaken for the current study. Quantitative data were collected via a questionnaire distributed to the participants. This chapter outlines how the researcher dealt with and analysed the quantitative data collected. This chapter presents highlights of the results generated from the questionnaire, and concludes with a summary and a prelude to the next chapter, which presents the qualitative data analysis.

Chapter 7: The seventh chapter presents the qualitative data analysis. Here, the researcher examines data collected and analyses the data using thematic analysis. This chapter concludes with a chapter summary and an introduction to the next chapter, which presents the results of the quantitative and qualitative data analysis.

Chapter 8: The eighth chapter discusses the results and interpretations of the study, and answers the research questions. This chapter concludes with a summary of what has been discussed, and a prelude to the final chapter, which presents an overall conclusion to the thesis.

Chapter 9: The ninth and final chapter of the thesis presents the overall conclusions of the research, a summary of its most important results, and recommendations for future study. This chapter also looks at the limitations of the current research and the researcher's suggestions for improvements in this regard by future researchers.

1.8 Summary

This chapter has introduced the background to the current study and has served as an opening for the thesis. It has presented information about the background of the study, the problem statement, the significance of the study, the research questions and aims, and has offered an outline of the structure of the thesis. The overall purpose of this chapter was to detail a clear roadmap for the rest of the thesis. The next chapter presents an overview of the context of the current study in Saudi Arabia. It will provide an exploration of the research context to offer a better understanding of the complexities of the auditing profession, particularly within the unique social and professional framework of Saudi Arabia.

Chapter 2: Context

2.1 Introduction

This chapter will review the Saudi Arabian context of the current study, beginning with general relevant information about the Kingdom of Saudi Arabia and its political, social and economic system. The review will move on to look at the development of the auditing and accounting profession and its relevant authorities in Saudi Arabia, and will end by describing the relationship between the Saudi Vision 2030 and the accounting and auditing profession. Outlining the context of the current study will help readers more fully understand its findings, and how it is linked to previous studies in the field. Offering context will facilitate a deeper knowledge of the theories and realities of the profession in Saudi Arabia, specifically in relation to professional, cultural and social norms. This chapter helps to meet the aims of the research, because understanding the specific context of the research can lead to a deeper understanding of the nature of the auditing profession, and perceptions of AQ in Saudi Arabia, through its unique social and professional structure.

2.2 Saudi Arabia

Saudi Arabia is located in western Asia, in the heart of the Middle East and in the Arabian Peninsula. It is bordered on the north by Jordan and Iraq, on the east by the Arab Gulf states of Kuwait, Bahrain, Qatar, the Emirates, and Oman, and on the south by Yemen. In the west, the country sits next to the Red Sea, and on the opposite side of the Red Sea is Egypt (see Figure 1 below). Saudi Arabia holds an important political, economic, and social position in the Middle East. The social and religious importance of the Kingdom is closely tied to Mecca, the religious site towards which millions of Muslims pray five times each day. Also, Medina is the city most associated with the Messenger of Islam, Muhammad (May God bless him and grant him peace), as well as a famous mosque visited by Muslims from around the world. The Saudi society can also be viewed as a tribal society, which means that the role of the tribe is important in the lives of members of Saudi society. Many norms, traditions and customs are inherited from the tribe, which is based on a rich Arab heritage.



Figure 1: Map of the Kingdom of Saudi Arabia, taken from the BBC website <https://www.bbc.co.uk/news/world-middle-east-14702705> (accuracy was confirmed by the researcher by reviewing the official website www.geosa.gov.sa).

Saudi Arabia is an economically rich country because it is one of the largest exporters of oil, gas, and natural minerals worldwide. It leads the OPEC and OPEC Plus organisations. From a social perspective, Saudi Arabia has a strong influence on surrounding Arabic and Islamic countries, partly because of the Arabic tribal system, which is one of the most important components of Saudi and Arabic society. Most Arab tribes have origins in the Arabian Peninsula (which today is known as Saudi Arabia). The unique nature of Saudi Arabia makes it a rich country in a cultural sense. The next section will describe how the country of Saudi Arabia was formed, and the stages of development it has passed through to the present day.

2.2.1 The Formation of Saudi Arabia as a Country

The history of the Kingdom of Saudi Arabia is different from the other Islamic and Arabic countries that surround it. Saudi Arabia, as a state, has passed through three main developmental phases to reach its current social and political form. The history of Saudi Arabia dates back to 1727, when the first Saudi state was set up by Imam Muhammad bin Saud (a politician) and Sheikh Muhammad bin Abdul Wahhab (religious leader and reformer). Saudi Arabia began in a city called Al-Diriyah, and was created to unify the Arabian Peninsula, and spread the call of Sheikh Muhammad bin Abdul Wahhab. However, in 1818, this state was taken over by Muhammad Ali Pasha, the Governor of Egypt, who worked under the authority of the Ottoman Empire (Aluthaimeen, 1998; Aldukhail, 2013). Later in 1818, the Al Saud family returned to Riyadh to establish the second Saudi state, adopting the approach

championed by Imam Turki bin Saud. This second state fell in 1891 because of internal disputes and wars between different tribes (Aluthaimeen, 1998).

In 1902, a third Saudi state was established by King Abdulaziz bin Abdul Rahman Al Saud whose ancestors still rule today. Since the beginning of the rule of this family, Saudi Arabia has taken the political form of an absolute monarchy, supported by three main ruling authorities: a legislative authority represented by the Presidency of the Council of Ministers and the Shura Council; a judicial authority represented by the Saudi Judicial Council; and an executive authority represented by the Saudi Council of Ministers (see Basic Law of Governance, 1991). Since 1902, rule has been passed on via the male line of the Al Saud family, from King Abdulaziz, via the eldest and then the next eldest son. Seven kings have since ruled Saudi Arabia: King Saud, King Faisal, King Khalid, King Fahd, King Abdullah, and King Salman. The recent appointment of Prince Muhammad bin Salman as ruler has introduced a new political era in Saudi Arabia, via the Mandate of Covenant (which allows second generation family rule) (Basic Law of Governance, 1991).

Crucially, since 1902, Saudi Arabia has not experienced direct foreign colonial rule or control in the conventional sense, and, in this way, Saudi Arabia differs from many other nations in the Middle Eastern region. Moreover, some historians do not usually consider the Ottoman Empire to have been a strictly colonial power, because it might be considered an Islamic empire (Aluthaimeen, 1998). However, the Ottoman Empire was a colonisation of lands that did not belong to it, and can be seen as any other coloniser who practices of exploiting the indigenous population, using Mecca and Medina to obtain religious legitimacy, and fighting any revolutionary movement in the Arabian Peninsula (Hathaway, 2019). All in all, Saudi Arabia has never been colonised by European powers in the way that other surrounding countries have been (Aldukhail, 2013). This has meant that Saudi Arabia has been able to resist pressures and outside influences for generations, and is independent and sovereign. This status is greatly aided by Saudi Arabia's distinct political structure, historical background, geographical location, and natural resources, such as oil (Aluthaimeen, 1998).

In the late 20th century, Saudi Arabia became economically close to the United States. This situation led to internal debate over whether the country was being influenced by foreign interests. Notably, this relationship grew after the discovery of oil and natural resources in Saudi Arabia (Bowen, 2008). However, Saudi Arabia remains a sovereign state that makes its own decisions regarding foreign policy and domestic affairs. Nowadays, just like much of the rest of the world, Saudi Arabia is being affected by the powers of globalisation. This increasingly evolving situation will be covered later in the chapter, which will examine the different elements of the development of Saudi Arabia in more detail. It is

important to note that Saudi Arabia is an economically important country to the world, which means that the pressures that may be exerted by countries and international institutions will have less impact on it because it does not need economic aid. On the contrary, it contributes globally to supporting developing countries and providing humanitarian and economic aid to the most needy countries around the world.

2.2.2 The Development of Saudi Arabia

2.2.2.1 Political Development

The population of Saudi Arabia is approximately 35 million (World Bank, 2021). It holds a significant global political position, owing to its strategic geographical location, religious importance, and strong economic foundations. The political history of the Saudi state dates to 1727 as the beginning of the founding of this state, as Saudi Arabia celebrates its founding day on February 22 of each year. The country has actively engaged in international relations via its membership of various international organisations, including through the United Nations since 1945, through the Gulf Cooperation Council since 1981, through the League of Arab States (which was founded in 1945), and through the Organisation of Islamic Cooperation (which is the second largest global organisation after the United Nations in terms of the number of member states). The OIC has headquarters in Jeddah. Further, Saudi Arabia is a member of the Standing Committee for Islamic Cooperation (established in 1981), the World Trade Organisation (since 2005), the Group of Twenty (since 2009), and the United Nations Conference on Trade and Development (UNCTAD) (since 1964). Additionally, Saudi Arabia is a member of the International Trade Centre, which was founded in 1964 (SGAOFT, 2022).

2.2.2.2 Social Development

Saudi Arabia differs from many other societies in terms of its social structure. This is because of the importance placed on the Islamic religion, the role of the tribe and family, the role of gender, and the role of education, as the four basic pillars of Saudi society.

According to latest official statistics published by the Saudi Population Statistics Authority, the population of Saudi Arabia is about 35 million, comprising about 56% males and 44% females (GAS, 2022). Saudi society is conservative, and men and women must adhere to social and religious norms. The family is one of the most important pillars of the structure of Saudi society. In Arabic culture, the multi-generational family is prioritised in daily and social life (Al-Sakran, 2012), and the individual depends on the family. This norm is reflected in employment and in the work environment, where the idea of ‘wasta’ is frequently practised. Wasta is a term which refers to the gaining of employment via

personal relationships based on family foundations (Harbi et al., 2017). However, Since the announcement of the Kingdom's Vision 2030, the state has begun reforms in various fields, the most important of which are the economic and social fields. Many laws and regulations have been enacted that limit the negative use of influence and powers. In recent times, 'wasta' is beginning to be perceived as having negative connotations, especially in relation to its links to corruption. The negative side of this tradition is being combated by provisions built into the Saudi Vision 2030 (Moshashai et al., 2020). This is being done maybe because, in recent years, there has been an increase in the number of young job seekers in Saudi Arabia. In fact, young people now constitute nearly 70% of Saudi society (GAS, 2022).

The Saudi Government attaches a special importance to education at all levels (WENR, 2020). Saudi law guarantees free education in Saudi Arabia, right from kindergarten stage, through to primary, intermediate, secondary, and university levels. Additionally, it offers university students monthly financial support while studying at bachelor's level (Alamri, 2011). In 2005, Saudi Arabia expanded its scholarship programme for Saudi students to study in English-speaking countries, such as the United States and the United Kingdom. According to WENR, Saudi Arabia is in the top ten of countries which sends its university students to study abroad (WENR, 2020).

The pillars of gender, family, and education derive their origins not only from Arabic culture, but from the Islamic religion, which is considered the most important foundation of conservative Saudi society (Shamekh, 1977). Saudi Arabia is at the heart of the Islamic world because it is home to two of Islam's most holy cities. One site is Mecca, where Muslims visit for holy pilgrimage, and it is the place they must pray in the direction of five times a day. The Sacred House of God is also located in Mecca, where Umrah is performed every year. The other site is Medina, which was the adopted home of the Prophet Muhammad; he lived most of his life there and was buried there. Islam attaches great importance to the family, education and respect for gender differences. The majority of Saudis are Sunni Muslims, but Shiite Muslims form a minority.

In summary, Saudi society is a complex mixture of religion, tradition, and modernity. It derives teachings from the Islamic religion and tribe which affect the daily life of individuals. The family and the role of gender and education play an important role in shaping society as well. In addition, it is a society that influences and is influenced by its Arabic and international surroundings. The Islamic religion and the Arab identity are the main sources of the social customs, values, and public order policies practised in Saudi Arabia. This offers Saudi Arabia a unique shape in comparison to other societies around the world.

2.2.2.3 Economic Development

Saudi Arabia is known to be one of the largest exporters of oil and natural gas in the world. This provides economic strength for the country. Oil has had the greatest impact on Saudi Arabia economically, and has forged its strong economic position in the modern world. Before oil, the Saudi Arabian economy relied on agriculture, livestock, and its geographical location as a trading centre linked to Asia and Africa. Importantly, Mecca has always been a site of pilgrimage for Hajj and Umrah (Aluthaimeen, 1998), and this has always had economic implications. Umrah can be performed in Mecca at any time of the year, but the special importance of Hajj is linked to the pillars of the Islamic religion. Hajj is undertaken at a specific time of year, and at this time, millions of Muslims come to Mecca. In addition to the religious importance of Hajj, it has become one of the most important economic events in the region.

In the 20th century, when the United Kingdom discovered oil in neighbouring countries to Saudi Arabia, such as in Bahrain, Kuwait, Iran, and Iraq, the Saudi Government sought the support and advice of the British envoy, Sir Lancelot Oliphant to undertake its own oil exploration (Aluthaimeen, 1998). However, Oliphant did not want to take part, mainly because of the precarious financial situation of the United Kingdom after the two world wars, and because Saudi Arabia was a newly established country at that time (Aluthaimeen, 1998). Therefore, instead, King Abdulaziz signed an oil exploration concession agreement with the US firm, Standard Oil of California (Socal). The name of the company was later changed to the California Arabian Standard Oil Company (CASOC), and the Dammam Well was discovered. This oil well is known locally as Dammam No. 7 (Aramco, 2020). From here, the tap-line project began, which connects Saudi Arabia with the Mediterranean Sea. This worked to shorten the time it took to export oil to European countries, thus reducing costs.

In 1944, the company name of Standard Oil of California was changed to the Arabian American Oil Company (Aramco). Further, in 1988, by Royal decree, its name was again changed to the Saudi Arabian American Oil Company (Saudi Aramco). This decree also conferred full Saudi ownership (Aramco, 2020). The discovery of oil changed the economic face of Saudi Arabia, and raised its political, social, and cultural relationship with the rest of the world (Aluthaimeen, 1998; Aldukhail, 2013).

Ever since the discovery of oil in Saudi Arabia, its economy has relied on oil exports to the world, and the sale of its oil has been linked to the US dollar. This has enforced a strong economic link to the United States of America (Anderson, 2014; Miller, 2017). In the present day, oil and natural gas are

the most important revenues for Saudi Arabia, and natural resources are the most important players in the Saudi economy. Indeed, the local economy depends on Saudi Government spending which is related to the harvesting of natural resources (Alkhathlan, 2013). When Prince Muhammad bin Salman assumed leadership under a Mandate of Covenant in 2017, he made provisions to diversify the Saudi economy via the vehicle of the Saudi Vision 2030. The most important goal of the Vision 2030 is to reduce Saudi dependence on oil revenues.

The discovery of oil in Saudi Arabia has impacted at many levels in the Kingdom, on its relationship with the rest of the world, and on the 21st century trend towards globalisation (Alkhathlan, 2013). The Kingdom of Saudi Arabia has established financial and economic systems to control exports and imports, as well as spending on various utilities and infrastructure projects. Further, it has developed the country by establishing banks, and opening up to the world. In its infancy, this new financial relationship with the outside world posed challenges, especially regarding the financial question of interest payments (usury), which is prohibited under Islamic law (Al-Rehaily, 1992).

The history of the Saudi economy can be divided into two main phases: the pre-oil phase (the beginnings of the establishment of the state), and the post-oil discovery phase.

Before the discovery of oil, the Saudi Government relied on the revenues of Hajj and Umrah to sustain the economic life of the state (Aldukhail, 2013). Also, agriculture and fishing were features of the traditional economy of Saudi Arabia (Aldukhail, 2013). Before the discovery of oil, most of the Saudi population would travel long distances in search of water, work and trade, often to neighbouring countries such as Kuwait and Egypt, or even to India (Aluthaimeen, 1998). The discovery of oil in 1933, and the signing of the first exploration agreement, ignited a rapid transformation of the Saudi economy (Alkhathlan, 2013). This affected all aspects of life in Saudi Arabia. In 1939, the first shipments of crude oil to the world began to be exported from Saudi Arabia, and in 1949, oil exports reached a record high, when the Kingdom was exporting 500,000 barrels of oil per day. When tap-lines were established, the cost of transporting oil from the middle of the desert to the Mediterranean Sea was reduced (Aramco, 2020).

In 1958, the Safaniya oil field, which is the largest offshore oil field in the world, was found. This meant that Saudi exports of crude oil jumped to one million barrels per day (Aramco, 2020). This volume continued until 1974, when oil exports increased again to 8.2 million barrels per day. 1988 was one of the most important turning points in the Saudi economy, when the Saudi Government nationalised oil production and gained ownership of 100% of Saudi Aramco (Aramco, 2020). Since

then, 90% of the Saudi economy has depended on oil. The latest OPEC reports reveal that Saudi Arabia is one of the most prolific oil-producing countries in the world, producing nearly 11 million barrels per day (Aramco, 2022).

In 1952, Royal Decree No. 30/4/1/1046 was issued in order to protect the economy. This decree established the Saudi Arabian Monetary Agency, which has headquarters in the city of Jeddah. This decree was followed by the decision to appoint the American George A. Blowers as the first Governor of the Saudi Arabian Monetary Agency. The discovery of oil, which was managed at first through American companies, is linked to the appointment of the first American Governors of the Saudi Central Bank, and Monetary Agency. Another American, Ralph Standish became the second Governor of the Saudi Monetary Agency in 1954 (Al-Rehaily, 1992). However, in 1958, a Pakistani national, Anwar Ali, was appointed Governor. Ali also worked as the Director of the Middle East Department at the International Monetary Fund (SAMA, 2022). When the idea of the nationalisation of the oil industry was first being floated in Saudi Arabia, the first Saudi Governor of the Saudi Arabian Monetary Agency was appointed, namely Abdelaziz Al-Quraishi, in 1974 (SAMA, 2022).

The impact of oil discovery on the Saudi economy saw the formation of the first financial centre of the state, and the Saudi economy became dependent for its growth on the support of the Saudi Government and state apparatus. The Saudi Government set to work establishing different administrative and legislative bodies to support the economy, such as the National Commercial Bank, Saudi Arabia's Basic Industries Corporation, SABIC, and other services (Alkhathlan, 2013). This happened because of an increasing dependence on oil (90% of the Saudi economy) as a source of income for the state, and the growth of the economy (World Bank, 2019). In 2016, the Kingdom announced its Vision 2030, which aims to create an economy that depends less on oil, to diversify sources of income, and to create new economies. The implications of the Vision 2030 will be discussed later in this chapter.

Today, the Saudi economy is the largest economy in the Middle East, with the GDP in 2022 reaching more than \$1.1 trillion. The Saudi economy also achieved a growth rate of 8.7%, which is the highest growth rate within the G20 countries. This is due to Saudi Vision 2030, which aims to improve the work environment, diversify sources of income, and combat corruption.

2.3 The Emergence of the Accounting Profession in Saudi Arabia

After the rapid transformation of the Saudi economy, in 1950 Royal Decree No. 7/2/28/3321 was issued in order to regulate taxes and zakat. However, this decree was not detailed in its form, and it

trusted local and foreign companies to maintain accounting records to supervise the collection of zakat and tax which was due to the state (Al-Rehaily, 1992). Article 11 of this decree stipulated the need for recognised auditors, but did not provide any other guidance. This resulted in the emergence of flexible but undisciplined systems within the Saudi accounting profession. The Ministry of Finance and the National Economy granted licenses to three auditing firms to practice the profession, the first of which was the auditing company Saba, Nawar & Co., which was established in 1955 by non-Saudis.

In 1959, the Higher Committee for Chartered Accountants was established under the supervision of the Ministry of Commerce, as a government agency with the powers to grant and issue certificates and permits to practise the profession of chartered accountancy (Al-Rehaily, 1992). This Committee was the first building block for regulating the profession locally, and the only condition stipulated was that applicants who wanted to enter the profession should hold a bachelor's degree from a college of business and commerce, or its equivalent. This kick-started the first Saudi accounting firms, including the Daghestani and Abdel-Wahhab Company which was started in 1959 (Al-Rehaily, 1992). However, the Committee did not provide any detail about how an auditor should work, or about other standards required.

The Companies Law of 1965 stipulated financial reporting requirements more clearly. Specifically, Article 89 of this law required companies to, "prepare a balance sheet, profit and loss statement, and a report on the company's operations and financial position [and proposed methods] for distributing net profits." The Companies Law also obligated companies to publish reports in local official newspapers, and to appoint auditors at a general meeting of shareholders, who must be independent and external. However, in spite of these clarifications, regulation surrounding the profession remained limited, because no reliable standards were designed for companies and auditors to adhere to (Al-Rehaily, 1992).

In 1968, the number of auditing firms in Saudi Arabia reached 20. Out of these firms, 70% were owned by non-Saudis, the majority of which had head offices in the United States and in the United Kingdom. A limited number also had their headquarters in other Arab countries, such as Egypt, Sudan, and Lebanon (Shinawi and Crum, 1971). In addition, practitioners were not affiliated with any Saudi accounting organisation, but with foreign associations, such as the American Institute of Certified Public Accountants (AICPA), the Institute of Certified Public Accountants in England and Wales (ICAEW), the Association of Certified Public Accountants and Companies, and the Certified Public Accountants in Egypt (Shinawi and Crum, 1971). This prompted the Saudi Government to establish accounting departments in Saudi universities, including at the King Saud University and the King

Abdulaziz University (this happened between 1959 and 1967), and later at the King Fahad University for Petroleum and Minerals (in 1974) (Al-Rehaily, 1992).

Accounting education programmes increased locally, and, after Saudi nationals had completed their degrees in Saudi Arabia, they began to study in other countries via scholarships (such as in the United States and the United Kingdom). The economic developments witnessed by Saudi Arabia in the 1970s and 1980s increased affluence, and a number of Saudi academics emerged. In 1977, initiatives for the accountancy profession in Saudi Arabia were led by Abdulaziz Al-Rashed. Al-Rashed was a government employee and owner of Al-Rashed Accountants and Consultants (Consultants and Accountants, 2008; Al-Rehaily, 1992; Mihret et al., 2017). These proposals referred to the need for an authority to sponsor and regulate the accounting profession in Saudi Arabia, and they highlighted that contemporary legislation was disorganised. The proposals noted the need for audit firms and companies in the Saudi market to follow standardised accounting and auditing practices. This was because, at the time, some accountancy firms applied American accounting standards, others applied British ones, and others used a mixture of other standards. This situation led to problems relating to financial disclosure, as well as inconsistency, a lack of professional training, and weak oversight (Naser and Nuseibeh, 2003).

At first, the new initiatives were met with apprehension on the part of the state, mainly because establishing an independent body from the state was an unpalatable idea under the governance of an absolute monarchy (Abu Tabanja, 2009). Therefore, the idea of establishing an authority with governmental support, working under the governmental umbrella was floated. This also made sense because the state is responsible for collecting zakat and taxes. This idea also worked with the national agenda of the Saudisation of the workforce, and the localisation of the accountancy profession, as noted by Mihret et al. (2017). In 1980, the Minister of Commerce agreed that Al-Rashed, with Saudi Government support, could work on a project to establish a Saudi accountancy body for the regulation of the accounting profession in Saudi Arabia.

Al-Rashed formed a team with two international experts, and a Saudi accounting professor. International professional and academic experts were consulted from American and British universities, and from professional accountancy bodies in the West. Six international experts were consulted; three from AICPA, two from ICAEW, and another chosen by Al-Rashed himself who had gained experience working in the field across years of international study abroad. After these consultations, in 1986, the Committee decided to adopt American standards for accounting and

auditing in Saudi Arabia. However, although these standards were adapted to take into account the principles of Islamic law, they did not offer precise details in this regard (Mihret et al., 2017).

In 1991, the Saudi Chartered Accountants Law was issued, by Royal Decree No. M/12, which set up the Saudi Organisation for Certified Public Accountants under the Saudi Ministry of Commerce. Its headquarters were based in Riyadh. This body stipulated that licenses to practise the profession could only be granted to holders of Saudi nationality (Council of Ministers of Saudi Arabia, 1991). These efforts went a long way to reaching the goal of establishing an authority for the regulation of the accounting profession in Saudi Arabia, with governmental support.

The initial beginnings of the auditing profession in Saudi Arabia were linked to Western accounting and auditing practices, because of its influence in the region, and because there was no other alternative but accounting in its Western form. Johnson (1982) notes that accounting professionalism in the modern world emerged during the colonial period, mainly because of the close interactions between power, politics, and the profession. However, it could be argued that the new form of professionalism in the post-colonial world is nothing but a continuation of Western imperialist domination and works to serve its interests.

2.3.1 SOCPA (The Saudi Organisation of Certified Public Accountants)

The previous section explained how the accountancy profession was first organised in Saudi Arabia, via a system based on personal and informal jurisprudence. The profession was officially regulated on the formation of the Saudi Organisation of Certified Public Accountants in 1991. SOCPA was set up to provide regulatory guidance, and to ensure the training and monitoring of accountancy professionals. It became affiliated with the Ministry of Commerce of Saudi Arabia in 1992, when it began operating with a Board of Directors and a General Assembly (SOCPA, 2022).

SOCPA's tasks are to introduce changes to how auditors become qualified, to propose rules, orders, make decisions necessary for the accountancy profession to function, to prepare internal systems of authority, to issue administrative and financial regulations, and to determine the fiscal year (SOCPA, 2022). The SOCPA Board also reviews, develops, and approves accounting and auditing standards, and determines membership fees and methods of collection (SOCPA, 2022). SOCPA also organises mandatory exams for accountants, which lead to an associate degree that covers the technical, scientific, and practical aspects of the practise of CPA. Further, the Board has the power to appoint an agency secretary general and deputies, on conditions, who work to establish technical committees, such as accounting and auditing standards, professional performance quality control, auditing, and

nominations. SOCPA is also responsible for the Commission on Continuing Education and Professional Conduct and Ethics (SOCPA, 2022).

The General Assembly approves internal rules, as well as approving the annual work plan presented by the Council. It also approves the annual budget and accounts, and it approves an annual report on its activities (SOCPA, 2022). The General Assembly selects representatives for auditors, and works to influence their interests or areas of responsibility, as well as discussing matters placed on the Authority's agenda. Resolution No. 416 of the Saudi Council of Ministers stipulates the role of the Saudi Organisation for Auditors and Accountants as follows:

The Authority's goal is to improve and develop the practise of the profession and advance it, to monitor the quality of its performance, and develop awareness of its rules, behaviours, customs and respect, and everything that would develop it and enhance its participation in serving the national economy and society, and in order to achieve this, it does the following:

- 1- Develops policies and strategies and proposes rules and regulations relating to the profession, as determined by the Board.
- 2- Reviews, develops, and approves accounting and auditing standards, and any other standards relating to the profession.
- 3- Organises the tests necessary to obtain professional certificates.
- 4- Establishes specialised institutes to hold, develop and organise seminars, training courses and exams, and to issue and translate periodicals, books and publications relating to the profession.
- 5- Organises field control over the quality of the profession's performance and its implementation.
- 6- Participates in seminars, conferences, and local and international committees relating to the profession.
- 7- Regulates the profession and its related branches, and field monitors the quality of its performance.
- 8- Provides technical advice on matters that contribute to the development of the profession (SOCPA, 2022).

2.3.2 Audit Firms in Saudi Arabia

In terms of providing auditing and consulting services, the main role of the audit firm in Saudi Arabia is no different from that of other audit firms in other parts of the world. These firms have an important role to play in economic movement among company stakeholders. In Saudi Arabia, audit firms must obtain a permit to practise the profession from the Ministry of Commerce. Among the requirements

stipulated is that an accountant must pass five exams in auditing, accounting, commercial systems, transactional jurisprudence, zakat, and tax. After the applicant has passed these tests, he is considered to have become a member of the Saudi Fellowship of Accountants which is part of SOCPA. The applicant must also hold a bachelor's degree from an officially recognised university, in a major such as Bachelor of Accounting, Economics, Finance, Public Administration, and Management (management sciences or its branches), and they must have completed twenty-one hours in accounting courses at the one of recognised universities. It is worth mentioning that members of the American or British Fellowship of Accountants can equate their certificates and obtain SOCPA membership without taking any further exams. However, to become a member of the Saudi Fellowship of Accountants, one is required to work at a recognised audit firm for five years to obtain a full license to become a partner or to establish an accounting firm. This requirement was adjusted at the beginning of 2023 to one year of work experience.

According to SOCPA, in the year 2023, 335 accounting firms held a permit to practise the profession of auditing and provide consultancy services in Saudi Arabia, as issued by the Saudi Organisation for Certified Public Accountants. SOCPA plays a supervisory and regulatory role in supervising these firms. More recently, SOCPA has stipulated that an auditor and his team must not provide audit and consulting services at the same time. However, an accounting firm can provide these two services using two different teams at the same time. For example, Accounting Firm A can provide audit services using a different team to that which provides consultancy services from the same Accounting Firm A.

2.3.3 The CMA in Saudi Arabia

The Capital Market Authority was established in the 1950s in Saudi Arabia in an informal and unregulated way. This coincided with an increase in oil revenues in the Kingdom (Al-Rehaily, 1992). In the 1980s, the first royal decree was issued to organise the Capital Market Authority. This resolution stipulated that the Capital Market Authority would be a governmental body, with financial and administrative independence, but it was also linked directly to the Saudi Prime Minister. The Capital Market Law was introduced in 2003/2004.

The Authority's role lies in supervising and regulating the financial markets and striving to control and develop them. This includes issuing the necessary regulations and instructions to control the financial markets in Saudi Arabia. This process aims to provide an appropriate investment environment, based on the principles of transparency and disclosure for companies listed in the Saudi stock markets (CMA, 2022). The Authority also aims to protect investors and stakeholders from illegal activities which might take place in the Saudi financial markets (CMA, 2022).

Members of the Capital Market Authority are appointed by a royal order from the King of Saudi Arabia. These five people comprise a Board, which is made up of a chairman, a vice-chairman and three members. This team has the power to appoint an executive management team of several experts, who are pre-tested by relevant bodies and institutions. This team of experts currently comprises sixteen people (CMA, 2022).

The Saudi Capital Market Authority bases its powers on the text of the Automated Market Law, established by the Saudi Financial Market Company (Tadawul). This body is authorised to provide financial market services inside of Saudi Arabia. Tadawul also manages the parallel Saudi stock market, Nomu (CMA, 2022).

2.3.3.1 The CMA and the Accounting Profession

The Capital Market Authority has a fundamental role to play in controlling the relationship between the external auditor and the companies listed on the Saudi stock markets. The Authority provides its own licenses to practise to companies listed on the main and parallel stock markets (in addition to the SOCPA license) for registered accounting firms and chartered accountants registered with the Capital Market Authority. It also issues licenses to investment funds, the Market and the Centre, and to persons authorised to practise in the securities business with the exception of arranging activities or providing consulting services. In 2019, the Authority announced that it would fully apply international standards in accounting and auditing in Saudi Arabia. It moved to announce the specific firms licensed by the Authority which could provide auditing services to companies listed in the Saudi market. Only 12 firms were selected from a total of 350 auditing firms in Saudi Arabia (see Table No. 1 below) (CMA, 2022). It is worth mentioning that the number of firms was increased to 14 during the time it took to undertake this current research (CMA, 2022).

2.4 The Saudi Stock Markets


The Saudi stock markets are managed by the Saudi Tadawul Company, which was established by the Capital Market Authority. Tadawul operates what is known as the main stock market, Tadawul, also known as the Tadawul Index (TASI). There is also a parallel stock market called Nomu. Each market has requirements that differ somewhat from the other, in that the number of listed companies and listing conditions differ between the main market and the parallel market. This rule is discussed in detail in the sections that follow.



Registered Accounting Firms

This section includes a list of registered Accounting Firms and registered Certified Public Accountants (CPAs) by Capital Market Authority to carry out Audit Engagements for Listed Companies, Investment Funds, The Exchange (Tadawul), The Depository Center, Authorised Persons licensed to carry out securities business, except arranging or advising activities.

Select Accounting Firm Name... 

CPA Name... 

Accounting Firms

[Collapse All](#)















Abdullah Mohammad Al Azem, Salaman Bander Al Sudairy, Musab Abdulrahman Al Shaikh, & Partners for Professional Consulting.	1010466353	190700	2019/07/29	
AlKharashi & Co. Certified Accountants and Auditors	536/11/323	191100	2019/08/20	
Baker Tilly MKM & Co. Certified Public Accountants	479/11/323	190200	2019/06/30	
Deloitte and Touche & Co. Chartered Accountants	323/11/96	221400	2022/01/31	
Dr. Mohamed Al-Amri & Co.	66/11/323	190800	2019/07/29	
El Sayed El Ayouty & Co. Certified Public Accountants	35/11/323	190600	2019/07/22	
Ernst & Young Professional Services	45/11/323	190300	2019/07/10	
Ibrahim Ahmed Albassam & Co. (Albassam & Co.)	520/11/323	190100	2019/06/24	
KPMG professional services	46/11/323	190500	2019/07/22	
Maham Professional Services	2050240744	221500	2022/03/07	
PricewaterhouseCoopers Public Accountants	25/11/323	190400	2019/07/17	
RSM Allied Accountants for professional Services	168/11/323	190900	2019/07/29	
Talal Abu-Ghazaleh & Co.	81/11/323	191200	2019/09/17	
Turki Abdul Mohsen Alluhaid & Saleh Abdullah Al Yahya Chartered Accountants	735/11/323	191000	2019/08/20	

Table 1: List of registered accounting firms and registered Certified Public Accountants (CPAs) authorised by the Capital Market Authority to carry out audit engagements for listed companies, taken directly from the CMA official website: <https://cma.org>.

2.4.1 Tadawul

Tadawul is the main official platform for trading stocks on the market in the Kingdom of Saudi Arabia. It was established in 2007 to replace the Saudi Stock Exchange (CASE), which had been running since 1984. Tadawul is a company owned by the Public Investment Fund, with a trading rate of 30% on the stock market (CMA, 2022). Tadawul is subject to the supervision of the CMA, which regulates the capital markets in Saudi Arabia. Tadawul is an electronic stock exchange platform that operates for five days a week from Sunday to the end of business on Thursday (which marks the beginning of the official weekend in Saudi Arabia, Friday and Saturday). This main Saudi market is a platform available to all local and foreign investors. Amendments have been made in recent years to allow foreign investors to operate on the main Saudi stock market (Tadawul, 2022).

Tadawul is the largest stock market in the Middle East, with a market capitalisation of more than \$2.6 billion, and an increasing number of companies; 204 companies were listed on the main market at the beginning of this study, with 223 companies listed until the beginning of 2023 (Tadawul, 2022). The market covers 20 sectors as follows: energy, materials, capital goods, commercial and professional, transportation, consumer durables and apparel, consumer services, media and entertainment, retailing, food and staples retailing, food and beverages, health care equipment, pharmaceuticals, biotech and life sciences, banks, diversified financial, insurance, software and services, telecommunication services, utilities, REITs, and, finally, real estate management and development (Tadawul, 2022).

In 2019, Tadawul was upgraded and classified by the global index provider MSCI to the rank of an emerging market. This is the result the Saudi financial markets sought, following a series of initiatives launched to improve corporate governance and attract more foreign investments. Tadawul permanently publishes financial reports and information for its listed companies on its official website, and requires listed companies to comply with the requirements of disclosure, reporting, transparency, and accountability (Tadawul, 2022).

2.4.2 Nomu

A parallel market operates, under the name of Nomu, which was launched in 2017. This is a stock market for medium and small companies. Nomu stipulates reduced listing conditions to those required for Tadawul (Tadawul, 2022). This provides an alternative step for medium and small companies that need additional financing before achieving the conditions needed to join Tadawul. For example, mitigating conditions say that a company must be formed by a Saudi citizen, or owned by a citizen of the Gulf Cooperation Council, or by a qualified foreign investor (CMA, 2020). It also requires that the market value of the company be equal to 10 million Saudi riyals, and that at least 20% of the company should be offered on the Nomu stock market. Companies listed on Nomu must contract with a licensed accounting firm, and they must submit financial statements on a semi-annual basis. The Nomu Parallel Market Capped Index is known colloquially as NOMUc, (CMA, 2020).

The number of companies listed on Nomu in 2020, when data collection first began for this current research was five listed companies. This number grew to 59 by 2023. The companies listed can be divided into 13 sectors, including: materials, capital goods, commercial and professional, consumer services, retailing, food and staples retailing, food and beverages, health care equipment, software and services, technology hardware and equipment, utilities, REITs, and real estate management and development. Most of these companies are looking to join the main market, Tadawul, later in their development. This means that each firm must increase company capital, and the number of its

shareholders from 50 to more than 200. The company must also demonstrate the ability to develop and expand in its field (Tadawul, 2022).

2.5 The Saudi Arabian Monetary Authority (SAMA)

The Central Bank of Saudi Arabia is known as SAMA, which is an abbreviation of its previous name of the Saudi Arabian Monetary Agency. The Central Bank of Saudi Arabia is one of the most important pillars of the local economy. It was established when the third Saudi state, the Kingdom of Saudi Arabia, was formed in 1952 (Mihret et al., 2017). The main objective of establishing SAMA was to issue and manage Saudi currency, and maintain the financial position of the state (SAMA, 2022). SAMA's role developed and expanded to regulate and supervise Saudi banks, as well as manage foreign reserves, and define monetary policies. It is the main reference point for Saudi banks and financial institutions (SAMA, 2022).

SAMA's role now involves setting monetary policies for Saudi Arabia, which, in turn, maintains price stability, and promotes economic growth. SAMA controls and supervises banks, the banking sector, and financial institutions such as the insurance sector and exchange offices. This is done with the aim of maintaining a healthy and sound financial market. SAMA also works to manage foreign reserves and create a balance between liquidity and returns, which are mainly valued in US dollars, including foreign bonds and stocks (SAMA, 2022).

SAMA is an active member of the following international organisations and committees: International Monetary Fund (IMF), World Bank Group (WBG), Group of 20 (G20), Bank for International Settlement (BIS), Financial Stability Board (FSB), Financial Action Task Force (FATF), Middle East and North Africa Financial Action Task Force (MENAFATF), International Association of Insurance Supervisors (IAIS), The Islamic Financial Services Board (IFSB), Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI), Gulf Monetary Council (GMCO), Arab Monetary Fund (AMF), Islamic Development Bank Group (IsDB Group), International Association of Deposit Insurers (IADI) (SAMA, 2022).

Regulatory	Responsibilities	Scope
SOCPA The Saudi Organisation of Certified Public Accountants	<ul style="list-style-type: none"> -Setting professional accounting and auditing standards in Saudi Arabia. - Licensing auditors in Saudi Arabia. - Promoting high quality financial reporting and auditing practices in Saudi Arabia. 	All external auditors in all sectors, including government, private, and non-profit organisations.
CMA The Capital Market Authority	<ul style="list-style-type: none"> - Regulating Saudi capital markets, including the main stock exchange (Tadawul) and the parallel (Nomu). - Setting regulations and standards for financial reporting and auditing of publicly listed companies. - Licensing auditors to audit listed companies. 	Regulates auditors to audit listed companies on the stock exchange by providing a list of specific licensed auditors who are allowed to audit listed companies.
SAMA The Saudi Arabian Monetary Authority	Regulating all the banking and financial services sector in general in Saudi Arabia including the banking and financial listed companies in both the main stock exchange (Tadawul) and the parallel (Nomu).	Regulates auditors to audit banking and financial listed companies on both the main stock exchange (Tadawul) and the parallel (Nomu) by issuing specific reporting and compliance requirements imposed by SAMA.

Table 2: Summary of the responsibilities and scope of the different regulatory bodies in the audit profession in Saudi Arabia

Through SAMA's supervision of banks and other financial institutions in Saudi Arabia, it has a role in regulating the relationship between financial companies and external auditors. This will be discussed in the next section.

2.5.1 SAMA and the Accounting Profession

SAMA plays an important role in controlling the relationship between auditing firms, the banking sector, the insurance sector, and the Saudi stock market. Since its inception, SAMA has been granted direct supervision of the banking and insurance sectors. Further, it has issued requirements and instructions relating to these sectors which differ from those issued for other sectors operating on the Saudi stock market. Before the formation of SOCPA, SAMA relied on international standards for auditing and accounting, and required banks and insurance companies to prepare financial statements in line with international standards, which were known locally as SAMA standards. The reason behind SAMA's use of international standards was because of the sensitivity of the banking and insurance sectors, and their connection to international operations and international accounting (Mihret et al., 2017).

SAMA requires banks and insurance companies on the Saudi stock market to engage with two different external auditors (from two different audit firms), and to issue a joint audit report which must be signed by these external auditors at the end of each fiscal year (SAMA, 2022). The audit report must be issued using the name and signature of two different auditors, according to SAMA requirements.

2.6 Saudi GAAP and the IFRS/IAS Transformation Project

This section will discuss Saudi accounting standards that were applied from 1994 until 2017. Previous to this, accounting standards used were a mixture of American standards and zakat, based on Islamic law (Al-Rehaily, 1992). The choice of American standards was made for several reasons, including because the person in charge of setting standards at the time had sought assistance from a team of American experts to draft the standards. Further, the person in charge of setting standards had an educational background in the United States. This worked to forge a relationship between Saudi Arabia and the US which was the most important economy in the world. As already discussed, US companies were involved in the first discovery of oil in Saudi Arabia, and its selling price was linked to the dollar (Al-Rehaily, 1992).

As years went by, SOCPA faced many challenges at the educational, training, developmental, and organisational levels (Mihret et al., 2017). At the educational level, local universities offered accounting courses based on Saudi standards, while Saudi scholarship students studied international standards (Albader, 2015). Up until 1994 this situation was never addressed (Albader, 2015). On the training level, there were not enough training centres to cope with aspiring accountants, mainly because standards used were not compatible with internationally applied standards. This made SOCPA's task of delivering training programmes more difficult (Albader, 2015).

On the organisational level, although SOCPA legally required all listed companies to comply with its standards, SAMA required banks and insurance companies to adopt international standards. This was because of the banks' close association with international operations, such that a consistency of standards was required to prepare financial statements (Albader, 2015).

Saudi Arabia's accession in 2009 to the Group of Twenty Economic Countries meant that it had to adopt international standards in accounting and auditing in line with the group's desire to unify standards in all countries of the world (Nurunnabi, 2017). This resulted in announcing a transition project to international standards in 2012 which was due to end in 2017 (SOCPA, 2017). Since 2012, SOCPA has worked with the International Accounting Institute and relevant authorities to translate international standards from English into Arabic. In 2016, SOCPA announced that from 2017 the application of international standards would be mandatory for listed companies and their external auditors, and in 2018, international standards were applied in all local companies (SOCPA, 2017).

In 2012, SOCPA announced that its Board of Directors had approved a project for the implementation of international standards in accounting and auditing. The methodology to be used

was also announced, so as to ensure that any plan would be sound and achieve the desired goals. A committee was formed under the banner of the leadership of the Chairman of the Accounting Standards and Auditing Standards Committee, and included representatives from the Ministry of Finance, the CMA, and SAMA. This resulted in the formation of various technical sub-committees whose function was to carry out translating standards from English into Arabic. Another committee was formed to review these translations and ensure their validity. In addition, a legal technical committee was formed to ensure the regularity of the standards (SOCPA, 2017). Finally, an advisory committee was formed to consider the results of previous committees before approving their outputs. It is important to note that translation from English to Arabic may provide support for these emerging markets but may create educational and training difficulties as well. Since the official language in Saudi Arabia is Arabic, SOCPA makes great efforts in translation, but the difficulty lies in the degree of accuracy that reflects the true meaning of the standards, which could lead to a somewhat different understanding or difficulties in the training and educational aspects.

SOCPA announced that companies listed on the Saudi market, Tadawul, would be obligated to apply international accounting standards. Further, auditing companies were to apply international standards for auditing by 2017. However, it was optional for small and medium enterprises to apply the standards by 2017, but mandatory application by 2018 was required for all types of companies in Saudi Arabia.

As a result of this project, international standards for accounting and auditing were fully adopted and implemented without substantial modifications. SOCPA announced that the application of international standards was undertaken to respond to global developments in the profession, and to contribute towards the standardisation of accounting transactions around the world. SOCPA announced its cooperation with training organisations in the European Union to organise training packages. This meant changing some local training packages, exams and local professional certificates to comply with the shift to international standards in auditing and accounting (SOCPA, 2017). SOCPA concluded in a report that the conversion to international standards was an extension of its interaction with the international community, and because it was a member of relevant international gatherings, including the following:

- a) Membership of the Board of Trustees of the International Financial Reporting Standards Foundation, which supervises the International Accounting Standards Board;
- b) Membership of the International Financial Reporting Standards Implementation Group, for Small and Medium Enterprises;

- c) Membership of the Standards Preparers Group for the Asia and Oceania region;
- d) Membership of the Emerging Economies Group in the G20 countries; and
- e) Membership of the Advisory Group for the International Accounting Standards Council for Islamic Instruments and Transactions (SOCPA, 2017)

2.7 The Saudi Vision 2030

Since the discovery of oil in Saudi Arabia, it has been the main source of government revenues, and the most important engine in the Saudi economy (Alkhathlan, 2013). The State's annual general budget is prepared and announced based on oil revenues, and the improvement of oil markets and the rise in oil prices. Government spending usually increases or decreases according to fluctuations in the rise and decline of oil prices, and this affects life in Saudi Arabia (Vision 2030, 2017). In the summer of 2016, the Saudi Government announced the Saudi Vision 2030, which aims to effect the economic transformation of Saudi Arabia, so that it becomes a more sustainable economy which is not linked to a single source of revenue (Vision 2030, 2017).

The Saudi Vision 2030 is based on three main axes:

- a) That the Kingdom of Saudi Arabia is the land of the Two Holy Mosques, the purest place on earth, and the destination of more than a billion Muslims, making it the heart of the Arab and Islamic world.
- b) That the Kingdom uses its investment power to create a more diversified and sustainable economy.
- c) The Kingdom harnesses its strategic location to strengthen its position as a major engine of international trade and to connect the three continents: Africa, Asia and Europe (Vision 2030, 2017).

The Saudi Vision 2030 has served to initiate study and life development programmes, such as the Quality of Life Programme, the Entertainment Programme, the Digital Transformation Programme, and other goals that seek to diversify the economy, increase employment opportunities, develop human capital, and promote social cohesion. This means an increasing focus on privatisation, and the growth of the private sector, which aims to reduce dependence on government spending. Other programmes promoted include those for tourism, renewable energy, education, and training (Vision 2030, 2017).

2.7.1 The Saudi Vision 2030 and the Accountancy Profession

Accounting plays an essential and decisive role in enhancing transparency, accountability, and disclosure, when attracting investment (Ebaid, 2022). The Vision 2030 sets out ways of diversifying the economy and reducing dependence on oil revenues, but these tasks cannot be completed without strengthening the role of accountability in Saudi Arabia (Vision 2030, 2017). In this respect, SOCPA is trying to lead the way in the accounting profession. External auditors in Saudi Arabia must now be Saudi nationals, and SOCPA provides support for those wishing to obtain study and training packages and accounting fellowship certificates. This is done in cooperation with the Ministry of Human Resources and the HADAF programme, which covers financial costs until the applicant obtains an accounting fellowship certificate (HRDF, 2018).

It is the goal of SOCPA to increase the number of CPA holders and professional auditors in Saudi Arabia, in response to economic growth. This growth is coming from sectors such as tourism, renewable energy, and others. This means an increase in the number of auditors to align with the growth in numbers of Saudi companies (SOCPA, 2022). SOCPA is also working to ensure that external auditors who have fellowship provide high-quality audits. This means increasing investor confidence and attracting foreign investment into the Kingdom (SOCPA, 2022). In addition, the Saudi Vision 2030 encourages increasing the number of professionals, including in the auditing profession. The Vision 2030 provides support to those who have the necessary professional certificates and licenses in their desire to establish accounting firms (Vision 2030, 2017).

2.7.2 Attracting Foreign Investment

One of the goals of the Saudi Vision 2030 is to open up the economy to foreign investment. Many economists and researchers believe that the flow of foreign investment is the most effective tool for the development of a local economy in many countries and in emerging economies. It is classed as an important tool for transferring technologies and expertise into the country, and enhancing quality of life by providing job opportunities and exchanging experiences (Aziz and Mishra, 2016; Boğa, 2019; Joshua et al., 2020).

The Saudi economy is different because the Saudi Government is significantly involved in it. From the 20th century, there has been a long-term reliance on oil as a source of revenue which drives the local economy. This means that there has been a lack of investment in other industries, because oil has been sufficient a resource to drive the economy. This has led to a negative investment flow over many

decades. Now, the Saudi Government has sought to adopt new policies and to join international organisations such as the World Trade Organisation (in 2005) (Samargandi et al., 2022).

2.8 Conclusion

This chapter has offered a comprehensive review of the Saudi Arabian context of the current research in terms of economics, society and politics. The context is important as it helps to set the scene in which the research plays out. It has shed light on the profession of accounting and auditing in Saudi Arabia. In addition, this chapter has described the relevant parties involved in the accounting profession in Saudi Arabia, such as the CMA, SAMA, and the two main stock markets, Tadawul and Nomu. This chapter is an important step for linking the Saudi Arabian context and post-colonial theory. Since the beginnings of the Saudi economy, the profession of accounting and auditing has been linked to globalisation, and has been influenced by Western accounting standards. This has been happening ever since establishment of the profession and after the adoption of international standards, which call for the unification of accounting and auditing standards around the world. In order to understand perceptions of AQ and AQIs in Saudi Arabia, it is necessary to offer context to the unique social, economic, and cultural environment lived in by the individuals participating in this study.

Chapter 3: Literature Review

3.1 Introduction

This chapter will review previous studies in the field of accounting and auditing in order to offer better understandings and definitions of AQ. Particularly, the literature review will examine AQ and AQIs, and it will look at AQI frameworks. This will be linked in with a review of studies undertaken about AQ and AQIs in Saudi Arabia. The examination of the literature will help to show the derivation of the research questions to be asked in the thesis (see Chapter One), in order to show how previous studies have contributed to forming the research questions, and how the research questions will help fill the knowledge gap.

3.2 Audit Quality (AQ)

Historically, AQ has been a contentious topic in the field of auditing research because the definition of AQ depends on the different views of different stakeholders. For example, auditors may view AQ differently from those serving on boards of directors, or from regulators. Recently, AQ and AQIs have attracted the attention of regulators, researchers, and investors, and both have been investigated more rigorously in recent times.

One important point to mention here is that most studies about AQ and AQIs use a positivist approach, and most studies prefer to use quantitative methods to test and examine hypotheses. These methods do not consider the socially constructed nature of the *professional* (Power, 2003), which incorporates an interpretive approach to understand AQ. The current research acknowledges the socially constructed nature of the professional as pointed out by Power (2003), and adopts the interpretive approach which emphasises the importance of understanding how individuals within a specific social and professional context shape and are shaped by their roles. More explicitly, empirical research into AQ such as that undertaken by DeAngelo (1981) and Palmrose (1988) raises the question of AQ and the role played by political, social, and cultural factors. Indeed, differences in viewing and understanding AQ between countries are not often explored (Humphrey, 2008). This means there is a need for research about AQ that takes into account the social structure of auditing and which looks at the institutional, cultural and social differences that exist between countries and companies (Sikka et al, 2009, Humphrey, 2008).

3.3 The Definition of AQ

Previous studies demonstrate a semi-consensus about the difficulties of defining AQ, and note the lack of a specific definition of AQ. There are several reasons for this, including the research goals of individual studies. For example, some studies seek to determine a definition of AQ, rather than to understand what AQ is in a given context (Francis, 2004). Further, some researchers focus on one

stakeholder who might view AQ from a different perspective (IAASB, 2013). Also, some accounting organisations commission their own studies about AQ, and the findings of these studies often reflect the interests and/or points of view of the commissioning firm. Knechel et al. (2016) argues that the absence of an agreed and unified definition of AQ among researchers is because of the complexity of audit services. Although there is no single or clear definition of AQ among researchers, most researchers use the following definition as a guide, as offered by DeAngelo (1981):

The quality of audit services is defined to be the market-assessed joint probability that a given auditor will both: (a) discover a breach in the client's accounting system; and (b) report the breach.

This definition focuses on the results of the audit. Firstly, it concentrates on the detection of a breach in the accounting system, but the number of breaches may vary based on different regulations, and the accounting and auditing standards followed in different countries. Secondly, a positivist point of view is taken, which considers quantitative measurements that assess the probability of specific events occurring, such as an auditor discovering a breach and reporting it. This approach also relies on external criteria as it involves market assessments and specific, verifiable actions by discovering a breach and reporting it. This definition also focuses on empirical testing which relies on market assessments and probabilities that can be subject to empirical testing and verification. These are the characteristics of positivist research and most quantitative theories in AQ literature use this definition. Moreover, institutional and regulatory differences in markets are not considered.

Knechel et al. (2016) argues that DeAngelo's definition of AQ mainly focuses on two parties, namely, the market and the client. Further, Chadegani, (2011) argues that DeAngelo's definition of AQ only looks at the auditor's ability to detect errors; it concerns technical capabilities and the reporting of errors that indicate an auditor's independence. Palmrose (1988) suggests that focus must also be placed on the outcome of AQ when defining AQ, and, thus, defines AQ as, "The level of assurance that the financial probability statements contain no material omissions or misstatements." Moreover, a study by Carcello et al. (2002) defines higher AQ as, "greater assurance, which requires more audit work". Be that as it may, more audit work does not always mean high AQ results.

According to the American Government Accountability Office (GAO) (1987), a high-quality audit is defined as being undertaken, "In accordance with generally accepted auditing standards to provide reasonable assurance that the audited financial statements and related disclosures are: (1) presented in accordance with generally accepted accounting principles; and (2) are not materially misstated whether

due to errors or fraud.” However, this definition might not be accurate, as other previous studies have noted. This is because quality may vary from one firm to another, even when the same auditing standards are used (Lennox, 1999; Choi et al. 2010). Therefore, the unification of standards between countries and organisations with multiple differences may not necessarily mean reaching the same required quality in auditing. Further, this definition only seems to represent an auditor’s viewpoint, and not the views of other involved parties. In this respect, the PCAOB (2013) defines AQ as, “Meeting investors’ needs for independent and reliable audits and robust audit committee communications on: (1) financial statements, including related disclosures; (2) assurance about internal control; and (3) going concern warnings.” This definition links AQ to the needs of investors. However, it offers an imprecise meaning when it uses the word “investors”, because AQ is also needed for other financial statement users, such as the public and, even, auditors.

A study by Christensen et al. (2016) notes that a professional auditor’s definition of AQ might focus on compliance with professional auditing standards, while investors might link AQ to the individual characteristics of the auditor who provides the audit services, such as industry specialisation. In contrast, Wallace (1980) defines AQ as the auditor's ability to increase the accuracy of financial statements and reduce the degree of error.

DeFond and Zhang (2014) define AQ as something which is designed to, “faithfully reflect the firm's underlying economics” rather than, “providing more information about the features of a firm's financial performance”. The same study concludes by defining AQ as, “greater assurance that the financial statements faithfully reflect the firm's underlying economics, conditioned on its financial reporting system and innate characteristics” (DeFond and Zhang (2014). Here, AQ is linked to the financial reports. This indicates a multi-party process which begins with the preparation of financial reports in the company (at the client face) and ends with an audit and judgement on the audit via the final audit report by the external auditor.

The above-mentioned studies mostly originate from Western countries, specifically the US and UK. (see table 3). Taqi et al. (2021) looks at articles published in academic journals, from 1981-2020, using the Scopus database. The study finds that the researchers Knechel, Myers, and Carcello have published the most studies about AQ using data from the USA, and most Western studies are quantitative studies. In addition, the most widely used theory applied in AQ research is agency theory, with other theories such as regulation theory, signal theory, and game theory, also being used explain and understand AQ.

Study	Author	Country
Auditor size and audit quality.	DeAngelo, (1981)	United States
An Analysis of Auditor Litigation and Audit Service Quality.	Palmrose, (1988)	United States
What do we know about audit quality?	Francis, (2004)	United States
Audit quality and regulation.	Knechel et al. (2016)	United States
Board characteristics and audit fees.	Carcello et al. (2002)	United States
Understanding Audit Quality: Insights from Audit Professionals and Investors.	Christensen et al. (2016)	United States
The economic role of the audit in free and regulated markets.	Wallace (1980)	United States
A review of archival auditing research.	DeFond and Zhang (2014)	United States
Discussion – audit quality indicators.	PCAOB, (2013)	United States
Audit quality Indicators (AQR) thematic review.	FRC (2020)	United Kingdom

Table 3: The most important research that attempts to understand and define audit quality

However, any study of AQ should not ignore context, place of study, and organisational, environmental, and cultural differences (Dang et al., 2017; Andri et al., 2020). In addition, these quantitative studies often rely on agency theory in an attempt to understand and define AQ (ICAEW, 2005). Agency theory is used for examining how auditors (who work on behalf of shareholders) handle conflicts of interest and information gaps that could affect the quality of financial reporting. But at the same time, it assumes that auditors are truly acting in the best interests of shareholders, given their role as agents in this relationship (Watkins et al., 2004; ICAEW, 2005). AQ has multiple sides that can be viewed using the lenses of other theories to fit the context; using a different theory can offer a deeper understanding of perceptions of AQ (Mitnick, 2013; Andri et al., 2020). Of course, this kind of approach will only partly contribute towards reaching an ultimate definition of AQ, but it can still be valuable for gaining a deeper understanding of AQ (Dickens et al., 2014).

The perceptions of AQ as identified above are mostly associated with auditors and their personal characteristics but others are associated with auditing firms. In an attempt to understand AQ, previous studies (such as Johnson et al. 2002; Myers et al. 2003; and Mansi et al. 2004) argue that the perception of AQ is connected to the audit firm (Chi and Huang, 2005; Carey and Simnett, 2006; Chen et al., 2008) and is linked to the auditor himself. A study by Chi et al. (2017) finds that studies which link AQ to audit firms mainly focus on United States data. Studies undertaken outside of the USA tend to

correlate perceptions of AQ with the auditing partner as an individual. Therefore, it can be concluded that differences in perceptions of the AQ vary according to the place of study and different cultures.

Francis (2004) suggests that poor AQ relates closely to the auditor not being independent and the provision of other services by audit firms alongside auditing, suggesting that: “AQ will always be somewhat dubious if other services are provided that are perceived as potentially endangering the auditor’s objectivity and scepticism”. Duff (2004) argues that some understandings of AQ address only auditor competence and independence, which is a narrow brief, and does not cover AQ in all its aspects. Francis (2004) also comes to this conclusion in a review of the consequences of mandatory auditing and the regulation of non-audit services after the reforms of the Sarbanes-Oxley Act (2002) in the USA (following the Enron-Andersen scandal). Moreover, Ghafran and O’Sullivan (2017) found that the audit committee expertise on AQ is very important, and that experience becomes more important the smaller the size of the company, which directly influence the quality of the audit. However, Francis (2004) suggests that differences between the legal systems of different countries can play an important role in shaping perceptions of AQ. For example, the penalties for failing AQ vary according to the local regulations in different countries, because the regulation of the profession in different countries varies. In Saudi Arabia, for example, Government regulations play a role in regulating the profession, unlike in other countries, where self-regulation comes from the private sector and is separate from government sponsorship, as pointed out by Francis (2004). This may have an effect on perceptions of AQ.

Academic studies of AQ in Saudi Arabia, which is an eastern developing country, proceed from the perspective used in societies and environments that differ partially or completely in their cultures. This is also the case in other developing countries. For example, Nurunnabi (2018) studies the impact of joint auditing (where two auditors from two different audit firms jointly audit a company) on AQ in Saudi Arabia without giving a definition of what is meant by AQ. Further, a study of AQ in Southeast Asian countries by Favere-Marchesi (2000) reveals that the concept of AQ varies between these countries, because of different laws, regulations, and audit obligations. In a study of AQ in Uganda, Kaawaase et al. (2016) finds that AQ is a multi-dimensional construct.

3.4 High Quality and Low Quality AQ

AQ can range between high quality and extremely low quality (Francis et al., 2001). Further, some researchers view AQ in terms of high quality or low quality. Gaynor et al. (2016) defines high AQ as, “one that provides a higher level of assurance that the auditor obtained sufficient appropriate evidence that the financial statements faithfully represent the firm’s underlying economics”. This definition

focuses on the outcomes of an audit and the auditor's opinion, and draws attention to who controls AQ and AQ responsibilities. In one way or another, this definition argues that AQ is one of the auditor's responsibilities, while ignoring other important aspects such as: the standards on which the auditor works; the role of the board of directors in selecting the auditor; and the bodies that organise and supervise the profession. Odudu (2018) argues that the responsibility of AQ is the joint responsibility of several parties, including the audit committee of the company, whose role is to ensure the credibility and reliability of financial statements before handing them over to the auditor for audit. Carcello et al. (2002) defines higher AQ as, "greater assurance, which requires more audit work". However, more work does not necessarily mean high quality. In addition, DeFond and Zhang (2014), define higher AQ as, "greater assurance of high financial reporting quality".

On the other hand, low AQ is seen by some researchers as being the same as audit failure. These researchers note that, sometimes, stakeholders may not know about an audit failure until the occurrence of a scandal (Roy, 2015). Francis et al. (2001) suggests that the failure of an audit has a direct relationship to the auditor, and that audit failure can occur if: a) the auditors do not follow the principles of auditing; or, b) if the auditor is not able to complete his/her job and is unable to provide an audit opinion. The same study in (a) refers to audit standards which guides the auditor on how to conduct an audit.

Ali (2019) finds a concentration of AQ research in countries such as the USA and Australia (English-speaking countries), and notes how this research has influenced the recent increase in AQ research in East Asian countries, such as in China, Taiwan, and Hong Kong. The same study calls for more research in developing countries to help gain a deeper understanding of AQ in different contexts and cultures.

The current study aims to understand and explore perceptions of AQ in a new context, namely, that of Saudi Arabia. Moreover, according to the researcher's knowledge, there is a paucity of research about AQ in Saudi Arabia. However, increasing interest in local context research is being shown by the regulators of the profession in Saudi Arabia, SOCPA. Saudi Arabia differs politically, culturally, and socially from Western, Asian and some other Middle Eastern countries (see context Chapter 2). Additionally, exploring AQ critically, using post-colonial theory and mixed methods data collection will offer more insights into existing literature, and offer a deeper understanding of AQ.

3.5 AQ and AQIs

This section will address the relationship between AQ and AQIs, and how both are viewed in research relating to AQI.

Because it is still not easy to define AQ, researchers have been prompted to discuss AQIs (Dickins et al., 2014). However, research about AQIs differs based on the approach taken and the methodology of study in most cases. Further, in research, AQIs are variably referred to as indicators, proxies, measures, and determinants, all of which mean the same thing. The use of different words is based on the direction and methodology of the study in most cases.

In 2020, the Financial Reporting Council (FRC) defined AQIs as, “quantitative and qualitative measures of external AQ, including both inputs and outputs”. The FRC explains that a firm’s history, its present circumstances, and future ability, all influence its ability to perform quality audits, and to provide insights into AQ in a relevant context. In addition, the FRC has worked towards clarifying the relationship between AQ and AQIs. In this respect the FRC (2022) gives an example of the Key Performance Indicators (KPIs) as it can be cited due to their similarity to AQIs. The FRC (2020) notes that, “The distinguishing characteristic of AQIs is that they are viewed through a quality lens to either assess AQ or determine actions that will improve AQ”.

In 2008, the PCAOB, which is part of the U.S Department's Treasury Advisory Committee on the Auditing Profession, offered up recommendations for the development of the auditing profession. Among these recommendations was advice on AQ and its indicators (treasury.gov, 2008). The PCAOB divided AQIs into two parts: indicators based on inputs, and indicators based on outputs. These indicators later came to be classed as the building blocks for the POCPA project (Little et al., 2018). In 2012, the PCAOB announced its AQIs project, and in 2015 it announced the results of the project by presenting a framework for AQIs. In this framework, AQIs were defined as, “measures that provide insight into financial statement AQ.” It can be concluded from the two definitions offered by the PCAOB and FRC that the relationship between AQ and AQIs relates to measures that can be used to assess or predict AQ, which can be viewed from several points of view. This benefits many stakeholders interested in the auditing profession, including investors, auditors, financial institutions, companies, lawyers, regulators, and universities (treasury.gov, 2008; Little et al., 2018). A study by Knechel et al. (2013) reviews previous researches on AQ and concludes that perceptions of AQ have led to the inception of AQIs. In other words, the lens that looks at AQ contributes to determining AQIs.

3.6 Audit Quality Indicators (AQIs)

This section will review the different frameworks which refer to a structured and systematic approaches used for studying AQIs. It will explain the framework used in the current study and why it has been chosen. It is important to mention that this study focuses on AQIs relating to the auditor, and it offers three different perspectives of the work of auditors; from the perspective of auditors themselves, from the perspective of regulators (SOCPA), and members serving on boards of directors in the Saudi listed companies.

3.6.1 Direct and Indirect AQIs

Previous studies on AQIs have divided indicators into two categories: direct and indirect (Chadegani, 2011). Krishnan and Schauer (2000) define direct indicators as those that comply with generally accepted standards in auditing and accounting, and Eiger and Raghunandan (2002) define them as bankruptcy indicators. Dechow et al. (1996) defines direct indicators as the sources available to the auditor, or oversight from financial markets and related authorities, while Danos et al. (1989) defines indirect indicators in relation to audit size, and Lys et al. (1994) defines them as the period of auditor tenure. Balsam et al. (2003) defines them according to industry expertise, and Palmrose (1986) defines indirect indicators in relation to audit fees.

Chadegani (2011) believes that the approach used for dividing AQIs into direct and indirect indicators faces some challenges, as it is difficult to generalise AQIs, especially those which vary according to the different samples used in quantitative studies in particular, and the fact that AQIs are based on assumptions. For example, in cases of bankruptcy, there is no AQ, and the absence of bankruptcy may not necessarily mean there is AQ. Therefore, indicators are not a real measure, because they are variable and do not have to be linked to AQ. Further, indirect AQIs, such as the size of the audit firm, may differ either according to the client or according to the audit period. Therefore, the assumption of a single indicator of AQ, whether direct or indirect, may not be appropriate to be used as an AQI (Chadegani, 2011).

3.6.2 AQI Frameworks

Another approach to exploring AQIs is noted in a study by Chadegani, (2011), which identifies a specific country or an audit firm, such as one of the Big Four, as a basis for AQ. The same study compares this country or firm with others, to discover AQIs. This is what is called "the source of differentiation". These differentiations are divided it into three main categories: institutional

differentiation, the differentiation of individual practices in auditing firms, and differentiation due to industry specialisation (Francis, 2004).

Mushiirah (2018) investigates the auditor's perception of AQIs in Mauritius. The same study finds that firm size, specialised industrial experience, independence, audit fees, reputation, and auditor rotation, are among the most important indicators of AQ from the perspectives of accounting professionals. The approach taken in Mushiirah (2018) is informed by the work of Turley and Willekens (2008). A study by Mushiirah (2018) identifies gender as an AQI because, it suggests, women are more willing to encourage AQ compared to males in Mauritius. However, this study targets accounting professionals as a sample group, and uses quantitative methods for data collection and analysis. The same study calls for more research into the viewpoints of other stakeholders.

Previous research views AQIs in many different ways. However, some frameworks used for studying AQIs have been developed by organisations such as PCAOB and FRC. According to a study undertaken by Little and Lehkamp (2018) it is possible to divide AQIs into three areas of study as follows:

- a) Audit Partner Tenure and AQ.
- b) Audit Fees and AQ.
- c) Audit Firm Size and AQ.

This framework only considers organisational culture and ignores many other aspects. For example, it does not consider indicators such as education, training, audit team, industry specialism, and other parties, such as the regulator. Also, indicators may vary from country to country, due to different legislative systems and cultural background, and, therefore, AQIs cannot be generalised to all countries, specifically emerging and non-Western ones.

A study by Bedard et al. (2010) looks at a different framework which divides AQIs into two different groups: input and output. Further, a common way of studying AQIs is that suggested by the PCAOB, namely, potential AQIs (PCAOB, 2015). This framework divides AQIs into three categories:

- a) Audit professionals, including availability, competence and focus.
- b) The audit process, including tone at the top and leadership, incentives, independence, infrastructure, monitoring, and remediation.

c) Audit results, including financial statements, internal control, going concern, communication between the auditors and the audit committee, and enforcement and litigation.

Francis (2011) reviews previous research into AQIs to devise a framework on four levels, as follows:

a) Audit input: audit tests and engagement team personnel.

b) Audit processes: the implementation of audit tests by engagement team personnel.

c) Audit firms: engagement teams that work in accounting firms, accounting firm hires, training, compensation for auditors, developing audit guidance (testing procedures), and audit reports issued in the name of the accounting firms.

d) Audit industry and audit markets: accounting firms that constitute an industry.

Francis (2011) points out that AQ itself is affected by each element at each of the different levels of auditing. The paper calls for more efforts to gain a better understanding of AQIs.

In 2014, the IAASB, which issues International Standards on Auditing (ISAs), devised a framework similar to that offered by Francis (2011). This framework categorises indicators into three categories: inputs, processes, and outputs. Inputs are everything relating to the auditor in terms of education, experience, training, and skills, and added to this list are the values, ethics and attitudes of the auditor. The division of operations into a department or team is linked to engagement, including the audit team, adherence to audit standards, taking an approach to risk assessment, and the use of appropriate information technology. Processes cover how the auditing firm performs the audit, including the auditing methodology used, the auditors' practise of professional scepticism, and the culture of the auditing firm. Finally, outputs comprise the audit report, which reflects the work from the beginning of the input through to the operations and their results. The audit report serves all stakeholders. This framework also includes other indicators, such as contextual factors, which are concerned with the regulatory and legal environment, corporate law, and governance controls.

The IAASB framework is the most comprehensive framework for AQIs, because it considers the use of information technology as an indicator, and emphasises the importance of context indicators. This framework also highlights adherence to international auditing and accounting standards as an important indicator of AQ. However, studies by Poullaos et al. (2012), Zakari (2012), and Hopper et al. (2017) argue that context indicators contradict the unification of international standards in auditing and accounting around the world. This is because of the different regulatory, legal, and cultural

environments between countries. Differences between countries, their regulatory environment, the nature of the profession in different countries, and even differences in the culture of auditing companies, are not usually taken into account in the frameworks that are used to study AQIs, which can affect views of AQ and what AQIs are. For example, the regulation of the auditing profession in the United States and its legislative and regulatory nature cannot be equated with the same factors in an emerging country, or even in another Western country, or in a rich but more socially conservative Middle Eastern country.

3.6.3 Stakeholder Expectations of AQ and AQIs

A study by Christensen et al. (2016) discusses differences between the expectations of auditors and investors in relation to AQ. The findings indicate that the auditor defines AQ as following what the regulator says, but that investors see AQ as connected to the individual characteristics of the engagement team performing the audit. In Christensen et al. (2016) the authors use a mixed methods approach; different surveys are given to auditors and investors, and followed up with interviews. This kind of approach offers a deeper understanding of the differences between the expectations of the auditor and the investor in relation to AQ. A study by Blay et al. (2019) uses social norms theory to find that AQ and AQIs are linked to social norms such as honesty, and the responsibility of the auditor. This suggests that AQ is the auditor's responsibility, and there is an expectation for the auditor to act with ethical honesty.

Al-Ghamdi and Al-Anqari (2005) examine the effects of implementing a quality review programme approved in 1994 by SOCPA for audit firms in Saudi Arabia. This study uses questionnaires and applies positive accounting theory to discover and understand the effects of the quality review programme. Al-Ghamdi and Al-Anqari (2005) note gaps between the work of international audit firms and local firms in terms of adhering to the requirements of the quality programme. This may be due to the scarcity of local auditing firms and the indifference of local auditing firms to the consequences of their non-compliance. However, the same study states that the quality programme requirements are costly and difficult for local firms to meet. In other words, the test inspired by the IFAC (International Federation of Accountants) is not suitable for the nature of the profession locally, including submitting audit reports in English, communicating in English with clients, and obtaining international professional certificates such as those recommended by the American, British or European Fellowship of Accountants. This programme, which SOCPA expects will enhance the quality of audit, and was adopted and implemented, is not compatible with the nature of the profession in Saudi Arabia, because,

for example, Arabic is the official language used between the client and the auditor, and local users mostly speak Arabic.

3.6.4 AQIs Framework Summary

In summary, after undertaking a review of the frameworks for AQIs as outlined in previous research, it can be noted that, despite the different classifications of AQIs and the way they are presented there is a similarity in the indicators themselves. For example, a framework that studies AQ based on the classifications of inputs, processes, and outputs, as suggested by Francis (2011), places auditor competency (education and training) under inputs, while the PCAOB (2015) classifies it under audit professionals. These differences may be due to the way AQ is perceived, and whether it is seen from a legislative or investor point of view (PCAOB, 2015; FRC 2020), or an academic analytical viewpoint (Francis 2011; Chadegani, 2011; Bedard et al., 2010). These frameworks mostly examine indicators in a quantitative manner, and do not review differences in social, cultural, legal and contextual aspects that may exist between developed and developing countries (Poullaos et al., 2012; Zakari, 2012; Hopper et al., 2017), specifically in Saudi Arabia, in the case of the current study. The current study aims to provide a comprehensive review of AQ and AQIs from the perspective of members who serve on the boards of directors of Saudi listed companies, external auditors, and legislators at SOCPA.

The frameworks discussed above agree on the significant role that auditors and audit firms play in providing AQ. However, they turn a blind eye to the structure of current 'modern' audits in developing countries, which standardise the work of auditing using global regulations, to meet the investor's needs, i.e. 'the power party' who may be looking out for their own interests, and who might be seeking economic benefits. The FRC believes that AQIs change over time. However, studies on the role that international standards play in accounting and auditing, and the use IT for AQ and AQIs are limited in developing countries and in Saudi Arabia in particular. In addition, although audit firm culture is an important indicator of AQ, a closer look at the academic literature shows that audit firm culture has been assessed only to a limited extent.

In order to gain a comprehensive understanding of research into AQIs, the next section will select AQIs that have been dealt with in previous studies, and will review the different opinions and arguments that have been put forward about these indicators. This is relevant to the current research which explores AQIs from the point view of members serving on the boards of Saudi companies, external auditors, and Saudi regulators at SOCPA in Saudi Arabia.

3.7 Classifications used in AQI Frameworks

This section will review AQIs that have been dealt with in previous studies, and will shed light on the arguments about AQIs. For example, it will look at the different classifications used in AQI frameworks, such as auditor competence, gender, time pressure on the auditor, the tenure and rotation of the auditor, as well as the auditor's dependence on the work of the internal auditor, the use of IT, and the size of the audit firm, its culture, and audit fees as AQIs. These AQIs are the most covered in the literature review and will be outlined in the following sections.

3.7.1 Auditor Education, Experience and Training

Auditor competence refers to the auditor's education, training and experience (Gul et al., 1994; Noor, 1996). A considerable amount of research has been undertaken about the education, experience and training of auditors as professional or industry experts, and the influence of this on AQ. A study by Bonner et al. (1990) believes that auditors gain experience by practising auditing, which leads to more knowledge and higher AQ. In addition, Libby et al. (1990) supports this finding, and further finds that the more experienced the auditor is "as a professional", then the more chance he or she has of detecting financial statement errors, which works to provide a better quality of audit. A study by Alissa et al. (2014) also believes that the auditors' experiences are associated with audit performance. However, many accounting scandals have involved experienced practitioners who work at well-established firms (Low et al., 2008).

It has been argued in Taiwan that there is a positive association between auditor quality and licensed auditors who are CPA qualified (from the USA) (Cheng et al., 2009). Further, it is suggested that audit failures decrease when the auditor is more highly educated, because this leads to a higher AQ outcomes (Gul et al., 2013; Li et al., 2017). Moreover, auditor experience has been studied as industry expertise (Owhoso et al., 2002; Chin et al., 2009; 2011; Ittonen et al., 2013; Goodwin et al., 2014). A study by Owhoso et al. (2002) finds that auditors with industry experience have better ability in terms of detecting fraud and errors, and provide higher AQ than non-specialists. O'Keefe et al. (1994) suggests that specialist industry auditors are more likely to follow audit standards than non-specialists. This is due to the experience of the specialist industry auditors, as well as the auditor's understanding of the financial statements of the company (the client). It is also suggested that specialists provide higher quality audits than non-specialists because of the recognition of the client and the knowledge of the auditor (Ittonen et al. 2013). A study by Kallunki et al. (2019) argues that even though audit practises are standardised by regulators, individual auditor industry specialisations are still important in terms of providing high AQ, and the mechanisms of professional training are also important (Chen et al.,

2008). The findings of the same study indicate the positive influence of training on auditors who work in both Big Four and non-Big Four firms, which can be classed as an indicator of AQ.

3.7.2 Professional Scepticism (PS)

Professional Scepticism (PS) can be seen as an attitude or a way of thinking. It involves questioning and being aware of suspicious financial activities such as misstatement, errors and fraud, which are important factors in an auditor's evaluations and decisions (Hurt, 2010 and others). Groveman (1995) argues that training is important to improve PS for inexperienced auditors and seniors, but others have debated whether professional education can enhance PS or not. This is because some see PS as behaviour and skill, although it can be developed through training and education, and it develops with experience and practice, but also fraud is changing faster than educational and training curricula (Liu, 2018).

AQ is often associated with the level of PS, when the auditor is working on audit tasks. In this respect, Nolder et al. (2018) uses mindset and attitude theory to argue that the more we make links between PS, attitude, and auditor behaviour, then the better we can perceive AQ. Bowlin et al. (2015) shows that many studies, for example, Nelson (2009) and Quadackers et al. (2014), notice that auditors often view management honesty and dishonesty from a presumptive doubt perspective. Likewise, Nelson (2009) views PS from the perspective of the auditor's personality and the way the auditor looks at the financial statements (a suspicion of errors), as well as the need for more supported evidence, which requires extra effort. A quantitative study based in Indonesia by Lamba et al. (2020) finds that professional scepticism is an important indicator of AQ, because it is directly related to the auditor who performs the audit; the objective of the audit, from his or her point of view, is to ensure that there are no errors in the financial statements. Other studies (such as Hammersley et al., 2011; Kadous, 2012) argue that PS may require more effort from the auditor, and although this may lead to improvement in work performance and increase in the cost of audit, it may not necessarily improve AQ. Further, Yan and Xie (2016) find that auditor work stress does not reflect on AQ and SP. However, a negative association is found between work stress and AQ, especially with new clients. This is due to a lack of comprehensive knowledge of the client and the field of the client's company, which, from the researcher's point of view, can be overcome by increasing the audit tenure. The same study recommends that audit firms should pay more attention to work stress as it is linked to a better practice of PS in order to achieve better AQ.

3.7.3 The Gender of the Auditor

Gender equality crops up as an issue in much of today's research about auditing and accounting. Previous studies find differences in behaviour between females and males who practise auditing, and this might impact on AQ and on financial reporting (Ittonen et al., 2013). Although auditing practices are standardised by regulators, and carried out only by qualified people, debate rages about the effects of gender on auditing, and whether gender affects AQ. Ittonen et al. (2012) reports that females care more about audit planning and processes, and they pay more attention to details than males do, and that this positively affects audit fees and results in a high AQ. Huse and Solberg (2006) finds that female audit partners charge lower audit fees than males, but Gold et al. (2009) and Li (2012) suggest that females charge more than males, but are more risk averse. Some studies suggest that females provide higher AQ work than males (Hardies et al. 2016; Abed et al., 2013) and that high AQ is associated with the auditor's gender (Blandon et al., 2019). However, Chen et al. (2016) suggests that AQ results differ from one country to another because of cultural dimensions rather than gender, which bring the attention to the idea of gender equity in auditing (ICAEW, 2022).

3.7.4 Audit Tenure and Audit Rotation

Previous studies include auditor tenure and audit rotation as an indicator of AQ (Lys et al., 1994; Geiger et al., 2002; Myers et al., 2003; Knechel et al., 2007; González-Díaz et al., 2015; Little and Lehkamp, 2018; and others). Carey et al. (2006) finds that long-term tenure has a negative impact on AQ, while Ghosh et al. (2005) and Ye et al. (2006) argue that short-term tenure decreases AQ. This may mean that a long or short tenure is linked to the auditor's understanding of clients, and this may lead to AQ. Further findings by Lowensohn et al. (2007) indicate that AQ is not associated with audit tenure in either the public or non-profit sectors. Carey et al. (2006) argues using working capital accruals as a proxy of AQ suggests that lengthy audit tenure has no effect on abnormal working capital accruals, and no effect on AQ.

Ghosh et al. (2005) presents an investor and information intermediary point of view about AQ. The findings of the same study reveal that investors and information intermediaries believe that long audit tenure enhances AQ because it gives the auditor more time to understand the client and understand the accounting standards applied. In contrast, a study by González-Díaz et al. (2015) supports the argument of a decrease in AQ as tenure length increases; the findings of this study indicate that a decrease in AQ occurs after five years of auditing the same client, after that, AQ decreases due to the nature of the local culture in Spain and the formation of relationships between individuals. Manry et al. (2008) links the improvement of AQ and audit tenure to the size of the audited company. The decisions auditors

make when issuing a “going-concern” opinion might not be associated with audit tenure (Knechel and Vanstraelen, 2007), and using auditor tenure as a proxy for AQ is tenuous evidence (Ball et al., 2015). Further, Davis et al. (2003) show that the length of audit tenure can have negative and positive effects on AQ, depending on other associated factors, such as culture.

Rotation requirements can vary from one country to another. Some argue that rotation improves AQ because it encourages auditors to become more independent, and it provides a different perspective, which leads to more ability to understand the audited institution and reduce errors (Chi et al., 2009; Daugherty et al., 2013). Others argue that auditor rotation might raise auditing costs and audit failure risk, foster poor knowledge of new clients, and encourage more reliance on management estimation, all of which may affect AQ negatively (Myers et al., 2003; Carey et al., 2006; PwC, 2011; Rice and Weber 2012). However, no clear findings have been found to suggest that issuing a going concern opinion and/or the length of audit partner tenure is associated with AQ (Carey and Simnett, 2006).

Ghosh et al. (2005) cite investor views about the tenure of an auditor's earnings and regressions as a factor. Their findings indicate that the length of the auditor's tenure may improve AQ. This is because the length of the auditor's tenure is associated with stock earnings, in that, the longer the audit tenure then the better stock earnings are, because trust and confidence in the company's performance increases. However, evidence for this is not conclusive.

A study by Kyriakou and Dimitras (2018) examines the impact of auditor tenure on AQ using discretionary accruals as a proxy of AQ. Their findings show the indirect influence of auditor tenure on AQ and independence in Spain, but no statistically significant findings are revealed in Germany or France. Their paper suggests that differences are due to differences in accounting regulations and culture between countries.

Some researchers find that industry expertise helps auditors to improve their judgement and provide higher quality audits (Balsam et al., 2003; Krishnan, 2003) at each step of the auditing process, from audit planning and risk assessments (Low, 2004; Hammersley, 2006) to error detection (Owhoso et al., 2002). Minutti-Meza (2013) uses propensity score matching as an analysis method to find that an auditor's industry expertise has no effect on AQ. However, Shipman et al. (2017) and DeFond et al. (2017) argue that the use of the propensity score matching analysis method may not be an accurate form of assessment, because the composition of the matched sample can be changed, which may lead to different results. A study by Gaver et al. (2019) argues that non-specialist auditors need up to three years of experience to provide as good a quality audit as specialist auditors do. This is due to their

need to understand the industry and understand clients more, which could suggest that a longer audit tenure/rotation period may help auditors to improve judgement and improve AQ.

The same study finds that a dominant market share is not a main reason for becoming a specialist auditor in the industry, and external factors may also be involved. In general, specialist auditors are associated with AQ but the experience is essential (Gaver et al., 2019). Thus, being a specialist as an auditor can improve industry experience, which also enhances AQ. However, other factors, such as knowing how to use software and technology for audits may also influence a non-specialist auditor to become a specialist auditor.

3.7.5 Audit Fees

Many studies use audit fees as an indicator of AQ (for example, Palmrose, 1986; 1988; Creswell, et al., 2002; Ernstberger et al., 2015; Little et al., 2018). However, the auditor is an employee who needs to reach targets set by his employer. A study by Ernstberger et al., (2015) looks at the effects of the lead auditors' technical and managerial knowledge on AQ and audit fees in Germany. The findings indicate that technical knowledge is more important for AQ than managerial knowledge, and both can be considered AQIs. However, the auditor's personality or confidence, which is termed "managerial knowledge", is a more influential driver of audit fees than technical knowledge. The authors use a quantitative method to approach the study. Further, audit fees can be associated with other AQIs. For example, Suwaidan et al. (2010) argues that audit fees differ depending on accounting firm size, where, for example, Big Four firms charge more than non-Big Four firms. However, Felix, et al. (2001) finds that the more contribution made by internal auditor IA, then the less the external auditor EA fee.

3.7.6 Audit Firm Size

The size of the audit firm is among the most important AQIs explored in previous studies. In addition, audit firm size is an important factor in each of the indicators presented in this paper. DeAngelo (1981) believes that the size of the audit firm is an indicator of AQ. Danos et al (1989) finds that auditors working in a large size firm are more likely to go into a huddle with other auditors at the same firm when facing problems relating to their audit work, which increases their knowledge and experience, and reflects on AQ. Francis et al. (2009) finds that the size of audit firm, such as the Big Four, is associated with AQ. Lee et al. (2013) finds that AQ is better in the Big Four than at smaller firms in Taiwan because of a higher level of assurance and credibility offered. However, Lee et al. (2013) evaluate AQ by testing the association between AQ and earnings and book value of equity.

Sutton (1991) argues that big audit firm provide AQ because of their investment in the industry, which he calls a "sunk cost". Sirois et al. (2016) believes that the reason for this is because fixed investments in audit technology at the Big Four firms enhance the auditors' ability to provide higher AQ. Others such as Francis (2004) and Knechel et al. (2013) compare the Big Four with non-Big Four firms, in terms of AQ, to find that the Big Four firms provide higher AQ because they care more about litigation and protecting reputations. However, according to the FRC (2019), the Big Four firms fail to provide AQ because of the failure of auditors to challenge their management, and the absence of practising professional scepticism when using information provided by the management of these companies.

Lawrence et al. (2011) examines the influence of clients on accounting firms, taking into account the size of the firm. This study uses three AQ proxies, namely, discretionary accruals, the ex-ante cost-of-equity capital, and analyst forecast accuracy. This study finds that audit firm size has an influence on auditors with respect to the three AQ proxies. These effects might exist because of elements such as client characteristics or client size. However, the study does not directly answer the question set about the influence of clients on accounting firms. However, the same study might be helpful for future researchers who are seeking to differentiate between the characteristics of clients and AQ.

Louis (2005) finds that small audit firms have better knowledge of their clients and local markets which means they provide better AQ than the Big Four firms do, because the small audit firms are closer to their clients. However, Altwaijry (2017) finds no difference between local accounting firms and the Big Four relating to AQ in Saudi Arabia.

3.7.7 Time Budget Pressure

Time Budget Pressure (TBP) means the pressure placed on auditors when an audit firm specifies the amount of time its auditors can work on auditing procedures (Kelley et al., 2005). It is important to mention here that the TBP originates from the auditing firm, and other stakeholders may not be aware of this, as they only view the finished audit report.

Many researchers have discussed TBP and its influence on auditor behaviour and AQ (DeZoort, 1998; Gundry et al., 2007; Broberg et al., 2017). A study by Cook et al. (1991) suggests that TBP is related to audit fees and competitiveness, and competition with other audit firms. However, a study by Sweeney et al. (2006) argues that if auditors eased up from TBP, it would provide higher AQ, and allow more time to be spent on audit procedures. However, audit costs and the fees for audit services could significantly increase.

Another study by Gundry et al. (2007) suggests that pressure on auditors leads to lower work performance, which may influence AQ. Further, Hyatt et al. (2013) finds that, as a result of TBP, some auditors may sign off before completing their audit procedures. Other studies (DeZoort, 1998; Umans et al., 2016; Broberg et al., 2017) suggest that a balanced level of pressure may positively influence work performance, efficiency, and the auditor's well-being, by making the professional auditor focus more on important tasks, rather than irrelevant information. However, IT tools may help auditors with issues such as TBP, because it works to save the auditor time while working on the auditing task (Rezaee et al., 2002; Santos et al., 2019).

3.7.8 The Audit Team

Regulators believe that some AQIs are related to auditor skills, and the team that auditors work in (FRC, 2008; PCAOB, 2013; IAASB, 2014). A study by Hossain et al. (2017) looks at the effects of audit team members and their qualifications on audit fees and AQ. The findings indicate that, although the composition of the audit team depends on to the size of the firm, an association exists between the audit team, the audit fee, and AQ in Japan. However, this study and many studies on AQ, do not give a definition of what AQ is (AL-Qatamin et al., 2020). Amyar et al. (2019) discusses paradox theory, which offers a useful way to explore the audit environment. This study shows how an audit team responds to the paradoxes they face and their reflection on reduced AQ. The findings indicate that differences in educational and technical backgrounds comprise some of the paradoxes faced. In addition, poor coordination between team members and the presence of inexperienced team leaders (sometimes due to premature promotion) can result in fewer AQ practices being adhered to. The same study uses a qualitative methodology, and agrees on the need for more qualitative research in the field. However, some auditors in a team might not have an IT background, especially for using advanced software or technology. It might benefit teams to add in a technical person.

3.7.9 Internal Auditors (IAs)

Most AQ frameworks do not consider reliance on IAs as an indicator of AQ. This is because ISA610 was revised in 2013, and most AQIs frameworks were designed before that date. ISA610 *Using the Work of Internal Auditors* provides a guide to using the work of IAs in order to find evidence, and asking IAs for help or assistance. Many papers show the importance of using IAs to enhance cooperation between IAs and external auditors, although the objectives of these two entities differ somewhat (Messier and Schneider, 1988).

A study by Felix et al. (2001) uses a quantitative methodology to find that the higher the contribution made by IAs, then the less the external auditor's fee. This indicates an inverse relationship between

IAs in companies and the fees of external auditors. Moreover, an external auditor might rely on IA work and experience to understand the company, and to lower work repetition. However, sometimes, a reliance on IA work causes a reduction in external auditor fees (Felix et al., 2001; Al-Twaijry et al., 2004; Lin et al., 2011) or it reduces external auditor work (Mat et al., 2015).

A study by Felix et al. (2001) finds that the quality of IA is negatively associated with audit delay, and Oussii et al. (2018) argues that more coordination between IAs and external auditors can be helpful in terms of exploiting time. On the other hand, Lee et al. (2016) find that when IA is available, a better contribution to the financial statements is made, and, as a result, more AQ work is carried out. In addition, external auditors use the work of IAs with accounting and legal expertise to promote audit efficiency, which can lead to better AQ (Lee and Park, 2016). Al-Twaijry et al. (2004) finds that external auditors have some reservations about the independence of IAs in some Saudi companies. The same study finds that each of the aforementioned factors may also influence AQ. It might be that IAs coordination with the external auditors is relatively limited. Further, reliance on the work of the IAs by the external auditors depends on the AQ of the IAs itself. External auditors perceive valuable factors when determining their decisions to rely on the work of IAs, such as objectivity, independence, experience, and competence. However, the findings of Al-Twaijry et al. (2004) show that the issue of independence and insufficient professionalism remains as a problem in IA departments in most Saudi companies. Further, IA cannot be independent from management. Al-Twaijry (2017) finds that the decision to rely on the IA function will probably not be taken if the external auditors are still not sure about the quality of IA work. Reliance on IAs can save time and money, which results in benefits for the company or client but at the same time it may be an independence issue.

Davidson et al. (2013) asserts that if the IAs use non-continuous internal auditing methods throughout the financial year, then the external auditors rely less on the IAs. However, Quick et al. (2018) uses behavioural decision theory to argue that decisions about reliance on IAs depend on different factors within the audit environment, such as client business risk, effectiveness of the internal control system, the quality of corporate governance, and the experience of the external auditors.

A study by Mihret et al. (2011) argues that IAs performance is an important element which determines decision made about relying on the work of IAs by external auditors. Further, Argento et al. (2018) finds that external auditors rely on the work of IAs when their efficiency is high. However, the independence of external auditors may be an issue here for the AQ. Moreover, Paino et al. (2015) argues that the style of external auditor work and styles of communication may have an influence on reliance decisions made about IAs. Also, DeFond and Zhang (2014) find that the role played by IA

and its systems when looking at “pre-audited” financial statements can affect AQ. Finally, previous studies recommend that future research considers other perspectives, such as those of auditees (Quick et al., 2018; Argento et al., 2018; Paino et al., 2015).

3.7.10 Audit Firm Culture

Audit firm culture is an important indicator of AQ (Gaynor et al., 2016; Knechel et al., 2013). Salih and Hla (2016) believe that audit culture is at “the heart” of a firm’s activities, and has an impact on AQ. A study by Andon et al. (2015) uses Bourdieu’s theories to argue that the audit field has his own “culture”. Further, the Financial Reporting Council’s (FRC) 2008 AQ Framework states that audit culture is linked to the leadership of accounting firms, especially when the culture of the firm encourages auditors to care more about the quality of an audit, by showing the values that prioritise AQ. Thus, audit culture may have an influence on the behaviours, attitudes, and the ethics of auditors (IAASB, 2014). It might also influence AQIs such as PS and TBP (Svanberg and Ohman, 2013). However, a study by Sweeney et al. (2010) finds no direct association between a firm’s ethical culture and the audit behaviour EAs under the pressure of time. Also, a study by Svanberg and Ohman (2013) finds an association between AQ and an ethical culture in the firm, which has an influence on TBP. Additionally, the findings of the same study indicate that if a firm uses penalties negatively against an auditor, then AQ is lower. The findings of the same study also show that ethical culture has an effect on dysfunctional audit behaviour, which is associated with lower AQ. Indeed, Kustinah (2013) finds that dysfunctional behaviour affects AQ, because auditors do not review the client’s financial statements carefully. The same study also points out that when auditors are less stressed, which is often a factor that relates to a firm’s culture, the AQ provided is high.

3.7.11 Use of IT

Many researchers argue that large accounting firms invest in IT for the purpose of ensuring AQ, to gain economic benefits, improving efficiency in auditing, and promoting effectiveness (Curtis et al., 2009; Masli et al., 2010; Westermann et al., 2015; Mokhitli et al., 2019; Bloomberg, 2020). However, some studies (Chang et al., 2011; Buuren et al., 2014; Lowe et al., 2018) argue that many factors influence the use of IT, including the size of the firm. A study by Riemenschneider et al. (2003) argues that Big Four firms adopt and develop new IT better than smaller firms, because of their financial ability, and their ability to provide training for auditors. However, Lowe et al. (2018) finds that regional and local firms still use traditional audit processes, especially in their communications with clients. Moreover, according to Bloomberg (2020), large audit firms cooperate with technology companies such as Microsoft and others in developing countries, such as India, to acquire IT tools. Using IT to

compile audit reports may be easier, and might meet the client's needs based on the financial information provided. It also might result in lowering the cost of the audit, and increasing the benefits from the audit fee (ICAEW, 2018). Investing in IT might also reflect the desire of Big-Four firms to increase their market share and dominate the audit profession in order to increase its revenues (Bhaskar and Flower, 2019).

Using IT as an AQIS is covered in a number of previous studies (Lombardi et al., 2015; Dagilienė and Klovienė, 2019; Manita et al., 2020). These studies find that good IT helps to ensure AQ. However, it is also suggested that the increased use of IT by the auditor can limit the power of management, and works to reduce error rates, thus, increasing AQ (Dagilienė and Klovienė, 2019; Manita et al., 2020). On the other hand, Lombardi et al. (2015) highlights concern about using tools designed by non-specialist, especially where the auditor follows certain steps, and then expresses their opinion based on the results. Moreover, the use of IT in the auditing process can significantly reduce the amount of time required to undertake manual audits. Notably, time is a resource that few auditors want to waste, given the nature and timeliness needed to produce audit reports and undertake examination (Santos et al., 2019). Hence, adopting technology in the audit process may reduce the time spent on gathering samples in the process of continuous auditing (Rezaee et al., 2002). CAATTs can help in the process of analysing transactions, because they are processed, and they allow auditors to manage their work flow, using word processors and working papers.

Previous research explores much about the use of IT as an AQI, and most studies conclude that it is a valuable resource in order to “ensure”, “enhance”, “develop” and “improve” AQ (Dowling et al., 2007; Janvrin et al., 2008; Carson et al., 2012; Alles and Gray, 2018; Earley, 2015; Wang et al, 2015; Connelly et al., 2016; Manita et al., 2020; FRC, 2020). However, the role of IT in influencing the perception of AQ and AQIs remains limited.

In summary, after reviewing existing frameworks presented in previous research about AQ and AQIs, differences between studies emerge in different cultural and organisational environments, from country to country. Most studies use quantitative methodologies, using numerical testing, but using qualitative methods is suggested as being useful to reach a clearer understanding of those indicators. One of the objectives of this current study is to explore AQIs in Saudi Arabia, and there is a paucity of research from this geographical area in this regard.

The next section will look at international standards in accounting and auditing and the formation of AQ perceptions and indicators, specifically in developing or non-Western countries, which (as is the

case in Saudi Arabia) have recently adopted international standards in accounting and auditing (SOCAP, 2018). Using international standards for accounting and auditing is encouraged around the world as a way of achieving AQ (World Bank, 2017). This introduces an additional understanding of the concept of AQ and its indicators, specifically in societies that adopt standards and do not produce them. Many previous studies offer a vision of AQ and its indicators from a purely Western perspective, which ignores social, cultural and organisational differences between countries (Poullaos et al., 2012; Zakari, 2012; Hopper et al., 2017; Nyamori et al., 2017).

3.8 International Accounting and Auditing Standards IFRS and ISA and their Relationship to AQ

This section will review studies about the relationship between IFRS and ISA standards to AQ and AQIs. This section will also discuss the reasons for the existence of unified international standards for auditing and accounting around the world, and how previous literature has examined problems faced by emerging countries in this regard.

3.8.1 The Relationship between the IFRS and ISA

International Financial Reporting Standards (IFRS) and International Standards on Auditing (ISA) are two different sets of standards. IFRS are used by the accountant to prepare the financial statements of public or private companies, and non-profit organisations. International Standards on Auditing (ISA) are used by auditors as a “how to guide” for auditing financial statements submitted by public and private companies and those for non-profit organizations. ISA standards are guidance an auditor should adhere to help in providing "the audit report" (Simunic et al., 2015). IFRS standards have been issued by the International Accounting Standards Board (ISAB) since 2001. Before 2001, standards were issued and developed by the International Accounting Standards Committee (ISAC) (from 1973 to 2001).

The International Standards on Auditing (ISA) are issued by an independent standard setting body called the International Auditing and Assurance Standards Board (IAASB), which works under the International Federation of Accountants (IFAC). While ISAs provide guidance to the auditor on how to conduct an audit, ISAs are also important to other parties, such as investors and managers for legal liability in the event of an audit failure (Simunic et al., 2015).

According to the IFAC 2023, most developing countries, including Saudi Arabia, sought to adopt IFRS and ISAs at the same time. In a study conducted by Eltweri et al., 2022, Libya adopted both IFRS and ISAs at the same time to serve their economy, achieve AQ, and promote foreign investor confidence in the financial markets. This was done with great support from the Big Four international auditing

firms. Tawiah (2019) argues that the desire to adopt international standards is motivated by the Western model of the profession in its full form, without any local modifications. This is supported in order to improve the quality of auditing and attract foreign investors. Either way, the auditor should be fully aware of the type of accounting standards used for preparing financial statements, as well as the guidance used, and legal requirements for auditing the financial statements.

The link between accounting and auditing standards is very strong. For example, a company will prepare all financial statements by applying accounting standards, and then the auditor will review the submitted financial statements by applying auditing standards. Thus, both IFRS and ISA standards are interconnected in the auditing process. For example, In their audit reports, external auditors in Saudi Arabia include the following statements: “Our audit was conducted in compliance with the International Standards on Auditing endorsed in the Kingdom of Saudi Arabia” and “The consolidated financial statements provided herein present a true and fair view, in all significant aspects, of the Group's consolidated financial position as of (date) and its consolidated financial performance and consolidated cash flows for the year ending in accordance with the International Financial Reporting Standards ('IFRSs') endorsed in the Kingdom of Saudi Arabia”. In addition, both IFRS and ISA standards aim to be high quality standards which can be followed globally; standards which can support global investment and AQ. This means ensuring investor confidence in financial statements which are audited using a single set of standards around the world (IFRS, 2023; IFAC; 2023).

3.8.2 Unified Global Accounting and Auditing Standards

The IFRS Foundation, the G20 Economic Group, the World Bank, the Financial Stability Board (FSB), and the European Commission support the move to adopt IFRS standards as unified international standards. This is for the purpose of encouraging investment, and to assist in making investment decisions in trans-continental companies. All this serves a modern economy that transcends borders by its nature. Claims have also been made that a unified methodology can reduce risks, and increase disclosure, transparency, and effectiveness in the stock exchange. A quantitative study by Ahmed et al. (2013) agrees with. The same study examines IFRS adoption in 20 countries two years after each country adopted the standards. Ahmed et al. (2013) argues that the adoption of IFRS standards is positively associated with raising the quality of accounting, and, thus, auditing. However, Barth et al., (2012) finds no differences in the quality of accounting and auditing after adopting the IFRS standards in several companies in the USA which chose to switch to IFRS standards to report on their global activities. Both the aforementioned studies agree with Biddle et al. (2009) that accounting quality leads

to AQ, but both studies are quantitative and do not consider the differences between companies, legal, commercial, and economic systems, and contexts (Soderstrom and Sun, 2007).

A study by Favere-Marchesi (2000) analyses the regulatory environment in Southeast Asian countries, and makes recommendations that the application of international standards in accounting and auditing will improve AQ, which will help attract investment, since the investor is looking for a safe environment, known standards, and governance. Ebrahim (2014) studies the impact of adopting international standards on the Egyptian market and their relationship to AQ; Egypt was one of the first Arab countries to comply with the application of international standards in accounting and auditing. The same study analyses published financial reports of companies listed on the Egyptian Stock Exchange in 2006, to find that Big Four firms audit the majority of the companies listed on the Egyptian Stock Exchange, because these firms comply with international standards. Ebrahim (2014) finds that investors believe that international audit firms are "truer" and "more committed", and also have more experience than Egyptian audit firms. The researcher attributes this to the economic, social and cultural differences between countries. This brings us back to the point presented in Section [2.2] that the perception of AQ and its indicators relies on investor opinion. According to the PCAOB, AQ is achieved when the audit meets the desires of the investor. Thus, the global affiliation of international audit firms in developing countries is an indicator of AQ from the investor's point of view.

Countries on the European continent, the USA, and South Korea have adopted international standards in 2011. A study by Jung et al., (2016) compares audit prices both before and after the adoption of IFRS/ISA, using a model suggested by Ball and Shivakumar (2006). The findings of Jung et al. (2016) conclude that the adoption of international standards has worked to raise audit fees, specifically at the Big Four firms, but did not affect AQ (according to economic interdependence theory). In other non-English-speaking countries, such as China, for example, a study by Liu et al. (2011) looks at the effects of adopting international standards in China on AQ; China adopted these standards in 2007. The same study finds a decrease in quality in general, with a slight improvement in the AQ of the Big Four. However, they linked AQ to earnings management of the clients. Another study by Laili and Khairi (2014) conducted in Malaysia, finds no difference in AQ after adopting international standards, and that AQ in the Big Four firms remains harmonious. This suggests that achieving global standardisation may not necessarily lead to uniform outcomes in every country, and it may not necessarily result in an overall improvement in AQ.

Mixed research findings support calls for a unification of standards in accounting and auditing around the world. However, unified standards ignore many important factors, such as those at the regulatory,

legal, commercial, social, political, and cultural levels, and different contexts, which differ between countries (Soderstrom and Sun, 2007). Sikka (1992) argues that the main goal of accounting and auditing standards is to lower audit effort, and protect the big audit firms from litigation. Because, according to his argument, international standards do not hold the auditor responsible for audit failure. In addition, Hooper et al., (2017) argues that the adoption of international standards in developing countries is part of the hegemony led by developed countries in the name of globalisation, which seeks to promote neo-liberalism. This comes at the expense of local practices in developing countries and social accountability.

Qualitative studies are more critical of the relationship between international standards and AQ, specifically those from non-English-speaking countries or developing countries, where contexts differ from Western accounting firms. Many countries have been affected by the international dominance of Western Anglo-Saxon accounting practices (Zeff, 2007; Zeff, 2012; Albu et al., 2014; Dedoulis, 2016; Mantzari et al., 2019; Mihret et al., 2020). For example, a study from Greece by Mantzari et al. (2019) uses the qualitative method to conduct 29 semi-structured interviews with local professional auditors in Greek. The same study finds that local practitioners accept and adopt international standards despite the contradiction between international standards and their failure to achieve desired goals such as AQ. This idea is explained using Gramsci and Gramscian's theory of "common senses". It is argued that there is a contradiction between the auditors' good sense and common sense. Support for the application of international standards has become a kind of collective common sense which, it is believed, leads to AQ, in the neo-liberal sense. This is justified as being in line with European developed countries, and modernity. Mantzari et al. (2019) argues that Gramsci and Gramscian's idea of common sense draws on a dominant Western ideology as being natural, deterministic, and universally acceptable. While the good sense lies in the awareness of the cultural and organizational differences between in Greece and the international standard-setter in the accounting profession, which is suit with the developed Western countries more than developing countries.

A study conducted in Romania by Albu et al. (2014) uses an institutional approach. They interviewed 24 practitioners who are auditors and regulators. The study finds that the adoption of international standards in Romania was an organisational driven response, in search of legitimacy, and used to try to reconcile conflicting private interests. This is due to Romania's desire to join the European Union.

The World Bank and the International Monetary Fund have put pressure on developing countries to implement the international standards IFRS/ISA, in return for their support of globalisation (Irvine and Lucas, 2006). In a speech entitled "Financial Reporting Standards for the World Economy" delivered

in Toronto, Canada in 2015, Hans Hoogervorst, the Chairman of the International Accounting Standards Board (ISAB), stated that the ISAB's main objective was to create a single set of financial reporting standards of high quality, which are easily comprehensible and enforceable, and which are universally recognised, based on well-defined principles. This aim was reiterated by the IFRS Foundation in 2015. In this way, international organisations exert pressure on countries to adopt international standards in accounting and auditing, in order to unify transactions, and to facilitate the reading of financial statements in one language around the world (known as unified standards). These global standards emphasise the importance of unification as a way of serving all stakeholders, specifically trans-continental companies, and foreign investors. However, this system ignores local systems, and cultural, social, and other differences between countries.

In the Middle East, various countries have adopted the international standards ISA/IFRS due to pressure from international institutions, and to obtain financial and other support. For example, in Jordan, pressure to conform to international accounting standards, specifically ISA standards, has increased due to globalisation, the integration of capital markets, and advancements in technology. Jordan agreed to adopt ISA/IFRS standards for its listed companies after pressure was exerted by international organisations, such as the ISAB, IFAC, IOSCO, the World Bank, and the IMF, as well as the European Commission (Al-Akra et al., 2009; Al-Qatamin et al., 2020). In addition, since the beginning of 2001, the World Bank has sought to make global standards unified in accounting and auditing, and has encouraged governments to adopt them. This has promoted the spread of international standards in accounting and auditing, especially those which represent Anglo-American accounting principles (Graham and Annisette, 2012).

3.8.3 AQ Locally and Globally

Historically, local auditing professions in Saudi Arabia have been linked to global practices. For example, the first Saudi Companies Law (1965) was driven by Egyptian law, which was driven by the British Companies Act (Shinawi and Crum, 1971; Hanson, 1987). The same trend can be seen in relation to GAAP Saudi Auditing Standards, which are driven by USA accepted auditing standards (GAAP) pre the adoption of IFRS/ISAs (SOCPA, 2018).

The power exercised by auditors in Saudi Arabia is different from the power exercised by auditors in the West. This is because different economic, political, social, and cultural norms exist in Saudi Arabia and the West (Ramady, 2010; Habbash et al., 2017). For example, the Saudi economy depends on extracting and selling oil, and these activities are controlled by the Saudi state (see Chapter 2). Thus, the strength of the economy is controlled by the state, not by the private sector (Ramady, 2010).

Another example is that the social status of professional auditors in Saudi Arabia differs from the status of auditors in Western countries. Further, in Saudi Arabia, global accounting firm names, such as the Big Four, are perceived as being better than local firms, and able to offer AQ just because of their global name (Habbash et al., 2017).

Al-Canada et al. (2013) links AQ to the size of an audit firm from a corporate governance mechanisms perspective. Others, such as Allehaidan (2012) link AQ to the prohibition of providing audit services and non-audit services at the same time, using the same firm, which has, previously, resulted in high fees and reduced AQ. SOCPA asserts that this prohibition is designed to support the independence of the auditor (SOCPA, 2018). However, Allehaidan (2012) links AQ only to the economic objectives of the auditor, with no consideration for the meaning of the AQ itself, or the way the auditor views it. In general, most previous studies do not consider differences in social and cultural aspects which might influence different understandings of AQ locally and globally. For example, IFRS standards were developed in the West, but SOCPA has also fully adopted IFRS standards, in an attempt to align Saudi Arabia globally, rather than locally. This direction supports the use of postcolonial theory as a reflective lens in this study, and this will be discussed in the next chapter.

3.9 Conclusion

This chapter began with an introduction to AQ, and offered various definitions of AQ as set out in previous studies. It looked at different approaches to, and arguments about, the definition of AQ, as well as the concepts of high and low AQ. The review also looked at the link between AQ and AQIs, and AQIs frameworks as examined in previous research. This chapter also outlined the framework used in the current study by discussing the twelve AQIs most commonly referred to within the previous studies, and it compared theories with other frameworks, focusing on indicators relating to the auditor and audit firms. This approach also took into account social and political contexts in Saudi Arabia. The review showed gaps in the literature which the research questions of the current study aim to address (see Chapter One).

The next chapter will show and how the lens of postcolonial theory can be helpful in order to understand how AQ and AQIs work in different social and cultural environments, especially in Saudi Arabia.

Chapter 4: Postcolonial Theory

4.1 Introduction

This research uses the lens of postcolonial theory to understand perceptions of AQ and its indicators, and to explore the influence of the application of international standards for accounting and auditing on the professional audit environment in Saudi Arabia. Using this context, this chapter will explore the emergence and development of postcolonial thought and its most important symbols. This chapter will also explain how a postcolonial perspective has been used in accounting studies, as well as looking at the concept of neo-colonialism in the accounting and auditing profession. This perspective will be linked to international standards, IFRS/ISAs, global audit firms, and international professional certificates. The researcher will attempt to explain how a country like Saudi Arabia might be affected by postcolonial problems, even though it has never been physically colonised; many countries around the world have been exposed to the influence of colonisation, if not actual colonisation.

4.2 Postcolonial Theory

A broad definition of postcolonial theory is “a body of thought primarily concerned with accounting for the political, aesthetic, economic, historical, and social impact of ‘Western’ or ‘Anglo-American’ colonial rule around the world in the 18th through to the 20th century” (Elam, 2019). Edward Said was one of the most important proponents of postcolonial theory, and was among the first to observe the dynamics of colonial relationships between the West and the East. When Said coined the term “Orientalism” in 1978, he sparked a wave of critical thought about the consequences of colonialism, specifically between Western colonisers, and the non-Western colonised. Furthermore, Homi K. Bhabha (1996) has written about the cultural relationship between the coloniser and the colonised, which he describes as comprising three elements, namely, hybridity, hegemony, and mimicry. Both Said and Bhabha were influenced by the ideas of post-structuralism, as espoused by scholars such as Jaques Derrida, Michel Foucault, and Antonio Gramsci (Gandhi, 2019).

Ashcroft, Griffiths, and Tiffin (2013) explain the above cited three terms as follows: ‘hybridity’ refers to when the coloniser creates a new culture within the colonised nation; ‘hegemony’ means the power

and control (not necessarily military) which the coloniser exercises over the colonised; and ‘mimicry’ is when the colonised begin to copy the habits of the coloniser, which, are, sometimes, fundamentally different to their own, and this can lead to defective mimicry.

Recently, postcolonial theory and its elements have been used in the field of accounting research as a way of understanding the legacy of Western influence over the rest of the world, even though many countries are now no longer physically colonised by Western nations. The theories of post-colonialism have weaved their way, both culturally and practically, into many professions, including the accounting/auditing profession. For example, researchers in the field of accounting have looked at the influence of hybridity, hegemony, and mimicry on the perceptions of practitioners, on governments and institutions, and on culture, history, society and politics (Alawattage and Fernando, 2017; Dedoulis, 2006 and 2016; Kaifala et al., 2019; Kamla, 2007; Lassou et al., 2020; Manassian, 2009; and Rous and Salim 2016).

4.3 Orientalism

Edward Said’s term ‘Orientalism’ encapsulates a plethora of notions about how people in the West perceive the peoples and cultures of the East (Cuddon, 1998). Said argues that the coloniser starts by viewing the world from his own position of centrality, and, as a result, views a non-Western world from the point of view of us/the other, us/them, we/the others, and the centre metro-pole/the subordinate (Said, 1978). In his work *Orientalism* (1978), Said discusses how the Western coloniser justified his colonisation of the East by adopting a philosophy of stereotypes that viewed the peoples and cultures of the East as inferior, backward, and primitive etc., whilst positioning Western culture as superior in terms of civilization, rationality, scientific advancement, and modernity (Said, 1978). Spivak agrees with Said’s presentation of the subaltern, but suggests that the relationship between the colonised and coloniser derives from military conquest; Spivak suggests that the West used military advantage to dominate the East which was positioned as the “third world” (Spivak, 1993). Said’s *Orientalism* (1978) paved the way for the development of post-colonial theory (Ambesabge, 2016).

Terms such as "us" and "the other or othering", "centre" and "periphery", have been used in postcolonial studies to describe the power dynamics between the dominant West and the dominated East (Mishra and Hodge, 2015). The terms “us” and “the centre” refer to Western dominant power, which contributed to the spread of its civilizational, colonial, economic, and cultural power, the exercise of power and control and the imposition of foreign standards on the “other or othering” or “periphery” colonised. Those who are colonised often suffer from cultural, social, political, and

economic marginalisation, and the imposition of foreign systems, which creates inequality, hybridisation, and loss of identity (Hauthal and Toivanen, 2021).

4.4 Colonialism and Post-colonialism

Coinciding with the end of World War II, nations around the world began to become independent from their physical/military colonisers. However, Collins defines the term 'colonialism' as, "The practice by which a powerful country directly controls less powerful countries and uses their resources to increase its own power and wealth". Indeed, Ahuja (2014) suggests that colonialism need not just be physical, but is also, "a large-scale political and economic system that allows one geopolitical entity (such as a nation-state or city-state) to establish controls beyond its traditional geographic borders in the service of increased profit or power". Said (1993) argues that colonialism does not end at the post-colonial phase. In this context, Ashcroft, et al. (2014) explains that, "We use the term 'postcolonial' to cover all the culture affected by the imperial process from the moment of colonisation to the present day".

Gandhi (1998, p.4) views the study of post-colonialism as, "a theoretical resistance to the mystifying amnesia of the colonial aftermath". This view encapsulates the idea that post-colonialism has no temporal or spatial influence, but goes beyond this, even for countries that have not been subjected to actual colonialism, such as Saudi Arabia. Moreover, even when the coloniser physically leaves colonised lands and countries gain independence, the dependency of the colonised does not stop (Sewell, 1996). Thus, colonialism can be considered the most important pillar of postcolonial theory.

4.5 Colonialism and Imperialism

Said (1993, p.8) associates the concept of colonialism with imperialism, and defines imperialism as, "the practice, the theory, and the attitudes of a dominating metropolitan centre ruling a distant territory". This may mean that colonial influence continues even when the physical presence of the coloniser is absent (Sewell, 1996). Said continues to say that this kind of influence, "is almost always a consequence of imperialism, [and] is the implanting of settlements on distant territory" (Ibid.). Gandhi (1998) expresses the relationship between colonialism and imperialism in two parts: the first is the "physical conquest of territory", which means occupation or colonisation with the aim of directly obtaining resources and serving personal interests; and the second is the "conquest of minds, selves and cultures", which is imperialism. Imperialism has taken a place in the post-colonial perspective because of its close connection with domination, and its recognition of psychological interactions between the coloniser and the colonised (Ashcroft, et al. 2014). Indeed, researchers often use the terms 'imperialism' and 'neo-imperialism' to differentiate between two types of expansion and building

empires: the latter being driven by economic and technological competition between great powers; and the former being driven by the desire to physically conquer and benefit from other lands.

The basic motives of pre 20th century imperialism were based on the three Gs of Gold, Glory, and God (Stanley, 1983). While the basic motives of new imperialism encompass the three C's, Commerce, Civilization, and Christianity (Stanley, 1983). In this context, postcolonial theory is a critical perspective of Western thought and its view of the other, in terms of the continuation of the influence of the coloniser on the colonised, which, it is argued, is the historical legacy of colonialism to this day. Influenced by Michel Foucault's analysis of colonial discourse, and the view of the superior, central, and dominant position of the West in relation to the backward, dispersed, and dependent East (Foucault, 1991), Said made it his life's work to understand the East-West dichotomy, the ego and the other.

4.6 Globalisation and Post-colonialism

The concept of globalisation, specifically in terms of economic goals, has been linked to postcolonial studies. Many researchers such as Giddens (2011), Boussebaa (2015) and Hopper et al. (2017) see a close connection between the capitalist system and the 21st century goals of economic growth which cross geographical borders. The term 'globalisation' was coined in the 1990s to refer to the increasingly global character of commercial and economic motives. In this respect, information technology has played an important role in bridging international distances, and in reducing freight, transportation, and communication costs between economic powers located in various continents of the world. IT has also enhanced inter-continental communication and interactions, and has facilitated international trade lines, from a capitalist point of view. Globalisation is defined by Friedman (2000) as follows:

“...the inexorable integration of markets, nation states and technologies to a degree never witnessed before in a way that is enabling individuals, corporations, and nation states to reach around the world farther, faster, deeper, and cheaper than ever before”.

Gulmez (2017) suggests that some people perceive globalisation as a force which can help alleviate international conflicts over resources, promote cultural pluralism and social equality, and defuse struggles for power and identity, but Boussebaa (2015) see it as a modern form of non-physical colonial domination. Furthermore, even though contemporary accounting research has adopted globalisation as a research point of view, it has not provided a definition of globalisation (Hopper et al., 2017). In this respect, Hopper et al. (2017, p. 127) defines globalisation as follows:

“...broadly, as in economic geography, where it is associated with the growing mobility of goods, services, commodities, information, people, and communications across national frontiers. It is most pronounced in banking and finance where information technology, global stock markets, futures, debt, derivatives, and interest rate swaps have accelerated the mobility of factors of production”.

Economic globalisation significantly increased after the end of the colonial era, and, it could be argued, was an ideal way for superpowers to retain or restore the concept of hegemony in a new way. This is specifically to ensure access to production, market freedoms, and the maximisation of capital. This led to changes in the social, cultural and value structures of societies that had previously been colonised, and even those not affected by colonialism. Thus, it could be argued that globalisation is just a new form of colonialism. The justification for this view is the emergence of globalisation after the beginning of the end of colonialism, which led to the continued economic dominance of old superpowers, such as those in Europe, and the emergence of key new ones (e.g. the USA) which now exercise economic and cultural dominance over the rest of the world. Predominantly, globalisation represents the desire to continue Western capitalist production patterns which were first established as early as the 18th century. Levitt (1983) notes the emergence of transcontinental companies, such as Coca-Cola, McDonald's, and others, which he describes as, "The globalisation of markets" in which "different cultural preferences, national tastes and standards, and business institutions are vestiges of the past".

Boussebaa (2015) explores the strong relationship between today's imperial accounting practices and globalisation, which, he finds, are closely related. The concept of globalisation is not limited to its economic concept, and could be described as a new form of colonialism, but one which is closely linked to economic markets. According to Giddens (2012), globalisation is, “the intensification of worldwide social relations which link distant localities in such a way that local happenings are shaped by events occurring many miles away and vice versa”. This means that globalisation has an influence on the daily lives of the societies and individuals affected by it (Georgantzas et al., 2009).

Giddens (2011) explains that it is inevitable that one must return to the concept of globalisation, as a basic economic perspective, “The volume of world’s financial transactions is usually measured in US dollars”. Kotz (2002) argues that the process of globalisation has produced neo-liberalism, but Litonjua (2008) argues that neo-liberalism is the driver of globalisation. Nevertheless, both these scenarios represent a face of imperialism that serves the developed West, against the East that seeks to mimic this economic development. Indeed, most global systems and ideas that have emerged under globalisation have been inspired by Western thought. Zeitlin (1972, p. 95) explains that capitalism was

formed by groups of merchants, and under the protection of their countries' powers, these merchants often established factories outside of the borders of their homelands, in areas possessing valuable natural resources, which were turned into commodities. This offers an economic perspective of the essential relationship between colonialism, imperialist countries, and colonised countries.

World War II marked the end of the physical colonisation of many Eastern countries by Western ones, but at the same time, many countries across the world, including those in the Middle East, embraced the concept of unifying global trade and economic standards, and, thus, pushed forward the development of the global economy. As part of this process, new institutions emerged to reinforce this trend, including many international economic organisations, such as the World Bank, the International Monetary Fund (IMF), and the World Trade Organisation (Mir, 2019). These organisations now play a major role in governing economic dealings in the world, and have developed the ability to guide and control international economics over and above the local policies of various countries, including those countries that have external debts, or do not agree with the essential ideology of the prevailing global economic system (Mir, 2019). Essentially, this can be construed as an imposition of the power of the strong over the weak, as well as the formation of a new economic hegemony by superpowers over certain countries as part of a new wave of economic colonialism. This is exactly the same kind of relationship that Said articulate as the dualism of the coloniser and the colonised, as the 'centre' and the 'periphery' (Said, 1978).

It could be argued that globalisation in its current form is closely linked to the political and economic dominance of an Anglo-American ideology, which exerts a powerful social, economic, and cultural influence (Gallhofer, Haslam and Kamla, 2011). The spread of capitalist ideas, which have led to globalisation, has resulted in the exclusion of the local values and practices of the 'other' using means such as information technology, global organisations, and the markets. In the Arab world, the end of physical colonialism coincided with the inception of its continuation in another form (Mir, 2019).

This section has reviewed the history of colonialism, imperialism and globalism, suggesting that the standards, systems and rules of all three serve a single understanding of the world. The next section will explore the role of Western countries (the 'centre') in the domination of Eastern ones (the 'periphery'), and, specifically, the role of accounting systems. It will look at how accounting research has incorporated postcolonial theory, and how post-colonialism influences institutions, societies, and individuals.

4.7 Colonialism, Neo-imperialism, and the Accounting Profession

The profession of auditing and accounting gained a prominent place in Western society due to its connections with merchants from the bourgeois class and their economic activities in many countries, where the services of accountants were required. Members of the accounting and auditing profession were required to obtain recognised professional qualifications which authorised them to practice the profession (Macdonald, 1984; Burchell et al., 1985). During the era of colonialism, colonisers sent many workers and professionals to colonised lands, including accountants, who established professional accounting firms in the colonised countries. This exporting of services was not limited to professional organisations, but also encompassed the educational system, including accounting education, which was greatly influenced by colonisers in many countries, for example, in Singapore, Sri Lanka, and Egypt, etc. Moreover, practitioners working in these countries often looked at auditors and accountants who were not from Western organisations with a discriminatory view, due to their perception of Eastern peoples as ‘the other’ (Briston, 1978; Fong and Foo, 1992; Wee, 1994; Tan, et al., 1994; Wijewardena, and Yapa, 1998; Ahmad and Gao, 2004; and Awayiga et al., 2010).

Despite its growing importance, accounting research in emerging economies is still marginalised in comparison to the high status it enjoys in Anglo-American and European countries (Hooper, 2017). However, over the last two decades, researchers from many countries have produced studies about the colonial and imperial dimensions of the accounting profession. For example, Baker (2005) believes that it is not possible to understand the development of the accounting profession without considering the colonial and imperial history of the United Kingdom. Furthermore, Yapa (2010) looks at colonial heritage and its relationship to the accounting profession, and Bakre (2010) studies the concept of professionalism and its relationship to imperialism. Poullaos (2010) also examines the development of imperial accounting. All these studies shed light on the continuing influence exerted by former colonisers on countries that are now formally independent, but are still hostages to the power of their previous colonisers.

Postcolonial theory and its elements have recently been used to understand some of the concepts and perceptions prevalent in the accounting profession. Post-colonialism is culturally and practically present in many professions, including in the accounting and auditing professions. In this context, some researchers have looked at the influence of hybridity, hegemony, and mimicry on the individual perceptions of practitioners, and on governments and institutions, and how these concepts are linked to accounting culture, history, society, and politics (Alawattage and Fernando, 2017; Dedoulis, 2006

and 2016; Kaifala et al., 2019; Kamla, 2007; Lassou et al., 2020; Manassian, 2009; and Rous and Salim 2016).

Alawattage and Fernando (2017) apply postcolonial theory to the context of Sri Lanka, linking local and global practices, using interviews and discourse analyses to discover how corporate, social and environmental accountability is shaped, and how local managers have created a, hybrid cultural identity through mimicking which has worked to shape global modernity. The use of this particular theoretical framework helps the authors to explain and understand how global standardisation works in practice, and how it ignores important social and cultural aspects. Kaifala et al. (2019) links local and global practices by interviewing accountants in Sierra Leone and explores how identity has been shaped; this study particularly looks at the two elements of hybridity and diaspora. The findings of Kaifala et al. (2019) indicate that hybridity and diaspora between the local and the global works to weaken the profession locally, which has affected development in the country.

The consequences of the effects of the dominance of Western accounting practice on non-Western countries vary, from corruption to collision with the local people, their cultures and beliefs. A study by Lassou et al. (2020) looks at the extent to which the legacy of French colonialism has affected governance in Benin; the study explores how this legacy has contributed to the persistence of poverty and corruption. The findings indicate that the spread of corruption in the accounting system has been exacerbated by the pretence of commitment by relevant international bodies, which has been used to confer international legitimacy. However, this has led to political and social corruption and resulted in accounting institutions losing control. Furthermore, Kamla (2007) uses content analysis and the idea of hybridity as it applies to post-colonial theory to explore the social accounting and reporting practices of firms in Arab countries, including twelve companies in Saudi Arabia; the findings indicate that Arab accounting systems, especially those in GCC countries, are heavily influenced by Western accounting systems. Kamla (2007) also highlights the similarity between annual reports produced in Gulf countries and in Western companies. Western practices in accounting come from secular foundations, while practitioners of accounting in Arab countries do not accept the separation of the Islamic religion from accounting practices. It concludes by questioning the level of quality of some annual reports and disclosures produced by the selected Arab companies.

The next sections will investigate accounting research and previous studies that analyse relationships between the coloniser and the colonised from an accounting perspective, and which take into account individual and societal influences on the reality of the accounting profession.

4.8 Accounting and Auditing Standards

Foucault (1991) suggests that the beliefs embodied in a system take hold through the circulation of these beliefs among many people, gaining acceptance due to the power of those that stand behind these beliefs. For example, the loudest voices that called for the need for unified international standards for accounting and auditing came from the West, and these voices were informed by Western thought and logic. Thus, because of the powerful position of the West in the world, these ideas became beliefs which gained acceptance as natural and correct. Many researchers have explored the imposition of Anglo-American logic on the profession of global accounting and auditing (Rao, 2000; Annisette, 2000; Annisette and Neu, 2004; Ramirez, 2012; Bakre, 2014; Botzem, 2008; Hall and Thelen, 2009; Gallhofer, Haslam and Kamla, 2011; Graham and Annisette, 2012; Poullaos, 2016; Yapa, Jacobs, and Huot, 2016; and Djelic and Quack, 2018). These studies suggest the pursuit of standardisation in a direction that serves the interests of Western countries, and that pressure is placed on developing countries in this respect via international organisations such as the World Bank, the International Monetary Fund (IMF), the World Trade Organisation (WTO) and others.

Developing countries are often viewed by developed countries as not possessing good quality local accounting and auditing standards, and are pressured to adopt international accounting and auditing standards in order to reach common ground with more developed countries (Judge, Li, and Pinsker, 2010). Some countries perceive the adoption and application of international standards as Anglo-American dominance, and a sovereign transgression (Hoarau, 1995). Furthermore, some countries in the Islamic world view this process as an overreach by Western powers, who seek to apply concepts that are sometimes not commensurate with Islamic laws (Saudagaran and Diga, 1997). Under the pretext of globalisation and normative institutional standards, influence is exerted on developing countries to apply and adopt international accounting and auditing standards (Lehman, 2005; Mir, et al., 2005; Botzem et al., 2009; Albu et al., 2014; Pricope, 2016; Hooper et al., 2017; Baskerville et al., 2019; and Abdullatif et al., 2020).

Many studies (Annisette, 2000; Annisette and Neu, 2004; Mir, et al., 2005; Botzem et al., 2009; Ramirez, 2012; Albu et al., 2014; Pricope, 2016; Hooper et al., 2017) suggest that international professional institutions resemble imperialist organisations; these organisations include the International Accounting Standards Board (IASB), which oversees the IFRS; the International Auditing and Assurance Standards Board (IAASB), which oversees ISAs; the American Institute of Certified Public Accountants (AICPA); the British Association of Chartered Certified Accountants (ACCA); and the Institute of Chartered Accountants in England and Wales (ICAEW). The

International Federation of Accountants (IFAC) plays a major role in influencing the global accounting and auditing profession, and has the support of international financial organisations such as the World Bank, IMF and the WTO, all of which support Anglo-American philosophies and logic. This means that a one standard fits all approach is taken (Marx and Engels, 2002; Walker, 2010; Albu, Albu and Alexander, 2014). Moreover, many studies, including Susela (1999), Annisette (2000), and Chua and Poullaos (2002) explore the continued role of British and American accounting bodies on the accounting practices of countries that were previously colonised by Western ones, where they found the colonists involved, in an imperial way, in influencing the accounting and auditing profession in the colonized countries.

Transcontinental and international companies have contributed to strengthening the drive towards international accounting practices and standards. This is because their capital profit goals require the existence of one set of accounting and auditing standards around the world, especially in relation to the financial investments they make in developing countries (Korten, 2001; Rugman, 2005; and Sikka, 2011). However, accounting and auditing standards in developing countries are often different to those practised in Anglo-American or European countries, mainly because of the different social construction, culture, history, politics, and religions of these countries which caused inequality, loss of trust in the local, resistance, regulatory and legislative challenges, loss of culture and identity (Karampinis and Hevas, 2011). Global accounting organisations often serve the interests of Western companies, in terms of capital and foreign investment (Camfferman and Zeff, 2007). Developing countries try to improve their economies by attracting foreign investment, but foreign investors will not invest in developing countries unless a familiar financial standards environment exists. This dynamic can be viewed as a relationship of power and domination (Sikka, 2011; Hopper, Lassou, and Soobaroyen 2017; Yapa et al., 2017).

A study by Alb (2014) explores how global accounting and auditing standards were made local in Romania; the findings show that the pursuit of legitimacy and the desire to keep pace with developed countries, as well as pressure from the European Union, the International Monetary Fund and other international organisations, led to the adoption of international standards in Romania, despite the lack of readiness of the local environment. Alb (2014) also finds that differences in social structure were not taken into account, and companies only sought to have their financial statements audited via the Big Four major auditing firms, because of the prestige attached to these firms. Alb (2014) concludes that even though Western countries might succeed in applying international standards, this might lead to errors, because the interests and practices of a number of actors will inevitably conflict. Moving

further into the situation in Arab countries and in the GCC, a study by Aljifri, et al. (2006) looks at the compatibility of the application of international standards of accounting and auditing in the UAE; this study uses quantitative methods for collecting and analysing data, and finds that most UAE companies (listed and unlisted on the stock exchange), present their financial statements in accordance with international standards and in English, even though the official language in the UAE is Arabic. In Aljifri, et al. (2006) the researchers note that companies face pressure from auditors, banks, managers, and users of financial statements to comply with international standards; the study also refers to the role of the World Trade Organisation in motivating the UAE to adopt international standards in order to attract capital and foreign investors. Aljifri, et al. (2006) also suggests that the audit environment in the UAE has been compromised by the incompatibility of some international standards with the local environment. The same study finds that 87% of listed companies publish their financial statements in English only, even though Arabic is the official language in the UAE. The study calls for allowing the amendment of standards to make them compatible with the local environment and local practices. However, this could result in a distortion of standards. This dilemma ensures that Western hegemony and its impact on international standards in the accounting and auditing profession remains intact. For example, the IASB works as an extension of the logic of the ‘centre and the periphery’ relationship between the coloniser and colonised (Boussebaa, 2015; Woods, 2002).

Gallhofer, Haslam and Kamla (2011) explore the perceptions and experiences of accountants in Syria when trying to adopt international accountancy standards. The results find an Anglo-American imperial connection to globalisation, and a disregard for the nature of the local environment, although some positive improvements were perceived by participants in the study. Kamla (2007) argues that some international standards may not be appropriate for application in some non-Western and non-capitalist countries, including countries in the Arab world. This is because in the Arab world, most economic and commercial activities are still guided by the Government, and firms are predominantly publicly owned or under state ownership. This contrasts to the situation in the West where many companies are privately owned.

This section has reviewed international standards in accounting and auditing and their relationship to post-colonial theory. It has also discussed previous accounting research that uses postcolonial theory, and has noted the role of international standards and international organisations in supporting the implementation of standard accounting and auditing rules drawn up by the West, and accepted by the rest. The next section looks at the role of global accounting firms, particularly the Big Four in shaping Western accounting logic in developing countries.

4.9 Global Auditing Firms

Global auditing firms were born in Anglo-American countries, from which environment the term ‘the Big Eight’ emerged. This term was widely adopted after it was used in 1960 in *Fortune* magazine. Over time, some firms which made up the Big Eight merged, eventually morphing into the Big Four firms, which have remained dominant since the early 2000s (Deloitte Touche Tohmatsu, Ernst & Young, KPMG, and PricewaterhouseCoopers) after the demise of Enron and Arthur Andersen (Delesalle et al., 2000; Zeff, 2003). These Big Four firms are considered the most important players in the field of auditing around the world, and they exert significant influence on any changes that take place in the accounting and auditing profession, and in accounting and auditing legislation (Albu et al., 2011). In relation to the Big Four, a review study by Cooper & Robson published in (2006) argues that the places and institutions where regulation and professionalisation occur affect the rules and practices created, as well as their legitimacy globally. The same study states the following:

“We suggest that these (the Big Four) are important sites where accounting practices are themselves standardised and regulated, where accounting rules and standards are translated into practice, where professional identities of the individuals are mediated, formed and transformed, and where important conceptions of personal, professional and corporate governance and management are transmitted”.

Exactly what actors play parts in the ‘centre’ and at the ‘periphery’ is not limited to the setting of international accounting and auditing standards, but extends to the work of trans-continental and global auditing firms who can dominate and influence. If we look at the market share held by auditing and accounting work by accountancy firms who work in developing countries, the dominance of the Big Four firms is clear (Lassou et al., 2016). The Big Four firms undertake the largest share of auditing work for most of the companies listed on financial markets in developing countries, as well as for financial and banking companies of great economic importance (Al-Akra et al., 2010). The dominance of these firms is enhanced by the technological and human capabilities they possess; the connections these firms have with the biggest companies that operate in the Western hemisphere (the centre); and the accompanying prestige being associated with these firms brings, which may make the perception of local practitioners in developing countries about the four major auditing firms and their quality not necessarily related to their work itself, but rather to their connection to Western accounting. Tawiah (2022) argues that Big Four firms are involved in lobbying developing countries to promote ISAs as a way of attracting investors and liberalizing foreign trade. In addition, their interaction and participation with international legislators in the profession gives them more power in comparison to local actors in developing countries.

In European countries and the United States, Humphrey (2007) explained that after financial crises globally, the European Union countries and the United States of America are seeking to work on a more comprehensive global auditing model, which additionally, according to Humphrey (2007) serves their dominance over the auditing profession globally. Perhaps the most important factors that help achieve this goal globally are the Big Four audit firms as they have wide global reach.

Many studies have explored the role played by the Big Four auditing firms in promoting their own dominance and its manifestations. The English language, which has become the language of business throughout the world, is considered an important factor in their rise, and offers a privileged position to those who can master it fluently, especially in developing countries, such as Jordan for example, especially among auditors and accounting professionals (Aburous et al., 2022). Hu (2009) concludes that, "It is all too obvious that English has become the language of social and economic prestige and has the power to confer greater possibilities on those who can command it". Furthermore, Aburous (2016) believes that the use of the English language is a distinguishing force for professionals working in the Big Four audit firms, in comparison to local auditors who might not speak English well. Aburous (2016) suggests that this is a form of Western domination, what he calls a form of inclusion and exclusion and that English has a "symbolic power", which gives a meaning to the superiority of the English speaker, even though it is neither the official nor the mother tongue in Jordan, the place of study by Aburous (2016).

Obtaining legitimacy is one way that companies in developing countries can attract foreign investors and Western capital. It is believed that this can only be done by association with big auditing firms that are widely recognised and trusted globally (Botzem and Quack, 2009; Kikhia, 2014). For example, in Jordan, the application of international standards in accounting and auditing happened under pressure from international organisations, such as the World Bank, the WTO and others. In turn, this led to associations being formed with the Big Four firms, which worked to marginalise local auditors (Aburous, 2019). The same scenario has happened in Saudi Arabia, where the Big Four firms dominate the auditing market (Nurunnabiab, 2018).

Maria (2016) finds that after adopting and applying international standards, many firms tend to begin engagement with the Big Four firms, rather than using local ones, and this only works to enhance the dominance of the Big Four audit market globally. The reason for this may be because of the contribution made by the Big Four to legislative committees of the IASB and their representation of Western accounting firms (Camfferman et al., 2007; Cobham et al., 2012). Most of the trustees of the

IASB are from North America and Europe (i.e., are Anglo-American) which marginalises membership from the rest of the world (Perera, 2012).

The Big Four auditing firms encourage the application of international standards and, thus, contribute to the spread of these standards, as has happened in China, for example (Nobes et al., 2008). The Big Four firms have significant experience in applying international standards of accounting and auditing, and this strengthens their dominance in the markets of developing countries (Perry et al., 2005; Albu et al., 2011; Ramirez, 2012). Thus, the Big Four firms can be viewed as Western auditing firms that serve Western capitalism, which roams the world without borders, and can be connected with the process of globalisation via their expansion around the world (Boussebaa, 2015). This process takes place using a head office (the ‘centre’) which delegates to other offices throughout the country and the world (the ‘periphery’), which works to serve Western multinational companies, and works to unify international standards around the world, from a perspective of the West to the rest (Barrett et al., 2005; Boussebaa, 2015).

4.10 The Accounting Profession in Saudi Arabia versus the Global Accounting Profession

Chapter 2 of this thesis outlined the Saudi Arabian accounting context extensively. With this in mind, this section will look particularly at the local Saudi accounting and auditing profession and the interactions it has with the global accounting and auditing profession. This section will review three progressive interactions, hierarchically, namely social, economic, and global, through the lens of postcolonial theory.

4.10.1 Social

From a social point of view, the Kingdom of Saudi Arabia is located in an Arab environment, and, more specifically, in a Gulf one, with which it shares many similarities, including ethnic, religious and cultural. However, parts of this area were once subject to British colonialism, including Kuwait, Bahrain, Oman, the Emirates (in its current form), Egypt, Jordan and Iraq.

Egypt, in particular, played a major developmental role in the Kingdom of Saudi Arabia in terms of cultural and educational influence, at a time when Egypt was subject to British colonialism and after. In this respect, Saudi Arabia benefited from legal systems, laws and expertise from colonised countries (Haniffa, 2007). Thus, Saudi Arabia's relationship with colonialism shares similarities with but also differs from the experience of some other Arab countries.

4.10.2 Economic

The economic development of Saudi Arabia is closely connected to the economic and technological development of Western countries, mainly because the Kingdom is one of the largest producers of oil and natural gas in the world. Oil was discovered in the Kingdom in the 1930s, shortly after which the Standard Oil Company of California (SoCal) obtained a concession agreement for oil exploration in Saudi Arabia. Subsequently, a subsidiary of SoCal was established, called the California Arabian Standard Oil Company (CASOC), which in 1944 changed its name to the Arabian American Oil Company (Aramco). In 1980 Aramco became 100% owned by the Saudi Government, and in 1988 the company name was amended by Royal Decree to Saudi Aramco (Cappelen and Choudhury, 2000; Library of Congress, 2006; Aramco). Because Saudi Arabia is one of the largest energy producers in the world, the exchange rate of the Saudi Riyal is linked to the US dollar, since Saudi revenues are largely dependent on oil and gas revenues (Cappelen and Choudhury, 2000). This is how Saudi Arabia became linked to globalisation.

4.10.3 Global

In the 20th century, the accounting and auditing profession in Saudi Arabia has passed through two basic stages of development. The first relates to the individual jurisprudence of its first practitioners, and the second relates to regulations and standards. Interestingly, it can be noted that these two phases have a close connection to the United States of America and the United Kingdom. The first phase began with the use of non-Saudi accounting firms, foreign auditors, and accountants from neighbouring countries such as Egypt, Sudan and Lebanon. Additionally, elite professionals and experts from the UK and the USA (Arabs and non-Arabs) who held professional certificates from the United Kingdom and the United States were drafted in (Shinawi et al., 1970; SOCPA, 1994). This stage of development has been named ‘the stage of individual jurisprudence’ by the current researcher, because decisions made to use standards in accounting and auditing were undertaken according to the preferences and decisions of the accountant, prior to the existence of any post-professional organisations in Saudi Arabia (such as SOCAP) which stipulated the use of specific types of standards (Mihret et al., 2017).

The second stage, the stage of organisation and standards, began with a committee made up of Saudi academics who had been educated in the United States of America, i.e., experts from AICPA and ICAEW, and a number of US academics. This Committee passed a decision to apply American standards in accounting and auditing without substantial changes in 1984, with special regulations for Zakat (Al-Rehaily 1992, Mihret et al., 2017). This work continued in the light of inception of the

American Standards for Accounting and Auditing in 1994, which led to the formation of SOCPA, which oversees Saudi Standards. Al-Rehaily (1992) notes that the first Saudi accountants were educated in the United States, and, therefore, demonstrated a tendency to apply and adopt American standards of accounting and auditing in Saudi Arabia. Finally, after the Kingdom joined the G-20 countries, international standards for accounting and auditing, including IFRS/ISAs, were fully adopted in Saudi Arabia.

An argument can be made that the Kingdom of Saudi Arabia has never been fully colonised. This applies to modern Saudi Arabia, but not strictly to the ‘third Saudi state’ (many do not class the Ottoman Empire as colonial because the colonisers were Muslims). However, all neighbouring countries to Saudi Arabia have experienced British or French colonisation (Briston, 1997). Saudi Arabia indirectly felt the influence of these colonial countries when it looked to its neighbours for help establishing many laws and administrative systems, including its accounting, and auditing systems. Also, the relationship of Saudi Arabia with the rest of the world in the 20th and 21st centuries, as one of the largest producing countries of energy (oil and gas) which is traded in the US dollar, connects the country geo-economically and geo-politically to globalism (Mihret et al, 2017). Also, the establishment of specialist educational and vocational relationships between Saudi Arabia and Anglo-American countries in the late 20th century forged a connection between the Saudi and Anglo-American markets (Mihret et al., 2017).

4.11 Conclusion

Although the era of colonialism came to an end after the conclusion of WWII, its replacement with globalism has served to maintain its presence in educational systems and professions which enables mimicry, hegemony, and hybridity. Postcolonial theory helps us to understand the thought patterns of the relationship of between the West and the East as that of a ‘centre’ and the ‘periphery’. The use of postcolonial theory as a lens through which to examine accountancy practices can help create an understanding of how ideas about quality among the targeted parties in this study (external auditors, local regulators, and BoDs) are perceived, because this lens assumes that the power of colonialism has shaped the way people in the West perceive their status in the world and how they view people in the East.

The use of postcolonial theory meets the research aims and fits to answer the research questions. Also, it enables the exploration of the relationship between the dimensions of the theory and the practices of the three parties focused on in this study. For example, the adoption of international accounting and auditing standards, IFRS/ISAs, in Saudi Arabia was initiated by “the West” but these standards were

adopted in a non-Western and non-Capitalist country. In the 21st century, this kind of “global-local interrelation” has been driven by globalisation and concerted attempts to attract foreign investment (Gallhofer et al., 2011; SOCPA, 2018).

According to SOCPA, a Saudi Arabian professional who holds a recognised certificate in accounting, from the US and the UK specifically, can have the requirements of their accounting and auditing exams in Saudi Arabia waived. This happens even though the principles of US GAAP, which auditors from the US rely upon, differ somewhat from the principles of IFRS which were enforced recently in Saudi Arabia (Al-Rehaily 1992, Mihret et al., 2017). Another example of Western influence is the presence of the Big Four accounting firms on some of the committees attached to SOCPA (SOCPA, 2018), and the market share they hold in auditing most of the companies listed on the Saudi stock market (Tadawul, 2019).

Using postcolonial theory can contribute to discovering, exploring and understanding the indicators of AQ and the concept or meaning of AQ in Saudi Arabia. It can also help form an understanding of the influence of the application of international standards in accounting and auditing and Western auditing practices in shaping the implementation of AQ and AQIS in Saudi Arabia (linking the local to the global) among the three target parties, namely, external auditors, regulators, and directors serving on the boards of Saudi listed companies.

Chapter 5: Methodology

5.1 Introduction

The methodologies and processes undertaken in academic research can be defined as, “a set of techniques used to inquire about a particular case” (Easterby-Smith et al., 2012). For the purposes of the current study, the concept of research is treated as, “something that people do in order to discover things in a systematic way, thus increasing their knowledge” (Saunders et al., 2009). This chapter will describe the research philosophy, research design, and research methods used in the current study, including the processes used for participant selection and sampling. The chapter will describe the methods used to design the qualitative and quantitative aspects of the research, as well as the approach used for data collection and analysis. Finally, this chapter will outline the most important ethical considerations of the study and review the challenges faced undertaking the study.

5.2 Research Philosophy

According to Saunders et al. (2009) ontology concerns the nature of reality and addresses the question of “what is reality?” In this respect, the idea of whether there is one reality, multiple realities, or, even, if reality exists at all, is debatable or negotiable. Further, Saunders (2009) explains that epistemology is about, “what constitutes acceptable knowledge in a field of study”. In other words, epistemology is about the way we understand knowledge, and the way we think about knowledge. Epistemology asks the question, “how can we know reality?” and raises issues about whether reality can be measured, interpreted or examined. Saunders et al. (2009) identifies two main ontological elements in relation to academic research: objectivism and subjectivism. The same study suggests that objectivism takes the position that, “social entities exist in reality external to social actors concerned with their existence”, and subjectivism is when, “social phenomena are created from the perceptions and consequent actions of those social actors concerned with their existence”.

Thus, the current study, like many examples of social sciences research, is in line with the predominant approach used in humanities and social sciences. The current research uses the approach of subjectivism. It views social reality as socially constructed and multifaceted, with knowledge emerges from interactions with the participants and thus subjectivity is inevitable (Collis and Hussey 2014). The research questions also originate from this understanding, and the first question asks: How do BoDs, external auditors, and PPQRC members define AQ? The second question asks: What are Audit Quality Indicators? While the third question attempts to understand How are Western practices of auditing implicated in shaping general perceptions of AQ? (See Chapter One.)

5.3 Research Paradigms

To help researchers in their academic goals, a research ‘paradigm’ is used to assist with understanding and interpreting knowledge. This paradigm influences the process of the research (Saunders et al., 2009). Saunders et al. (2009) identifies three main research paradigms: positivism, interpretivism, and pragmatism.

Positivism assumes that reality is something tangible, something set by universal laws which are independent of people, which can be studied by scientific methods. Positivism focuses on creating explanations by testing hypotheses. This approach is most associated with the quantitative strategy, which is based on deductive procedures.

Interpretivism approaches reality as something which is many layered, as something socially constructed, and, therefore, not objective, but subjective. Interpretivism seeks to, “understand the subjective experience of the individual” (Burrell and Morgan, 2017). It focuses on understanding and exploring by generating theories, and is most associated with a qualitative approach or strategy, based on inductive procedures (Saunders et al., 2009; Parker and Rea, 2014).

The pragmatic paradigm mixes both the positivist and interpretivist paradigms. Pragmatism sees reality as something which is constructed, as both objective and subjective. It focuses on both explanation and understanding, and, from a research perspective, is usually associated with the use of both qualitative and quantitative methods approaches, based on using both deductive and inductive procedures (Saunders et al., 2009).

The paradigm most suitable for the current study was determined as being interpretivism, for a number of reasons. Firstly, the philosophy of the interpretivist is to explore, “the subjective meanings motivating the actions of social actors in order for the researcher to be able to understand these actions” (Saunders et al., 2009). Interpretivism sees reality as being socially constructed, and the social actor might adopt different interpretations of reality, according to the situation in which they find themselves (Saunders et al., 2009). Secondly, the current study adopts a mixed methods research design, whereby a quantitative questionnaire is closely linked with the qualitative method of using semi-structured interviews. However, the priority (weight) will be given to the qualitative method, as noted by Ivankova et al. (2006) and Haynes-Brown (2021). The researcher who uses the interpretivist approach can gain a comprehensive understanding of a phenomenon when applying the mixed method approach (see Section 5.4.1 Mixed Methods). The use of a questionnaire and semi-structured interviews will be discussed in more depth later in the chapter. The aims of the current study are to understand AQ from

the perspectives of external auditors, BoDs, and regulators in Saudi Arabia; to explore what AQIs mean from the perspectives of external auditors, BoDs, and regulators in Saudi Arabia; and to understand how Western applications of auditing are implicated in the general perceptions held about AQ in Saudi Arabia.

It assumes the adoption of the interpretive epistemological helps to have a comprehensive understanding of the AQ, AQIs in Saudi Arabia and the implications of adopting IFRS/ISAs on shaping the perceptions of AQ among practitioners, which are shaped by the social structure, the background of the participants, their knowledge and experience, which leads to a deeper understanding of the phenomenon (Cresswell, 2009; Andrade, 2009). Adopting such approach makes the researcher understand deeply through the interpretation of the experiences of the participants practicing the profession in the Saudi context and their lived experiences (Cresswell, 2009; Andrade, 2009).

The aims of the current study, as outlined in Chapter 1, are not to examine and test hypotheses, but to garner and understand opinion. Powell et al. (2008, p. 306) argues that using a mixed methods approach for social sciences research can help the academic be, “more flexible, integrative, and holistic in their investigative techniques, as they strive to address a range of complex research questions that arise”.

5.4 Research Methods

A research method is, “a systematic and orderly approach taken towards the collection and analysis of data so that information can be obtained from data” (Jankowicz, 2000). In other words, research methods are “vehicles of thoughts” (Beck and Puwar, 2012), and “ways of seeing” social reality (Manson and O’Sullivan 2006).

Using Saunders et al. (2009) for guidance, the mixed methods methodological approach is chosen for the current research: qualitative, quantitative, and mixed methods. As previously discussed, each method has a different approach of ontology and epistemology, and the nature of research. Newman and Benz (1998) believe qualitative methods should not be viewed as being the opposite of quantitative methods, but instead that each one is at a different end of a continuum. Cresswell (2009) argues that because the mixed methods approach includes elements of both qualitative and quantitative research, then it falls in the middle of the continuum.

As noted in Chapter 3, some academic studies of AQ and AQIs use quantitative methods, for four main reasons, as listed below:

- a) Because the research takes a positivist approach, and it studies the relationship between two elements.
- b) Because most research in the field of AQ tests hypotheses, and, therefore, deductive research and quantitative methods are the best fit.
- c) Because of difficulties researchers have experienced when collecting data from large samples, and when interviewing external auditors. For example, setting up an interview with an external auditor or board member of a listed company is not an easy task, especially if the timing of the interviews fall within the second quarter of the financial year (at the end of June/the beginning of July). This is because, at this time, auditors are busy preparing for final reporting. The current study overcame this obstacle by collecting data from all the three target groups at the right time.
- d) because of confidentiality which is crucial in auditing research because of its direct connection to client information, where auditors, board members, or even legislators may avoid discussing any work-related matters openly. However, in this study, the researcher employed a questionnaire to familiarise participants with the research. In addition, the researcher left the choice of participating in the second phase the semi-structured interviews entirely to the participants. The researcher also explained the importance of the study and its aims in advance, to ensure transparency.

5.4.1 Mixed Methods

Mixed methods research can be defined as, “research in which the investigator collects, analyses, mixes and draws inferences from both quantitative and qualitative data in a single study or a program of inquiry” (Journal of Mixed Methods Research, 2006). Moreover, the general quality of mixed methods research can be higher than that achieved by using one single method (Cresswell et al, 2007). In addition, in social sciences, it is argued that, "multi-dimensional lives are lived, experienced and enacted simultaneously on macro and micro scales" (Mason, 2006, p.12). Thus, the viewing of social experiences and realities from only one dimension might not be as useful to glean understanding as viewing social experiences from more than one dimension might be.

Mason (2006) describes the advantages of using mixed methods, suggesting that this approach might help the researcher to see “outside of the box”, as well as extend the logic of qualitative explanation. This is because the mixed methods approach views social experience and realities multi-dimensionally. In addition, a mixed methods approach can improve ‘validity’, because findings can be

cross-checked, which also improves ‘reliability’, which leads to greater understanding, and more depth and breadth in the research (Bryman, 2012; Cresswell, 2015; Johnson et al., 2007).

Cresswell (2009) identifies different research designs that are associated with using more than one research methodology, including: the mixed method design, the concurrent design, the sequential explanatory design, and the sequential exploratory design. Concurrent design incorporates different steps, such as separately collecting data using quantitative and qualitative methods; then analysing each dataset separately from the other; and bringing the two methods together at the end by discussing them side-by-side. Finally, the researcher must examine whether the results are confirmatory, discordant, or expansionary (Cresswell, 2009).

Sequential explanatory design involves the researcher collecting quantitative data, such as via a survey or questionnaire, and analysing the data to find meanings, and to facilitate/support the next phase of the research. This process encourages the researcher to explore items that need ‘explanation’. Collecting qualitative data, such as using semi-structured interviews, for example, are used to explain and understand the thoughts of the selected participants in depth, and to meet the aims of the current research.

For the current study, using one research method was not enough to answer the research questions (see Chapter 1). Therefore, the researcher decided to use the mixed methods approach of circulating a questionnaire and then organising semi-structured interviews with willing participants who had completed the questionnaire (Cresswell, 2009; Patton, 2014). It is important to mention here, that the use of a questionnaire and semi-structured interviews is sometimes called different things in different methodological literature. For example, Cresswell (2009) calls it, “mixed methods - sequential explanatory design”, while others call it “multiple methods” (Patton, 2014).

For this current study, using a quantitative method (a questionnaire) facilitated access to a large number of participants, which paved the way for using the qualitative method of semi-structured interviews. In particular, the questionnaire was used to explore perceptions of what AQIs are, and to link these perceptions to Western auditing practices and influence. The interviews were helpful for seeking to understanding the meaning of AQ from the perspectives of external auditors, BoDs, and regulators, as well as exploring what AQIs are from the perspectives of the same target groups. The questions also sought to understand how Western applications of auditing are implicated in general perceptions about AQ. In this respect, Bryman and Bell (2015) suggest that using sequential explanatory mixed methods can help strengthen the findings of one method to the other. In the context

of the current study, the first phase (the quantitative questionnaire) helped to inform the findings of the qualitative method (the semi-structured interviews), and vice-versa, in order to gain a deeper understanding of the findings according to the different groups sampled for the research, for example, to link the concepts of AQ and AQIs. The questionnaire gave participants a choice of 13 indicators which were chosen using a review of previous research. Participants were given the option of adding any indicator or comment they might see from their point of view. After analysing the data, consistent perceptions of AQ and AQIs were revealed among the participants.

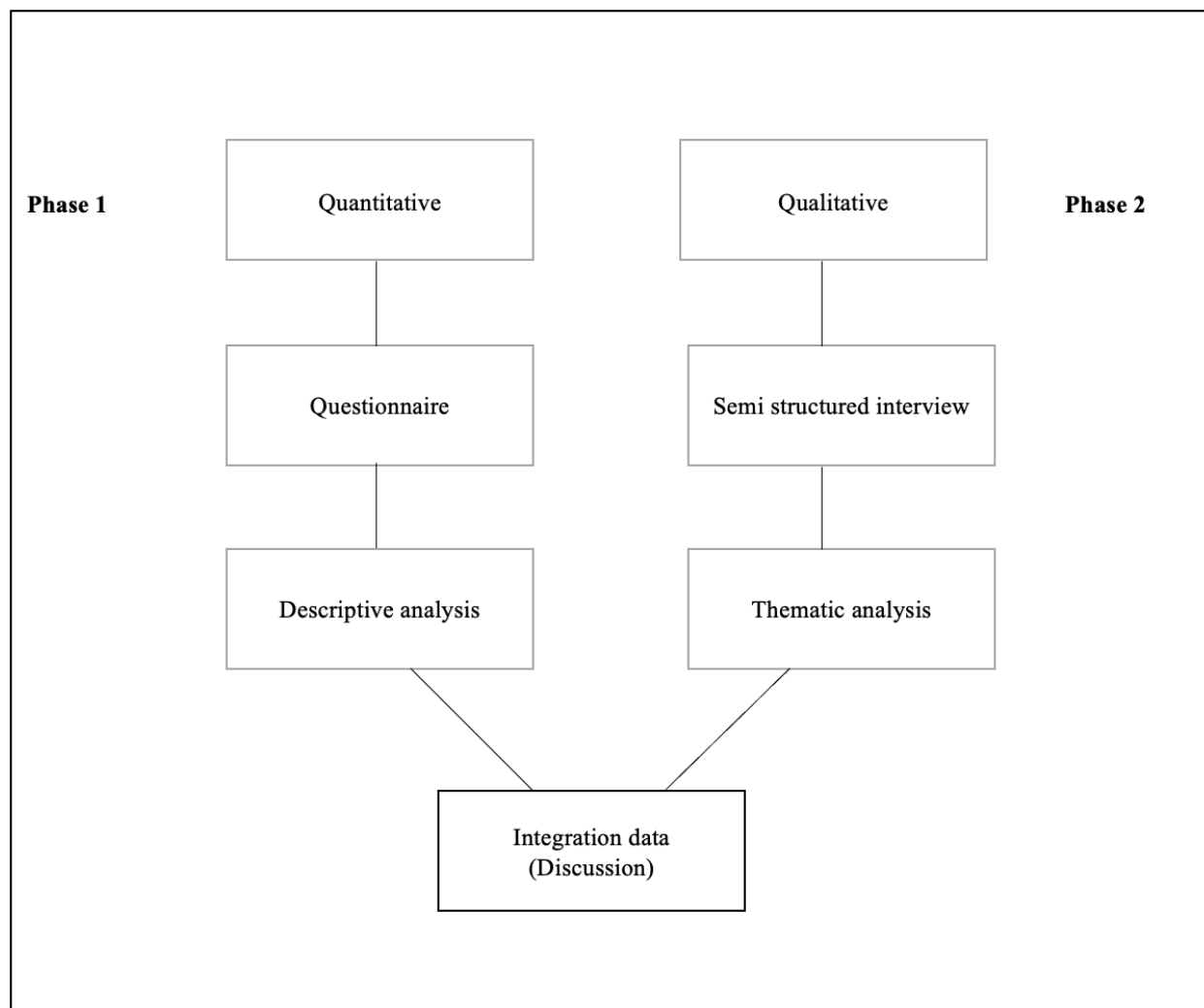


Figure 2: The methodological road taken in the current thesis, showing the two phases of research and the integration of data.

The sequential explanatory mixed methods approach comprises two stages: one stage focuses on collecting quantitative data, and one stage focuses on gathering qualitative data. Indeed, many researchers indicate the importance of prioritising the methods used according to the research objectives and research subject (Morgan 1998; Cresswell et al., 2003; Bryman 2006; Ivankova et al.

2006). Ivankova et al. (2006) and Haynes-Brown (2021) outline in detail the different reasons why priority is given in the use of explanatory sequential mixed methods. Ivankova et al. (2006) explains that the concept of priority in the sequential explanatory mixed method approach means, "to which approach, quantitative or qualitative (or both), a researcher gives more weight or attention throughout the data collection and analysis process in the study". Ivankova et al. (2006) confirms that sequential explanatory mixed methods priority is decided, "depending on the study goals, the scope of quantitative and qualitative research questions, and the particular design of each phase, a researcher may give the priority to the qualitative data collection and analysis (Morgan 1998), or both". The current study demanded that priority was given to qualitative data to meet the research aims, answer the research questions and gain in depth understanding of the research. Figure 2 above shows the two phases of research used in the current study.

The use of the sequential explanatory mixed methods approach is valuable because of the following reasons:

- a) Answering the research questions requires exploration and a deep understanding of the participants' points of view.
- b) The need to use a questionnaire to facilitate access to the participants was one way of overcoming challenges perceived in previous research, due to the sensitivity of the research topic. For example, the participant in the current study completed the questionnaire in the first instance where the researcher encouraged the participants to offer perceptions of the topic to be further explored and addressed.
- c) According to the best knowledge of the researcher, the quality of auditing in Saudi Arabia has not been previously fully explored or understood. This research considers the Saudi context by exploring the opinions of three targeted parties. Previous research has mostly adopted the quantitative method, in order to identify, measure, and find relationships between elements, in relation to AQ. However, most previous research does not focus on the nature of the auditing profession in the Saudi context.
- d) The need to bridge the knowledge gap in AQ research, in addition to the need to bridge the information gap using quantitative and qualitative methods.
- e) Listening to the voices of the participants in their own words facilitated answering the research questions and meeting the aims of the research.

5.5 The Study Population

After undertaking a review of previous literature, and outlining the local context of auditing services in Saudi Arabia, the researcher of the current study identified three important elements which shape the concept of AQ in Saudi Arabia, in order of importance, as follows:

- a) SOCPA is the main legislator of the auditing profession in Saudi Arabia, and its activities and publications are designed to realise its goal to enhance the quality of auditing in Saudi Arabia.
- b) The role played by members of BoDs/ ACs in the Saudi listed companies in selecting external auditors and linking the audit performed to the financial statements of listed companies.
- c) The auditor's role in the audit work, from the beginning of the association with the listed company (the client), until the delivery of the final audit report (the auditor's opinion).

The selection of these three elements corresponds to the goals the current study, which seeks to provide a comprehensive picture of the quality of auditing and its indicators, as well as the role Western auditing influence and practices play in shaping the perceptions of the participants.

Some participants from the category of external auditors had passed the requirements for obtaining the Professional Certificate in Accounting but had not yet obtained their license to practice in Saudi Arabia from SCOPA. Further, cultural factors played a part in the selection of the study sample, as outlined below:

- a) Privacy. Saudi society values privacy, specifically in sensitive issues related to work, which is the subject of the current research.
- b) Fear of exceeding one's own powers by participating in the study. The three parties selected to participate in this study are part of a hierarchy in Saudi society and at work. Some might have felt that they were overstepping their place in a social hierarchy by participating.
- c) Perceptions about the importance of study. Many professionals do not attach importance to academic research or voluntary participation in it.

5.6 Response Rates

An online questionnaire was distributed to approximately 400 people. The number of those who responded and participated in the questionnaire was 322, with a response rate of approximately 80%. Of these respondents, 200 were included in the descriptive analysis. The number excluded was 122,

and the reasons for these exclusions will be presented in the section of this chapter which deals especially with exclusion criteria. The number of semi-structured interviews undertaken with individual participants was 34. At the time of the current study, the number of practices licensed to practise the profession in Saudi Arabia was 228, the questionnaire was sent out to the whole of this population. Further, 204 companies were listed on Tadawul, and 5 on Nomu. This study targeted all 209 of these companies (Tadawul and Nomu). The questionnaire was sent out to all these people through the communication team of each company and social media platforms. More than one member of each company was allowed to complete the questionnaire, and the expected response rate was between 10%-15% (Bryman and Bell, 2011; Altwaijry, 2017). At the time of the current study, the SOCPA's PPQRC comprised 7 members, and a questionnaire was sent to all of them.

Sample	Method		
	Quantitative		Qualitative
	Questionnaire		Semi-Structured Interview
	Sent to	400 approx. participants	34 participants
	Respondents	322 participants	
	Respondents included in the descriptive analysis	200 participants	

Table 4: Total response rates for both quantitative and qualitative methods.

5.7 The Quantitative Method

Saunders et al. (2009) explains that the quantitative method is mostly used as, “a synonym for any data collection technique (such as a questionnaire) that generates or uses numerical data”. The current research employed a questionnaire that was distributed to the three targeted groups. The main goal in using this method was to provide an overview of opinion, and to collect more information about the three targeted groups.

5.7.1 Questionnaire Design and Structure

Bryman and Bell (2011) explain how a researcher can design and write questionnaire questions based on previous studies in the same field, as well as based on their own experiences, and the goals of the research and the research questions. The researcher of the current study employed all these methods when devising the questionnaire. The researcher benefitted from reviewing previous research about AQ and AQIs such as Knechel et al. (2016), PCAOB (2013), Choi et al. (2010), Francis, (2004), FRC,

(2020) and Little et al., (2018), as well as other studies focusing on the Saudi Arabian context such as Altwaijry (2017), Habbash et al, (2017) Mihret et al., (2017) and Nurunnabi (2018).

The questionnaire was written in two languages: English and Arabic. Initially, it was written in English and reviewed by a research supervisory team of native English speakers. Then, it was translated into Arabic by the researcher, a native Arabic speaker, and then reviewed and revised by an Arabic language proofreader. The questionnaire was written in two languages for two main reasons:

- a) To give the participant the option of using their preferred language.
- b) Because the study was conducted in an Arabic speaking country.

At the end of the questionnaire, the participants were given the option of choosing to participate in semi-structured interviews, which would form the second phase of the research. Interested participants were asked to provide their full name, phone number, and their email address.

The questionnaire began by giving general information about what the study was about and asking for consent for taking part of the study. Then, the questionnaire moved on to asking for demographic information, including age, gender, experience, and educational level. Starting with demographic questions is recommended by Colton and Covert (2007), especially when a questionnaire does not ask for the name of the participant. In addition, the researcher reviewed many studies relating to the Saudi context, such as Altwaijry (2017), Habbash et al. (2017), and found that these studies also began their questionnaires with demographic questions. The specificity of the Saudi context attaches importance to respecting privacy and authority, and, therefore, clear expectations needed to be set out for the participants. In addition, the pilot study which was conducted by the researcher showed the appropriateness of starting with the collection of demographic information.

All potential participants received a link to a descriptive online questionnaire, which could be self-completed. The questionnaire included closed-ended, open-ended, and Likert scale questions such type of question help in trying to explore the AQIs. For example, open-ended questions were useful because of the interpretive nature of this study. The questionnaire was a useful tool for the researcher to use in answering the main research question of: What are AQIs? In addition, it was useful to find out what each group thought about AQ and AQIs, and to find out if any new AQIs have emerged in the context of Saudi Arabia.

Each participant received an online link to a web-based survey that was accessible using a smart phone, a tablet, a PC, or a laptop. The focus of the questionnaire was on AQ and AQIs (see Chapter 2). The questionnaire was very similar but not exactly the same for each of the three groups. It was approximately the same length for each group, but differed slightly in question design only to take into account key professional differences between the members of each group (which will be discussed later in this section). For statistical data analysis, the software SPSS was used.

The first main question focused on AQIs, and comprised 13 items to be marked on a five-point Likert scale from 1 to 5, where Strongly Agree = 1, Agree = 2, Undecided = 3, Disagree = 4, and Strongly Disagree = 5. The second main question focused on the definition of AQIs from the perspectives of participants. This part comprised 13 items to be marked on a five-point Likert scale of 1 to 5, where Strongly Agree = 1, Agree = 2, Undecided = 3, Disagree = 4, and Strongly Disagree = 5. The third main question aimed to discover how Western auditing practices and influences were implicated in general perceptions about AQ in Saudi Arabia with the same five-point Likert scale (see appendix 3).

The validity period of the questionnaire ran from 1st February 2021 to 15th April 2021. The Qualtrics platform (www.qualtrics.com) was used to build and design the questionnaire. This was, eventually, distributed to the three target groups with slight differences (as previously discussed), to account for the particular demographics of participants belonging to each of the three study groups. The questionnaire was designed so that when the participant identified which of the three groups to which he or she belonged, questions opened up relating to each particular group. If the participant belonged to the external auditor group, they were asked which professional certificates they held, if they were fully participating members registered with SOCPA or not, and what size audit firms they worked in. If the participant was a Saudi board member of a listed company, the questionnaire would ask which stock market their company was listed on. The remainder of the questions were the same for all participants in all three categories. Questions about the size of an audit firm were important because this information would be used to clarify differences in opinions between auditors in local firms or international audit firms. The same principle could be applied to BoDs, where the questionnaire asked which stock market their company was listed on, either Tadawul or Nomu.

5.7.2 Pilot Study

Fowler and Cosenza, (2009) suggest that a questionnaire needs to be pre-tested to ensure the flow and clarity of the language, to meet the study aims, to ensure the participants in the study match with its context. Before distributing the official version of the questionnaire to all the participants, the researcher conducted a pilot study of the questionnaire. The importance of piloting a questionnaire is

noted by Bell, Harley, and Bryman (2019). Piloting helps the researcher identify errors, and provides the researcher with the opportunity to correct these errors. It also helps in verifying the language of the questionnaire, and ensuring that all the participants understand the questions posed. Further, it helps the researcher evaluate the time it takes for participants to complete the questionnaire.

The researcher distributed the pre- test study questionnaire to a total of 23 participants across the three different categories, as follows: 8 external auditors (4 participants from the Big Four firms and 4 from non-Big Four firms); 6 participants from the BoDs group; 3 ex SOCPA PPQRC members; 3 academics who specialised in the accounting and auditing field of research in Saudi Arabia; and, finally, 3 language specialists of Arabic and English. These numbers comprised 11.5% of the total participants who eventually completed the final questionnaire.

The aim of the piloting exercise was to achieve the following: a) To check that the participants understood all the questions posed on the questionnaire; b) To establish that, for each question, the same meaning would be reached and was identical (where relevant) for all the participants; c) To ensure that there were no errors or inaccurate terms included in the questions that may not fit the purpose of the questionnaire; d) To prepare a more accurate questionnaire which would be the official/final questionnaire for distribution to all the target groups identified in the current study.

5.7.3 Results and Reliability of the Pilot Study

It should be noted that some Arabic terms were modified to match the English language. The most prominent modification related to the two terms: *auditor tenure* and *auditor rotation*, and these terms were modified / replaced with similar terms used in the field.

Reliability was measured using the Cronbach's alpha scale, which indicates the reliability of questionnaire responses, assessed by subjects, indicating instrument stability (Creswell, 2014). The statistical program SPSS was used to analyse the results of the reliability test for the three main questions in the questionnaire to measure internal consistency and to evaluate how the items within the questionnaire correlated with each other. The result for Cronbach's alpha was 0.931 for all items included in the questionnaire, except for the demographic data. This value is considered a reliable value. The closer the Alpha Cronbach score is to 1, the more reliable the result is, but a score of less than 0.6 indicates less reliability (Nunnally and Bernstein, 1994). This value is considered a reliable value, indicating a high level of internal consistency and correlation between the questionnaire items (Cresswell, 2009; Bryman and Bell, 2011).

5.7.4 Sample Characteristics

The current study targets three groups involved in auditing practices in Saudi Arabia; the first group is external auditors, both SOCPA certified auditors and multi-certificated auditors (internationally and locally); the second group comprises members serving on the BoDs of Saudi listed companies (both Tadawul and Nomu); and the third targeted group comprises members of SOCPA's PPQRC committee.

5.7.5 Distribution and Administration of the Questionnaire

The researcher distributed the questionnaire to all the three target groups using several methods. The first method was via personal communication with the participants, using the snowball method. Snowballing involves taking advantage of the social networks and relationships of the researcher to reach a research sample/the research participant (Noy, 2008). The second method involved obtaining permission from WhatsApp group administrators to access WhatsApp groups pertaining to the audit profession, and external auditors, and members of the BoDs of Saudi companies. Further, the researcher made personal contact with the public relations team of SOCPA, who reviewed the questionnaire before distributing it to accounting companies that hold a licence to practice the profession, and are registered with SOCPA, in Saudi Arabia. The researcher also used the LinkedIn platform to target the three groups. The researcher made use of scholarship facilities via the Saudi Electronic University, to send official letters to outline the research procedures to relevant authorities, and to inform them of the Saudi cultural mission in the UK. Finally, the researcher visited SOCPA headquarters to obtain permission to distribute the questionnaire to the SOCPA's members of PPQRC. It should be noted that these methods were effective in reaching the participants. However, some difficulties were faced by the researcher, which are summarised as follows:

- The sensitivity of the professional positions of the potential participants in the research impacted on the kind of questions the researcher could ask. For example, when directing questions to PPQRC members, the researcher avoided classifying auditing firms. Or, when directing the question to the BoDs, the researcher avoided direct questions about the current external auditor of the company. Also, when directing questions to auditors, the researcher avoided asking about current clients.
- Difficulties were experienced accessing some individuals due to the crisis of the COVID-19 pandemic, mainly because of the restrictions imposed by local authorities relating to the virus, which were constantly changing and developing. The researcher tried to overcome these difficulties by using alternative channels such as social media, especially the platforms on which the targeted participants in this research were present. Personal connections held by the researcher with some individuals

working in the field, and using the snowball method, also helped to reach a larger number of participants.

One week after distributing the questionnaire, after receiving some responses from the participants, the researcher sent out a reminder, using the same communication methods as mentioned above. Potential participants were also reminded that participation in the study was voluntary.

5.7.6 Cleaning the Data and Exclusion Criteria

Rowley (2014) explains that certain steps need to be taken after collecting questionnaire data, and before starting data analysis. These steps are summarised below:

- The questionnaires must be checked for completion. The researcher must make sure that all the questionnaires answer the main questions posed. Questionnaires should be excluded based on the following criteria, namely, if only demographic information questions have been answered; if the questionnaire was completed in an unreasonable time, if questionnaires have been filled in twice or more than twice by the same participant. For the current study, Qualtrics was used to determine the accuracy of this data before disqualifying any questionnaire.
- Data must be entered using an appropriately chosen data analysis computer software programme. This information must include the researcher's code, and answers must be in the correct form (e.g. numbers). For example, if a participant states their gender as male, then this answer is coded using the number "1", and if a participant states their gender is female, then the answer is coded using the number "2".
- The data set must be checked and cleaned. The researcher must check all the codes for all the questions, and the participants, before starting the data analysis to make sure everything is correct.

In this study, after the end of the questionnaire and data collection process, many of the participants were excluded for reasons relating to the study and its objectives. These exclusions are summarised as follows:

- Participants who did not complete the demographic questions were excluded. Some participants only completed between 6% and 33%, which means that they did not answer the first main question of the research, which asks about AQIs.

- Questionnaires that were answered in a quick and unreliable time were excluded. For example, some participants completed the questionnaire in only 3 minutes and were therefore excluded for not being serious.
- Some of the participants answered open ended questions. For example, one of the participants responded with incomprehensible responses such as (fojhsir), and was therefore excluded.
- Any participant who did not meet the aims of the research was excluded. For example, any external auditor who had not applied for or obtained a license to practice the profession from SOCPA was excluded.

For the current study, the researcher pulled the data from the Qualtrics platform by converting it into an XLS format (Excel file format). After cleaning the data collected from the questionnaire, the researcher prepared an Excel file to be used for the analysis, which was undertaken using SPSS- 26 software (Statistical Package for the Social Sciences).

5.7.7 Analysis Method Used for the Questionnaire Data

The researcher used descriptive analysis to analyse the data collected from the questionnaire. The choice of using descriptive analysis with the data was commensurate with the objectives and nature of this study. This is because the study aims to understand AQ from the perspectives of external auditors, BoDs, and regulators; it aims to explore what AQIs are from the perspectives of external auditors, BoDs, and regulators; and it aims to understand how Western applications of auditing are implicated in general perceptions about AQ in Saudi Arabia.

5.7.8 The Descriptive Analysis

Bell, Harley, and Bryman (2019) note the importance of undertaking a descriptive analysis of the data. This process summarises the data using important measurements such as: mean, mode, and frequency, to help the researcher comprehend patterns and trends revealed in the data. The use of descriptive analysis helped the researcher in showing frequency distributions, through which the number of participants and the percentage of participation in each item in the questionnaire. It also helped the researcher to understand the central tendency of the quantitative variables, such as the median, the mean, and the mode. It also helped in terms of trying to understand the participants' thoughts and highlight important points. The researcher also used cross tabulations, which helped gain an understanding the auditors' answers compared with members of the BoDs, or PPQRC members. To display the data and understand it better, the researcher used graphs to represent the data visually. All this helped the researcher understand and interpret the data (Bell, Harley, and Bryman 2019). As

previously discussed in this chapter, the data was analysed separately, between quantitative and qualitative data, and then interpreted. For the interpretation of the data, please see the discussion chapter. Interpretation of data means making sense of both quantitative and qualitative data after analysis them and discussing the findings (Willig, 2014). This worked to fulfill the aims of the current research.

5.8 The Qualitative Method

Qualitative methods are used for, “exploring and understanding the meaning individuals or groups ascribe to a social or human problem” (Cresswell, 2009). The main goal of using these methods is to seek an in-depth explanation, and to understand how the interviewees defined AQ, to understand and explore the perceptions and opinions of the interviewees about AQIs and to uncover the influence of Western accounting and auditing practices in shaping perceptions of AQ in Saudi Arabia.

5.8.1 Types of Interviews

There are three main types of interviews used in the qualitative method of research, namely, unstructured interviews, structured interviews, and semi-structured interviews (Bell, Harley, and Bryman, 2019).

Structured interviews comprise posing a set of unified questions to all participants. The participants are usually asked questions in the same order, and in an organised manner. Research that uses structured interviews aims to collect data that can be measured and compared between participants, for the purpose of statistical analysis and comparisons. However, using this method often lacks flexibility, and does not allow participants to express their views. Further, it does not always lead to a deep understanding of the data and the subject of research (Bell, Harley, and Bryman, 2019).

Unstructured interviews are the exact opposite of structured interviews. They comprise open-ended questions that are not organised or structured. This method allows the participants to express their opinions, views, and feelings on a subject very freely. However, this method poses challenges, especially relating to determining the duration of the interviews. It also poses challenges when trying to analyse the data at a later point (Bell, Harley, and Bryman, 2019).

Semi-structured interviews combine the advantages of the two previous types of interviews, and, to some extent, avoid the disadvantages of both previously discussed methods. The semi-structured interview poses a series of balanced key questions. This offers flexibility, which leads to a deeper understanding of the AQ in the context of Saudi Arabia. The data collected using this method can be

more easily analysed (Bell, Harley, and Bryman, 2019). After reviewing the aims of the current research, and deciding best which method would serve to answer the research questions, and meet the research aims, semi-structured interviews were chosen by the researcher to be used with all three target groups to ensure detail and depth, and to allow for flexibility.

5.8.2 Semi-Structured Interviews

According to Cresswell (2009), a semi-structured interview can be a face-to-face conversation between a researcher and a participant, or a telephone conversation, involving generally open-ended questions which reveal the opinions of the participants to the interviewer. Open-ended questions are useful for allowing participants more options for responding (Cresswell, 2009). However, an interviewer must provide each participant with the option to choose the language he/she would like to be interviewed in. For the current study, this was either Arabic or English. Semi-structured interviews should take into account different demographic information, such as gender, experience, age, qualifications, and position, for example. The main focus of the interview must be trying to garner knowledge and explanations from the participants to which the researcher can add meaning/interpret their responses, and to answer the research questions.

In the current study, distributing questionnaires gave the researcher the opportunity to find participants who would be interested in taking part in a semi-structured interview. Distributing a questionnaire also helped potential interviewees become familiar with the research topic. During the COVID-19 crisis, interviewees were given the option of undertaking interviews using video applications such as Zoom or Google Meets.

The important task in the semi-structured interview is to understand the meaning of what the interviewees say (McNamara, 2009). The researcher of the study adopted the following steps based around the suggestions of Cresswell (2009) as this approach ensured the following sequence of questions:

- a) Ask first about facts.
- b) Ask questions about the present before asking questions about the past or the future.
- c) Questions should be worded clearly, with diligence, asked one at a time, and as neutrally as possible.
- d) Participants must be allowed to provide any extra information at the end of the interview.

- e) The researcher must be careful when asking “why” questions, because this might cause the interviewee to answer defensively or uncomfortably.
- f) The questions asked must progress in a logical order.

5.8.3 The Selection of Interviewees

This study targeted three groups involved in the auditing profession in Saudi Arabia. The first group was external auditors, whether the auditor was a SOCPA certificated auditor or was multi-certificated (internationally and locally). The second targeted group comprised members serving on the BoDs of Saudi listed companies (Tadawul and Nomu). The third targeted group were PPQRC members.

Semi-structured interviews were carried out with 34 participants. The first group, external auditors, comprised 14 interviewees. When selecting these participants, the researcher considered important factors such as firm size, position in the team, gender, age, experience, qualifications (local and international), and industry specialisation to have a deep understanding of AQ, AQIs and the implications of western auditing practices in shaping the perceptions toward AQ. Such considerations were important to ensure that the sample of auditors interviewed were representative of the broader auditor population, the diversity of firm sizes, gender, age, experience levels, and industry specialisation. This enriched the data collected and ensured that participants from various demographic backgrounds had the opportunity to share their experiences and insights and provide a more comprehensive understanding AQ in Saudi Arabia. The second group, BoDs, comprised 14 interviewees, comprising board members serving on both Tadawul and Nomu listed companies. Again, when selecting these participants, the researcher considered important factors such as industry and sector. The third group, PPQRC members, comprised only 6 people.

5.8.4 Interview Guide

According to Patton (2002) a semi structured interview guide is a very important tool for researchers to use to help focus their attention on key aspects of the interview, as well as manage interview time effectively, and make sure that the questions are addressed by the participant.

The questionnaire sent out as part of the first phase of the current research included an invitation to take part in a semi-structured interview. Those wishing to participate were asked to state contact information, including an email address, mobile telephone number, and their name. The researcher communicated with interested participants to arrange semi-structured interviews. Most of the interviews were conducted in Arabic, and audio recorded (with permission gained) for the purposes of

translation, transcription and analysis. The duration of the semi-structured interviews varied from between 40 to 100 minutes.

Participants were given the option to choose a convenient location for their interviews, based on developments of the COVID-19 situation and the instructions issued relating to this by the Saudi Government. The researcher ended up moving between three main regions of Saudi Arabia to conduct interviews, namely the Riyadh region and the city of Riyadh; the Mecca region and the city of Jeddah; and the Eastern region of Dammam, Khobar, Jubail, and Dhahran.

The researcher encouraged the interviewees to express their opinions in the manner and language that suited them most, and follow-up questions were based on these preferences. The questions were asked in a way that allowed the participant to express his or her opinion deeply. This was because the researcher needed to reach a comprehensive understanding of the research topic.

After receiving an explanation of the importance of the interviews, the interviewees agreed to their interviews being audio recorded. The researcher transcribed the interviews, and then translated them as explained by Patton (1990). The researcher also took notes during the interviews. For several reasons, for example in this research, some of the participants, when answering a question, provide a lot of important information, and the notes helped in writing the important points for the researcher to remember and for the follow-up questions. Also, taking notes during the interviews with the participants helped in the integration of the data, which helped the researcher to understand the data more deeply by ensuring the accuracy of what the participants mentioned.

At the beginning of each interview, the researcher introduced himself, described the study and its objectives, and handed out an Information Sheet and Consent Form, making sure that the interviewee understood everything that was taking place (Easterby-Smith et al., 2002). Some of the participants were unable to participate at a set date and time which conflicted with another date for another meeting or appointment. Further, some of the interviewees were working outside of Saudi Arabia at the time and did not want to use video or telephone communication for the interview. However, the researcher reached the stage of data saturation after conducting 34 interviews.

The researcher sought to understand how the interviewees defined AQ, in order to answer the first research question. When asked to define AQ, each interviewee was given enough time to talk, express themselves, and answer what they personally understood to be their experience of AQ. Subsequent questions were posed based on the interviewee's answers. In addition, the researcher took into account the professional background of the interviewee when asking the questions and when following up. For

example, the work background of a member serving on a Saudi BoDs may differ from that of an external auditor, and from a PPQRC member.

The second main question posed related to AQIs, and the perceptions of AQIs. The researcher wanted to understand and explore the perceptions and opinions of the interviewees about AQIs, taking into account the cultural and social background, and experiences, of the interviewees. The researcher tried carefully to make sure to choose words appropriate to the social and cultural environment of Saudi Arabia, especially relating to the Islamic religion, the separate work environments of males and females, and gender issues. Further, the professional background of the interviewees was taken into account. For example, the use of information technology used in the audit process and its role in AQ is more relevant to auditors rather than the other groups. The third main question posed sought to uncover the influence of Western accounting and auditing practices in shaping perceptions of AQ in Saudi Arabia. The sensitivity of the third question was taken into account, as well as use of language used to ask questions.

Research may require the researcher to already have knowledge of a particular topic to reach the most accurate findings (Gallhofer et al., 2011). In other words, the researcher's understanding of the nature of their own research topic can help them understand the data they collect in more depth (Gallhofer et al., 2011). Thus, for the current study, the researcher did his homework before interviewing the participants by reviewing each participant's educational and job experience, and local regulations issued by official authorities such as the Saudi Ministry of Commerce, the CMA, SAMA, and SOCPA. Further, audit reports issued by the participants' employing companies, over a period of two years, were also reviewed. The type of audit firm, the auditor, and the auditor's opinion were also reviewed. It was useful that the researcher had a Saudi Arabian background as a Saudi citizen, which was similar to that of the interviewees. This helped to understand some of the local dialects and popular expressions used by the participants in their answers.

The researcher coded each interviewee with a number. For example, Participant No. 1, Participant No. 2, and Participant No. 3 etc, from numbers 1 to 34. This was done to preserve the privacy and confidentiality of the information offered by the interviewees (see Appendix 2 and 3).

5.8.5 The Transcription, Translation, and Coding of the Interviews

After conducting and recording the semi-structured interviews, the next step for the researcher was to transcribe the recordings without any modification, in the Arabic language. The transcript for each interview was given a name, location, and the professional position of the interviewee was noted. The

date and duration of the interview was also noted. After completing an initial transcription, the researcher listened to each recording again, and re-read each transcript to ensure it matched with what the interviewee had said in the recording. This differentiation was used later during data analysis (see the data analysis chapter). The researcher translated the interviews himself, in order to ensure the accuracy of the data and meanings. This was done manually because most translation software does not support the Arabic language. Further, the local Saudi dialects of some of the interviewees needed to be deciphered in order to ensure the accuracy of the intended meaning.

The researcher conducted the semi-structured interviews and transcribed the recordings of the semi-structured interviews in Arabic, and then translated them from Arabic into English. The researcher of the current study undertook the transcription and translation work, being fluent in both the Arabic and English languages. As an Arabic speaker, the researcher could understand what the interviewees meant, and if words had specific cultural or social connotations. However, the researcher also sent the transcripts of the semi-structured interviews to language specialists working in the field of translation from English into Arabic, to ensure transcription integrity. The researcher took all these steps before starting the data analysis stage. This gave the researcher an in-depth and accurate understanding of the data.

Initially, the researcher tried to use NVivo, which is a computer programme designed for qualitative data analysis. NVivo draws a mind-map of codes and themes, but it did not prove to be useful for the current study. Firstly, it does not support the Arabic language well. Also, transferring information to and from NVivo takes a long time, and in certain environments, the programme can crash, causing the researcher to lose work due to technical failure. Further, in the current study the researcher used two operating systems Windows and iOS, and it is difficult to link data between these two operating systems using NVivo. Ultimately the researcher chose to use SPSS software for the main phase of data analysis and draw the codes and themes manually.

5.8.6 Data Analysis of the Semi-Structured Interviews

After collecting the data for the current research, thematic analysis was carried out. Braun and Clarke (2006) define thematic analysis as, "a method for identifying, analysing and reporting patterns (themes) within data." This approach is flexible, and offers the researcher a detailed overview of complex data (Braun and Clarke, 2006).

Thematic analysis is an effective tool to use in qualitative research for data analysis, specifically, when the researcher is trying to understand and explore the viewpoints of different parties about a specific

topic. It helps to offer understanding about similarities and differences, the unexpected, and it offers comprehensive insights (Braun and Clarke, 2006; King, 2004). Thematic analysis is also useful when dealing with large amounts of data, and when trying to understand data in a comprehensive and in-depth manner. Thematic analysis encourages the researcher to follow specific procedures for dealing with the data to be analysed, which results in a well-organised report (Braun and Clarke, 2006; Nowell et al., 2017). Moreover, it is argued that thematic analysis is an important tool for researchers in their early career, because it can be easily understood and learned (Braun and Clarke, 2006; Nowell et al., 2017).

For the current study, the researcher used thematic analysis to analyse the data collected from the interviews. This is considered the most useful qualitative data analysis method for discovering meanings within a data set (Guest, 2012). Thematic analysis is useful for making the researcher more knowledgeable about the data, coding it, and finding themes within the codes. Further, naming and identifying themes helps the researcher to write up the findings (Braun and Clark, 2006). Thematic analysis is also a useful tool for linking themes across several codes. Thematic analysis offers improved flexibility, ease of use, and increased depth in reaching meaning (Braun and Clark, 2006). The researcher drew the codes and themes manually.

The Step	The Process
Familiarising yourself with your data.	In this step, I transcribed the data as necessary. Then, I carefully read and re-read the data, making notes of initial ideas and observations.
Generating initial codes.	In this step, I systematically coded significant aspects of the data across the entire dataset and organised the relevant data for each code.
Searching for the themes.	In this step, I compiled codes into potential themes and gathered all the data associated with each of these potential themes “mind map”.
Reviewing the themes.	In this step, I evaluated whether the themes aligned effectively with the codes and the whole dataset. This evaluation and reviewing process resulted in the development of a thematic "map" that visually illustrated the structure and relationships within the analysis.
Defining and naming themes.	In this step, I engaged in continuous analysis to enhance the precision of individual themes and to construct a coherent storyline that effectively communicates the findings of the analysis. This process included crafting precise definitions and assigning distinct names to each theme to ensure clarity and coherence in the analysis.
Producing the report.	The last step for analysis involved several key steps. I carefully began with selecting extract examples. These extracts were then subjected to a final round of analysis. The insights derived from this analysis were subsequently linked back to the research aims, questions and relevant studies. Finally, I prepared comprehensive document detailing the findings of the analysis.

Table 5: The steps suggested by Braun and Clarke (2006) and followed by the researcher when applying thematic analysis.

When organising the data, the researcher followed the steps suggested by Braun and Clarke (2006). The first of these steps involves gaining familiarity with the collected data. For example, the researcher must re-read/re-listen to transcripts or audio recordings several times to familiarise themselves with the data before analysing it. Then, the researcher generates initial codes and searches for themes, which must be reviewed, identified, named, and then analysed, before the writing-up process begins.

5.8.7 Trustworthiness

In qualitative research, the researcher seeks to increase the quality of the interpretations and findings of a study, in a way that differs from quantitative research. In all research, the researcher must seek to achieve trustworthiness, by taking into account criteria such as credibility, transferability, dependability, and confirmability (Bell, Harley, and Bryman, 2019).

To ensure the credibility of the questionnaire respondents and interview participants who took part in this study, the researcher undertook prior planning, and made sure that all those taking part were able to express their opinions comfortably and privately. The researcher agreed to summarise the findings and share them with the participants at a later date. The principle of information transferability is also important in research. It is important that an accurate description of the study context is offered to the

participants, taking in to account their cultural and professional backgrounds. The concept of dependability is also important. For the current study, the researcher worked on clarifying the goals of the research, its questions, its design, and the methods of data collection and data analysis used. Confirmability is when the researcher seeks to reduce the impact of personal bias on how the data is collected, analysed, and interpreted (discussed).

To enhance data reliability triangulation was used, which integrates diverse data sources or methods in research, and helps collect quantitative data and qualitative data, which may help bring different perspectives to the table, thus, reducing bias. Most importantly, striving to maintain objectivity, maintaining transparency through documentation, and striving for neutrality throughout the research process was crucial.

5.9 Ethical Considerations

Qualitative research involves dealing with people, especially, interacting with study participants to obtain their opinions, feelings and emotions. In this respect, the privacy of the participants and the privacy of the data obtained must be maintained, and the researcher has a responsibility to make sure this happens (Easterby-Smith et al., 2000). The University of Sheffield enforces an ethics policy and issues guidelines to researchers about administering research, which can be found on the University's website. The guidelines state that a researcher must show full respect to the participants, their culture, and their jobs. In addition, ensuring the safety of the participants and the researcher is covered in the guidelines. This proved to be especially important for the current study, because the research was conducted during the COVID-19 pandemic. The guidelines state that the researcher must not put themselves or the research participants at risk or danger.

The researcher followed Saunders et al. (2009) explanation that the researcher in the current study first guaranteed the confidentiality of any information offered by the participants, and protected the anonymity of the research participants, unless (in rare cases) the participant gives explicit written permission to share particular aspects of their identity. Secondly, the participants offered the option to withdraw from taking part in the research at any time. Finally, permission gained from the participants for the researcher to take their names for contact purposes, in case questions later arise pertaining to the information they have offered in connection with the research.

The current study could not proceed until the researcher had gained ethical approval, and until the research plans had been reviewed by a supervisory team and approved by the Ethics Committee of the Management School, at the University of Sheffield. The preparation stage for obtaining ethical approval for the study began before the researcher started the process of data collection. The research

was ethically approved by the University of Sheffield, and the validity and accuracy of the Information Sheet, which was provided to all participants of the study, was confirmed. In addition, the researcher made sure that the participants understood what was stated in the Information Sheet, by presenting it in both Arabic and English, and also explaining the nature of the research to the participants using the questionnaire and during the semi-structured interviews.

For the semi-structured interviews, the participants were required to sign a Consent Form, to signify their agreement to participating in the study. The interviewee's acceptance of participation and permission obtained to take notes was also recorded just before each interview. The researcher was vigilant not to ask questions about the personal lives of the participants. The researcher also avoided sensitive questions that might make the participant feel uncomfortable, or sensitive questions pertaining to the professional positions of the participants.

5.10 Considerations during the COVID-19 Pandemic

Work on the current study began in October 2019. The data collection journey began on 1st February 2021 and lasted until 1st May 2021. During this time, the COVID-19 crisis, which began in 2020, meant that many restrictions were placed on individuals locally, and on travel around the world, including quarantines, lockdowns, remote working, and social distancing. However, the beginning of 2021 saw an easing of some of these restrictions to allow travel from the United Kingdom to the Kingdom of Saudi Arabia. This helped the researcher with the task of collecting data.

Special requirements had to be put in place for the researcher to travel between the United Kingdom and the Kingdom of Saudi Arabia, including vaccination, quarantine upon arrival, and COVID-19 tests during the first 14 days of arrival. All this had to happen before the researcher was able to start work on data collection and conducting the semi-structured interviews.

Due to the restrictions placed on everyone during the COVID-19 pandemic, special conditions needed to be met to undertake face-to-face interviews. These requirements included special requests from the interview parties, and government requirements, as summarised below:

- a) It was required that a COVID-19 test should be taken 24 hours before any face-to-face meeting. The meeting could only take place if the result was negative.
- b) Interview parties were required to wear a mask when meeting, and to avoid shaking hands, and to avoid eating and drinking during the interview.

- c) Social distancing of at least two meters was required during the interview.
- d) Hand sanitizer was provided and used when exchanging papers or devices during the interview.
- e) The Tawakkalna application, used by the Ministry of Health in Saudi Arabia, was consulted to confirm the health status of individuals, specifically, the results of COVID- 19 testing. This application also identifies a person's whereabouts in order to determine if he or she has been in a place where infection is spreading.

During the data collection process, the researcher complied with all ethical requirements stipulated for academic research in the United Kingdom and in Saudi Arabia. Further, the researcher adhered to the particular instructions of some of the participants and their employers. In spite of the challenges faced, the data collection journey culminated in success. The researcher was able to access the desired research sample, and collect the required data.

5.11 Challenges Faced

Many of the challenges posed by this study were connected to the Saudi context. The researcher faced some difficulties reaching potential participants, especially female participants. This is because of the small number of women working as auditors in Saudi Arabia, and the closed nature of local communities in the Kingdom. The researcher tried to overcome this challenge by using the snowball technique, social media, and making visits to workplaces.

Challenges were faced translating the questionnaire and semi-structured interviews from Arabic into English. Here, the researcher benefitted from being able to speak both languages. However, difficulties were faced negotiating the local dialects of the participants. Therefore, the researcher sought the help of professional linguists specialising in the Arabic and English languages to review the translations made to ensure their accuracy to the meanings intended by the participants. The translation process between the two languages required additional time and effort, but it offered the researcher a deeper understanding of the data collected.

Technical challenges were faced trying to access some Saudi Government websites or organisations websites such as SOCPA, SAMA, and CMA. This was because of the strong levels of cyber security built into these websites. It was necessary for the researcher to initiate communication with organisations and Saudi Government agencies to gain access to data contained on their websites. This was done during the researcher's vacation upon his return to Saudi Arabia.

5.12 Summary

This chapter has reviewed the research philosophy, methodology, and design of the current study. It has outlined the importance of each method chosen for the design of the research, and how each element was dealt with by the researcher. The chapter has also described the methods used for data collection, namely how the study participants were chosen, the quantitative and qualitative methods used for data collection, and how the data was prepared for analysis. It has also reviewed the methods used in the analysis of the data, including the descriptive analysis of the data collected from the questionnaire, and the thematic analysis of data collected from the semi-structured interviews. It also outlined the steps taken by the researcher to gain ethical approval. The challenges faced by the researcher in collecting data were also outlined, including the difficulties faced compiling the study during the period of the COVID-19 global pandemic, and how they were overcome.

The next two chapters will deal with the analysis of the data collected. Chapter 6 will cover the analysis of the data collected from the questionnaire, and Chapter 7 will look at the data collected from the semi-structured interviews.

Chapter 6: Analysis of the Questionnaire Data

6.1 Introduction

This chapter will present a descriptive analysis of the data collected by the researcher using the questionnaire which was distributed to three target groups selected for the research. The chapter will begin by outlining the demographics of the study sample, including gender, age, work experience, educational level, and professional position. This will be followed by an analysis of data relating to the three main research questions. The first question, which concerns audit quality indicators, was broken down into 13 statements. The second question, which seeks to understand perceptions about the use of information technology tools and their relationship to audit quality indicators, was also broken down into 13 statements. All these statements were rated by the participants using a five-point Likert scale. The third main question, which aims to understand perceptions about global and local audit quality, gathered responses to 10 items, rated on a five-point Likert scale. Tables providing the responses from the questionnaire can be seen in the appendices.

The researcher distributed the questionnaire to the participants using several methods, as follows:

- Via personal communication with the participants using the snowball method.
- By obtaining permission from WhatsApp admins to access groups relating to the audit profession, comprising external auditors, and members of the boards of directors of Saudi companies.
- Using personal contact with the public relations team for the Saudi Organisation for Certified Public Accountants. This body reviewed the questionnaire before it was distributed to accounting companies that have a licence to practise the profession and are registered with the Saudi Organisation for Certified Public Accountants in Saudi Arabia.
- Communication via the LinkedIn platform, targeting people relevant to this research from the three groups.
- Visiting the SOCPA headquarters and obtaining permission to distribute the questionnaire to members and examiners of the Professional Performance Quality Control Committee.

The researcher tried to overcome these difficulties by using alternative channels of communication, such as social media, especially social media platforms on which the targeted participants for this research were present. Leveraging existing personal relationships between the researcher and some individuals working in the field, and using the snowball method, also helped the researcher reach a large number of participants.

The validity period of the questionnaire was set from 1st February 2021 to 15th April 2021. The Qualtrics platform was used to build and design the questionnaire, which was distributed to three target groups, with slight question differences tailored to each different participant group. This process can be summarised as follows: If the participant was an external auditor, for example, the questionnaire would open up questions relating to that professional position, including asking the participant what professional certificates they held, whether they were a full participating member registered with the Saudi Organisation for Certified Public Accountants or not, and the size of the audit office in which the participant worked. If the participant was a member of a board of directors, the questionnaire was designed to open up questions asking about the stock market on which their company was listed. Other questions remained the same across all participant groups in all three categories.

It is very important to start with demographic information, such as age, gender, education level, and professional position to allow the participant to be familiar with the questions without asking for the name of the participant and respect for the nature of the Saudi context (Colton and Covert, 2007; Habbash et al, 2017). The questionnaire was sent to three different groups: external auditors working in both Big Four firms, and in non-Big Four firms; boards of directors listed on both Saudi stock markets (Tadawul and Nomu); and those who serve as members and examiners at the PPQRC in SOCPA. This was done in order to understand three main points as follows: in order to gain a comprehensive understanding of perceptions about audit quality and audit quality indicators; to discover how the role of IT tools work in correlation with audit quality; and to glean perceptions about local and global audit quality. The research sample was reached via WhatsApp groups of interest and LinkedIn, with the help of the SOCPA - Public Relations and Communications Team, and via direct communication with the participants.

The questionnaire passed through a number of stages before it was approved and sent out. Initial preparation took into account the aims of the research and literature. As mentioned in Chapter Five, the questionnaire was sent to a sample of experts working in the same field of research at various levels, such as external auditors, academics, a member of an audit committee, and a members of the board of directors of some listed companies, in order to take impressions, correct some errors, and ensure the clarity of questions in both Arabic and English. The final number of people through which the questionnaire passed through in its composition phase was 23. Finally, the results were presented to the research team and academic supervisors after a reliability test was conducted, and the questionnaire was distributed to the target groups.

The questionnaire comprised 10 demographic questions and three main questions. Each main question was broken down into between 10 and 13 statements, and included an agreement scale which was used to measure the respondents' agreement or disagreement with a particular statement. The two main purposes of the questionnaire were to gain access to the participants' opinions, and to extract their perceptions in preparation for the next research step, which was conducting semi-structured interviews. The three main questions were designed to explore audit quality indicators, to try to understand the role of information technology in shaping perceptions toward the AQIs, and the relationship between perceptions about local and global audit quality.

It is important to mention that the researcher conducted a pilot study/pre-testing study before distributing the official version of the questionnaire to all of the participants (see Chapter Five, Section 5.7.2)

6.2 Sample Characteristics

This study targeted three groups involved in auditing practices in Saudi Arabia. The first group comprised external auditors who were both SOCPA certificated or auditor multi-certificated (internationally, such as via the CPA). The second targeted group comprised members serving on the boards of directors of Saudi companies listed on both Tadawul and Nomu. The third targeted group comprised members and examiners of the Professional Performance Quality Review Committee of SOCPA (PPQRC).

6.3 Demographic Information

Demographic information in this study includes gender, age, level of education, work experience, and what professional group the participant identifies himself/herself as belonging to. As mentioned above, the current study targeted three groups involved in auditing practices in Saudi Arabia.

The first group comprised external auditors, whether the auditor was SOCPA certificated or auditor multi-certificated (internationally and locally), and whether they worked in a Big Four firm or in a non-Big Four firm. The second targeted group comprised directors working on boards of Saudi listed companies listed on Tadawul or Nomu. The third targeted group comprised members and examiners working at PPQRC in SOCPA.

6.3.1 Gender

The participants were asked to identify their gender at the beginning of the questionnaire. Question number two asked "What is your sex?" The question allowed participants to choose from one of two answers: 1- Male. 2- Female. The total number of participants who answered this question was 200. A

total of 164 participants were Male (82%), and a 36 were female (which is only 18% of the total research population). This percentage may indicate the dominance of males in the profession in Saudi Arabia, the small number of women. 50% of the male participants were external auditors, 34.1% were BoDs, and 15.9% were PPQRCs. This compares to the demographics of the female participants as follows: 75% were external auditors, 8.3% were BoDs, and 16.7% were PPQRCs, as shown in Figure 3.

6.3.2 Age

The participants were asked to select one of the following age groups: 25-35, 36-45, 46-55, and over 56. There are several reasons for using these age bands. Firstly, they are the most commonly used age bands in adult research questionnaires, and they have been used in previous studies in the Saudi context such as those by Altwaijry (2017), Habbash et al. (2017), Mihret et al. (2017), and Nurunnabi (2018). Secondly, for this current research, the minimum age for a participant was 25 years old. In the Saudi education system, an accounting student usually graduates from university at the age of 22. Preparation for SOCPA exams takes between one and two years, and five years of work experience is needed to qualify for licensing and to begin practising as an external auditor. For BoDs and PPQRCs, a minimum age of 25 was selected as suitable for both groups. Participants from SOCPA's professional quality monitoring body are usually ex-Big Four employees with no less than four years' work experience. According to the policies and standards set out for boards of directors of Saudi listed companies, directors who serve on boards in Saudi listed companies are required to be a minimum age of 25 years.

The 200 counted participants in this study fell into the following age categories: 50% for age 25-35, 28% for age 36-45, 13.5% for age 46-55, and 8.5% for ages over 56. For analysis only, three main age groups were selected as follows: 25-35, 36-45, and 45 and over. Thus, group one comprised 50%; group two 28%; and group three 22% of the research participants.

6.3.3 Education

Figure 4 shows the participants educational level as they described it. The participants were asked to select one of the following educational levels: (1) Bachelor's degree, (2) Master's degree, (3) Doctoral degree, (4) Other. The 200 counted participants in this study selected the following educational levels respectively: (1) 59.5%, (2) 31.5%, (3) 6%, and (4) 3%.

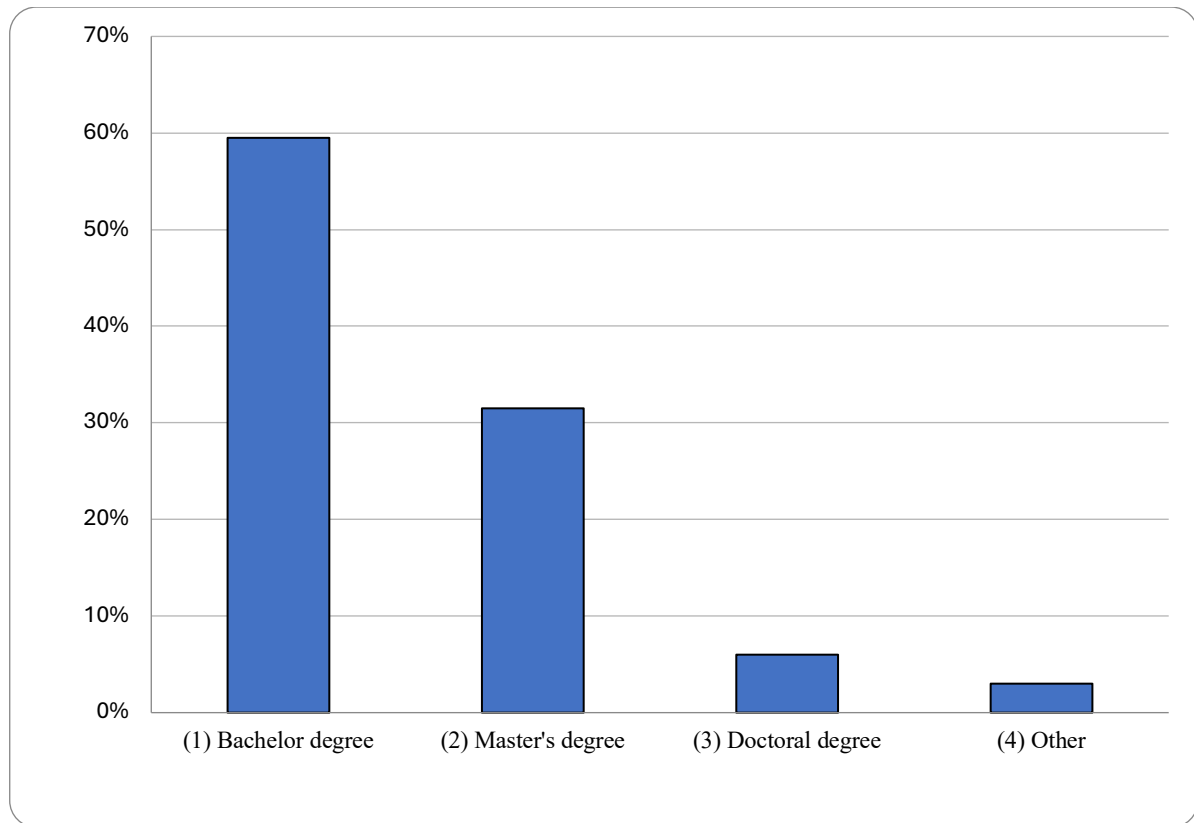


Figure 3: Educational Attainment of the Participants

For analysis, two educational level groups were selected, as follows: (1) those holding a bachelor's degree or an undergraduate qualification were represented as the **Undergraduate** group which comprised a total of 62.5% of the participants; and (2) those holding a master's degree or doctoral degree were represented as the **Postgraduate** group, which comprised a total of 37.5% of the participants (see figure 3). The number of participants holding a doctoral degree who completed the questionnaire was very few and did not make any significant difference to the results. It was a similar situation for those holding a master's degree. Therefore, the researcher found it more economical to classify participants into two main educational categories: **Undergraduate** and **Postgraduate** (see figure 4).

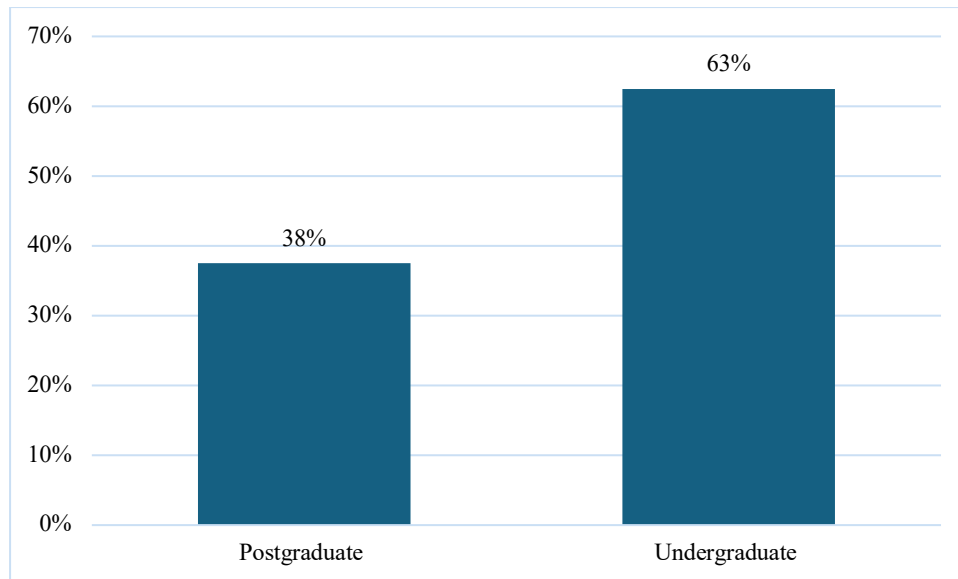


Figure 4: Educational Attainment Groups of the Participants

6.3.4 Experience

The participants were asked to select one of the following overall work experience levels: (1) less than five years of experience; (2) six to ten years of experience; and (3) more than ten years of experience. The highest percentage of work experience was more than 10 years (3) at 41%, followed by less than five years (1) at 33%; whilst 29% of participants had work experience of between six and ten years (2). The level of experience of the participants in this study can be considered good, as 70% of the participants have an experience of more than 6 years.

6.3.5 Professional Group

The participants were asked to select one of the following professional groups: (1) external auditor, (2) director on a board of a Saudi listed company, and (3) PPQRC (member or examiner). Most of the participants were (1) external auditors (54.5%). The others were split between two groups; 29.5% served on a board of directors of a Saudi listed company (2), and 16% worked as PPQRC members or examiners (3).

These results were as expected for the following reasons:

- The questionnaire was sent out to all registered external auditors by SOCPA, as part of their support for this research.
- It was perceived that external auditors might be more interested in talking about audit quality and the use of technology than the other two groups (i.e. BoDs and PPQRCs).
- The numbers for (3) PPQRCs (members and examiners) was limited to 32 in total.

The total number of participants was 200, where 109 were external auditors (1), 59 were directors serving on a board of a Saudi listed company (2), and 32 were PPQRC (members and examiners) (3).

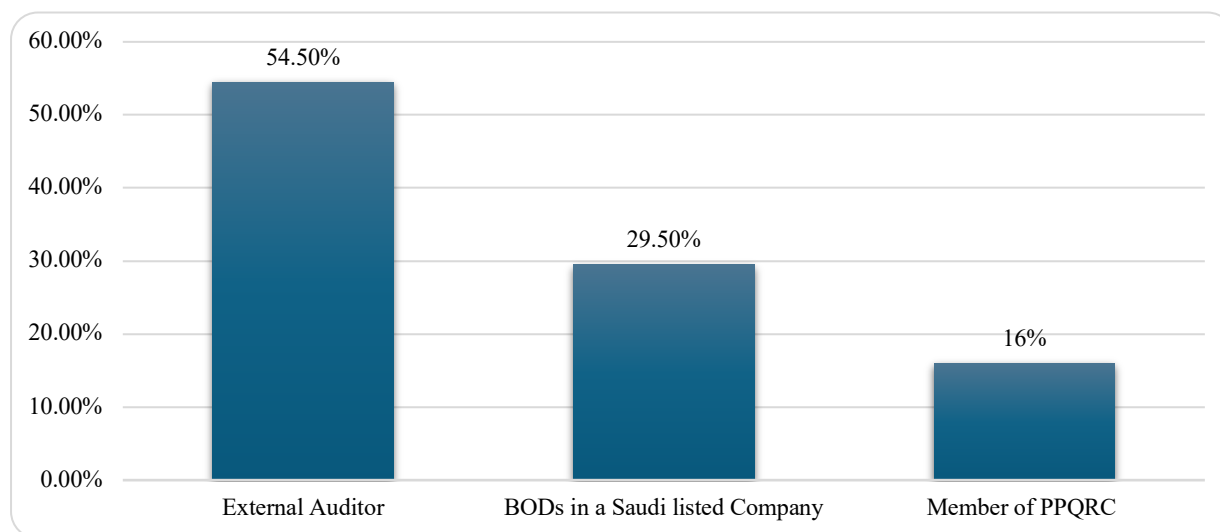


Figure 5: The percentage of participants according to the three targeted participant groups.

6.4 AQIs

Based on the literature review outlined in Chapter 2 the researcher listed audit quality indicators and the participants were asked to select their top 5 AQIs based on their opinion. An option marked “Other” was included so that participants could add in their comments or any additional thoughts regarding the statements. Some important comments were added, which I will discuss later. The statement to be ranked for this part of the research was: “Below are some Audit Quality Indicators, rate them based on your perceptions towards Audit Quality Indicators”. The AQIs were listed as follows: “Auditor Education - the training the auditor receives; the work experience of the auditor; the level of professional scepticism that the auditor exercises; the gender of the auditor; the size of the firm that the auditor works for (Big Four or non-Big Four); the fees the auditor gets; auditor rotation; audit tenure; time and budget pressure on the auditor; the auditor’s reliance on internal audit work; the culture of the audit firm; and Other, please specify”.

The responses given by the participants are outlined in table 6 below.

The participants were asked to rate their top 5 indicators in their opinion. The top 5 AQIs according to the participants’ perceptions were recorded in the following sequential order:

- 1- Auditor Education was rated at 65%.
- 2- The work experience of the auditor at 63.5%.

- 3- The training the auditor at 61%.
- 4- The level of professional scepticism that the auditor exercises at 39.5%.
- 5- The culture of the audit firm at 35% of the total respondents.

The lowest rated indicators (from low to high) were: the gender of the auditor at 4.5%, auditor rotation at 15.5%, auditor reliance on internal audit work at 17.5%, audit tenure at 19%, the fees the auditor at 22%, time budget pressure on the auditor at 23.5%, and the size of the firm that the auditor works at (Big Four or non-Big Four) at 31%, of the total respondents.

The respondents rated educational experience rather than training (competence) as the most important AQI. Agreement ratios that scored in were relatively close to each other at 39.5% for the level of professional scepticism that the auditor exercises, 35% for the culture of the audit firm, and 31% for the size of the firm that the auditor works at (Big Four or non-Big Four).

Among the questionnaire findings that were most noticeable were those relating to the gender of the auditor, which was only rated as important by 4.5% of respondents, and auditor rotation by only 15.5%. The other indicators rated out as close to each other; 17.5% for the auditor's reliance on internal audit work; 19% for audit tenure, 22% for the fees the auditor gets, and 23.5% for the time and budget pressure on the auditor.

It was clear that respondents chose education, rather than experience and training (competence) which had a high agreement percentage. Agreement ratios that were closest to each other were by 39.5% for the level of professional scepticism that the auditor exercises, 35% for the culture of the audit firm, and finally 31% for the size of the firm that the auditor works in (Big Four/non-Big Four). Among the questionnaire findings that were most noticeable was the gender of the auditor which was scored at 4.5%. The rest of the indicators were close to each other at 17.5% for the auditor's reliance on internal audit work, 19% for the audit tenure, 22% for the fees the auditor gets and 23.5% for time budget pressure on the auditor.

Audit Quality Indicators	Selected by	Total participants	Percentage	AQIs Rank
Auditor education	130	200	65%	1
The training the auditor receives	122	200	61%	3
The work experience of the auditor	127	200	64%	2
The level of professional skepticism that the auditor exercises	79	200	40%	4
The gender of the auditor	9	200	5%	12
The size of the firm that the auditor work at (Big 4 / non Big 4)	62	200	31%	6
The fees the auditor gets	44	200	22%	8
The auditor rotation	31	200	16%	11
The audit tenure	38	200	19%	9
Time budget pressure on the auditor	47	200	24%	7
The auditor reliance on the internal audit work	35	200	18%	10
The culture of the audit firm	70	200	35%	5

Table 6: The participants' responses to the first main question in the questionnaire - their top five AQIs

Regarding the item listed as 'Other', which was optional, one the external auditor participated by adding, "The extent to which the auditor adheres to the guidelines of the International Auditing Standards ISAs", while two members of the BoDs added, "The auditor's personality, his fear of Allah, and his trustworthiness," and the other BoDs added, "Whenever the auditor is religiously conservative audit quality would be better". None of the PPQRCs added any additions to the item listed 'Other'.

The external auditor's comments above indicate the importance of the auditor's compliance with ISAs as an indicator of audit quality. This auditor was from a Big Four firm. His comment may be related to his perception of his legal responsibility to abide by the application of standards. This might be because of the accounting scandals and legal issues that some Big Four auditors have faced recently in Saudi Arabia. With regard to the comments of the BoDs, it is clear that they see the importance of the ethical aspect of the auditor as an AQI, which from their point of view is related to the Islamic religion.

6.7 Audit Quality Indicators and the use of IT Tools

This section will outline the participants' responses to the first Likert scale questions on the questionnaire, relating to the role of information technology in shaping perceptions about AQIs. This has been discussed intensively in previous literature (Curtis et al, 2009; Masli et al., 2010; Westermann et al., 2015; Mokhitli et al., 2019; Bloomberg, 2020; Chang et al., 2011; Buuren et al., 2014; Lowe et al., 2018) For this question, a 5-point Likert scale was used, as follows: Strongly agree = 1, somewhat agree = 2, neither agree nor disagree = 3, somewhat disagree = 4, strongly disagree = 5. In addition, SPSS was used to analyse the data, particularly for frequencies, percentages, and mean values relating to the participants' responses.

6.7.1 Audit Quality and the use of IT Tools

Most of the participants generally agreed that the IT tools used in auditing help the auditor provide a higher audit quality as showed in Appendix 6. The means for the participants from each group were as follows: external auditors 1.5, BoDs 1.2, PPQRCs 1.6, and all combined = 1.4. By adding 1 and 2 together as one answer (indicating agreement) the results were as follows: external auditors 91%, BoDs 100%, PPQRCs 93% and all combined = 94%. These results helped to shape an understanding of the way the participants viewed the role of IT tools in auditing practices, and their role in providing audit quality. All participants from the three groups agreed that the use of IT tools contributed towards a higher quality audit, despite the different interests of each group.

6.7.2 Training and IT Tools

Most of the participants from all three groups agreed that “the auditor who gets trained in IT will deliver higher audit quality” as follows: (1) 65%, (2) 29%, (3) 5%, (4) 1%, and (5) 1%. Moreover, these results support the information gleaned from the first statement relating to the top five indicators of audit quality. The means for the participants from each group were as follows: external auditors 1.4, BoDs 1.4, PPQRCs 1.5, and all combined = 1.4. By adding 1 and 2 together as one answer (indicating agreement) the results were as follows: external auditors 91%, BoDs 97%, PPQRCs 93%, and all combined = 93%. These results reveal agreement among the three groups, despite the different nature of their positions, and reveal similarities in the way the participants viewed the role of IT tools.

6.7.3 Experience and IT Tools

Most of the participants from all the three groups agreed that, “The auditor who has work experience in IT would be able deliver higher audit quality”, as follows: (1) 52%, (2) 35%, (3) 9%, (4) 3%, and (5) 0% (see appendix 7). The means for the participants from each group were as follows: external auditors 1.7, BoDs 1.4, PPQRCs 1.7, and all combined = 1.6. These results further support the results of the first statement rated by the participants relating to the top five indicators of audit quality, where the participants selected experience as one of the most important indicators. However, 63% of BoDs strongly agreed with the statement, a score that came in higher than the other two groups. In addition, none of the participants strongly disagreed with the statement. By adding 1 and 2 together as one answer (indicating agreement) the results were as follows: external auditors 85%, BoDs 92%, PPQRCs 86% and all combined = 87%.

6.7.4 Professional Scepticism and its Relationship to the use of IT Tools

Table 10 shows that most of the participants from all three groups agreed that, “IT tools help the auditor exercise professional scepticism”, as follows: (1) 41% and (2) 32%. However, among (3) 18% neither agreed nor disagreed with the statement, and 8% registered the same answer for (4), and 1% for (5). The means for the participants from each group were as follows: external auditors 2.1, BoDs 1.7, PPQRCs 2.1, and all combined = 1.9. By adding 1 and 2 together as one answer (indicating agreement) the results were as follows: external auditors 67%, BoDs 84%, PPQRCs 71% and all combined = 73%. It should be noted that, again, more BoDs agreed with the statement compared with the other two groups. It is also important to highlight that none of the participants from the PPQRC group showed any type of disagreement against the statement: (3) and (4) both at 0%.

6.7.5 Gender and its Relationship to the use of IT Tools

Most of the participants agreed that there were no differences between males and females when using IT tools in audit practices. However, some disagreed that there were differences, (5) 38.7% and (4) 28.6% (see appendix 8). This information supports the low importance placed on gender by the participants as an indicator of audit quality. However, some of the participants 17.6% neither agreed nor disagreed (3) with the statement, and 14.3% of PPQRCs chose (3), knowing that all members of this committee are men. The means for the participants from each group were as follows: external auditors 4.0, BoDs 3.6, PPQRCs 3.6, and all combined = 2.8. By adding 1 and 2 together as one answer (indicating agreement) the results were as follows: external auditors 10%, BoDs 21%, PPQRCs 21% and all combined = 15%. In addition, a comment was added by one of the participants in the comments section saying, *“I denounce the distinction of work and performance outputs between males and females, and good luck to you”*. This point will be discussed in depth in the next analysis chapter.

6.7.6 Firm Size and its Relationship to the use of IT Tools

The percentages of those who agreed and disagreed with the statement, “The IT tools in Big Four firms help the auditors to deliver higher audit quality than in non-Big Four firms”, The agreement results were (1) 32% and (2) 34%, which was the majority. The percentage of those who said that they neither agreed nor disagreed (3) was 25%. Most BoDs tended to agree with the statement (1) 36% and (2) 50%, but a percentage of PPQRCs 7% somewhat disagreed (4). In addition, 9% (4) and 4.5% (5) of the external auditors did not agree with the statement. As mentioned earlier, most PPQRCs are people who used to work for a Big Four firm, and often call themselves “Ex-Big Four”. The means for the participants from each group were as follows: external auditors 2.3, BoDs 2.0, PPQRCs 1.9, and all combined = 2.1. By adding 1 and 2 together as one answer (indicating agreement) the results were as

follows: external auditors 58%, BoDs 71%, PPQRCs 86% and all combined = 66%. It can be seen that most of the PPQRCs agreed with the statement, and none of them selected (5) strongly disagree (see appendix 9).

6.7.7 Audit Fees and their Relationship to the use of IT Tools

If we add 1 and 2 together as one answer (indicating agreement) the results are as follows: external auditors 75%, BoDs 61%, PPQRCs 64%, and all combined = 69%. A total combined percentage of the participants (1) 26% and (2) 43% agreed that the use of information technology in external audit raises the fees because the information technology tools are considered expensive. No one strongly disagreed (5) with this statement, but a total of 11% somewhat disagreed (4). A total of 20% selected neither agree nor disagree (3) and the highest percentage of those who did this were BoDs. This can be explained because BoDs are responsible for paying the fees to external auditors for engagements. It should be noted that 47% of BoDs agreed to some extent (2) with the statement, while the percentage scores for PPQRCs and the external auditors were lower (2) 29% and (2) 28.7% respectively. The means for the participants from each group were as follows: external auditors 2.0, BoDs 2.4, PPQRCs 2.1, and all combined = 2.2 (see appendix 10).

6.7.8 Auditor Rotation and the use of IT Tools

Audit rotation requirements can differ from one country to another. In the current study, 33% of the total participants neither agreed nor disagreed. The percentages for responses (2) and (4) came out as equal. However, 11% strongly disagreed (5) whilst 8% strongly agreed (1). The equality between (2) and (4) was repeated among the external auditors, as the above table 12 shows that 25.4% went to both (2) and (4). However, 35.7% of PPQRCs chose answer (2), as did 18.4% of BoDs. The responses for (4) (26.3%) were higher among BoDs than among PPQRCs at 14.3%. The means for the participants from each group were as follows: external auditors 3.1, BoDs 3.1, PPQRCs 3.1, and all combined = 2.8. By adding 1 and 2 together as one answer (indicating agreement) the results were as follows: external auditors 31%, BoDs 29%, PPQRCs 43% and all combined = 32% (see appendix 11).

If we link these findings to the first statement about the top five AQIs, auditor rotation scored as having fairly low importance among the participants. This supports the accuracy of the answers from the three groups. It is important to mention that, according to SOCPA, audit rotation is not required for all listed companies. For example, it is required every five years with the exception of banks; under CMS regulations in the banking industry, banks are allowed undertake partner rotation but not firm rotation. In addition, CMA regulations specify that only some firms in the market must sign engagements with banks, and most of these firms are the Big Four firms.

6.7.9 Audit Tenure and the use of IT Tools

Audit tenure refers to the number of times an auditor can perform audit services for a client. The above table 15 shows that a third of total responses expressed neither agreement nor disagreement (3) with the idea that the use of IT reduces the need for audit tenure.

However, a total of 40.3% expressed agreement that the use of IT reduces the need for audit tenure; the largest percentage of agreement was among PPQRs, and this might be because this authority is authorised to issue legislation specifically relating to the use of IT and audit tenure. The highest percentage of some disagreement (4) was expressed by the BoDs (37%) and external auditors (30%). The means for the participants from each group were as follows: external auditors 2.8, BoDs 3.0, PPQRs 2.6, and all combined = 2.6. By adding 1 and 2 together as one answer (indicating agreement) the results were as follows: external auditors 40%, BoDs 37%, PPQRs 50% and all combined = 40% (see appendix 12).

These results can be linked to the previous statement and results. In addition, looking back at statement one, which asked about the top rated AQI, audit tenure was given little attention from the participants, scoring as one of the lowest rated AQIs.

6.7.10 Specialist Tenure and the use of IT tools

Specialist tenure is when an external auditor or a firm auditing a company has specialised knowledge of the industry in which the firm being audited operates. Table 16 shows us that 31.9% of total participants neither agreed nor disagreed (3) that specialist tenure was important in the audit process. Half of the PPQRs expressed some agreement (2), and this was the highest percentage among those who expressed some agreement. The highest percentage of those who expressed some disagreement (4) was for BoDs and external auditors, scoring at 44.8% and 41.8% respectively. This finding may be because legislature is responsible for determining specialist tenure. The means for the participants from each group were as follows: external auditors 3.2, BoDs 3.3, PPQRs 2.6, and all combined = 2.8. By adding 1 and 2 together as one answer (indicating agreement) the results were as follows: external auditors 25%, BoDs 24%, PPQRs 50% and all combined = 28% (see appendix 13). The responses for this statement can be linked to those in the previous section, in that the results were quite similar, helping us to understand the perceptions of the participants toward AQ and AQI, and the use of IT tools. These findings also shed light on the CMA's role in introducing more regulations into the banking industry and forcing the signing of agreements for engagements with firms, where the Big Four figure prominently.

6.7.11 Time and Budget Pressure and the use of IT Tools

Time and budget pressures might occur when the auditor is under pressure due to a shortage of time. Table 17 above shows agreement and disagreement about whether the use of IT in auditing works to reduce time and budget pressure on auditors. It is clear that the highest percentage of total responses (47% in total) expressed some agreement (2) with the positive impact that using IT can have on time and budget pressure. The percentage of disagreement with the statement was low, only a total of 6% (4) and (5) of responses. This agreement may be attributed to the general perception shared by the three participating groups about the effects of using information technology on budget and time pressure. It can also help us understand the perceptions of the participants about the role of IT in AQ. The means for the participants from each group were as follows: External Auditors 2.1, BoDs 1.9, PPQRCs 1.6, and all combined = 1.9. By adding 1 and 2 together as one answer (indicating agreement) the results were as follows: External Auditors 75%, BoDs 82%, PPQRCs 93%, and all combined = 79% (see appendix 14).

6.7.12 IT Support by the Audit Team

This item looked to explore the extent to which the participants agreed on the need for an information technology professional to be part of the audit team. This item also gleans perceptions of the role information technology plays in audit quality. The above table 18 reveals that 72% of the total responses expressed agreement (1) and (2) with the review team's need for an IT specialist to join the team. This compatibility of the three participating groups may be a sign of the general perception of information technology use among the participants. It is not surprising that there were no responses for "strongly disagree" (5), and only 8% of total participants chose "somewhat disagree" (4). It should be noted that 21% of the total participants expressed neither agreement nor disagreement (3). The means for the participants from each group were as follows: external auditors 2.2, BoDs 1.9, PPQRCs 1.7, and all combined = 2.0. By adding 1 and 2 together as one answer (indicating agreement) the results were as follows: external auditors 63%, BoDs 79%, PPQRCs 93% and all combined = 71% (see appendix 15).

6.7.13 Reliance on Internal Audit Work and the use of IT Tools

The preference for reliance on internal audit work was rated fairly low by most respondents. Nearly half of the total responses (48%) agreed that external auditors preferred it when information technology was used for internal audit work. The highest percentage of those who expressed agreement was the PPQRCs (64%), followed by the BoDs (53%). The highest percentage of those who expressed some disagreement (4) was external auditors (25%). It is important to note that external auditors are the

professionals who can decide whether or not to rely on the work of internal auditors work. The total participants who disagreed (4) and (5) was 22%. By adding 1 and 2 together as one answer (indicating agreement) the results were as follows: External Auditors 42%, BoDs 53%, PPQRCs 64%, and all combined = 48% (see appendix 16). The means for the participants from each group were as follows: external auditors 2.8, BoDs 2.6, PPQRCs 2.2, and all combined = 2.5. These results reveal conflicting interests or overlapping duties relating to each of the groups participating in this research.

6.8 Perceptions of Global versus Local Audit Quality

This section will outline the participants' general perceptions of local versus global audit quality. Participants from the three groups: external auditors, BoDs of a Saudi listed Company, and PPQRC members were asked to choose answers that best represented their opinions, using a five-point Likert scale ranging from "strongly disagree" (5) through to "neither agree nor disagree" (3) to "strongly agree" (1).

6.8.1 Education

The statement that participants were asked to rate for this section was, "The auditor who holds international professional certification in auditing would be able to provide higher audit quality (for Example: CPA)". Using a five-point Likert scale ranging from "strongly disagree" (5) to "neither agree nor disagree" (3) and "strongly agree" (1), respondents were asked to rate their opinion of this statement. A total of 76.3% (35.1% for strongly agree and 41.2% for somewhat agree) agreed with the statement. Only 7.9% somewhat disagreed (4) and 1.8% strongly disagreed (5). The means for the participants from each group were as follows: external auditors 2.2, BoDs 1.8, PPQRCs 1.7, and all combined = 2.0 (see appendix 17).

Most of the total responses (76.3%) expressed agreement that the holder of an international certificate in the practise of external auditing would provide a higher quality of audit than their counterparts who had obtained only a certificate to practise locally. This was evident in the responses received from BoDs and PPQRCs, scoring a total of 86.9% and 92.4%, respectively, but somewhat fewer responses of agreement were received from external auditors (66.6%). By adding 1 and 2 together as one answer (indicating agreement) the results were as follows: external auditors 67%, BoDs 87%, PPQRCs 92% and all combined = 76%.

6.8.2 Training

This statement explored the idea of whether internationally trained auditors are regarded more highly than locally trained ones. A total of 79.9% expressed agreement with this idea. More than a quarter

(15.8%) expressed neither agreement nor disagreement (3) and a large percentage of these respondents were external auditors, and the remainder were BoDs. Unsurprisingly, there were no responses which strongly disagreed (5). Disagreement was completely absent among BoDs and PPQRCs, but was present among a small percentage (6.1%) of the external auditors. The means for the participants from each group were as follows: external auditors 2.0, BoDs 1.9, PPQRCs 1.5, and all combined = 1.9. By adding 1 and 2 together as one answer (indicating agreement) the results were as follows: external auditors 73%, BoDs 84%, PPQRCs 100% and all combined = 80% (see appendix 18).

6.8.3 Experience

Regarding work experience globally, just over three quarters of the respondents (75.4%) expressed their agreement with the idea that an auditor's global experience helps provide a higher quality of audit in comparison to possessing just local experience. In addition, over half of PPQRCs (53.8%) strongly agreed (1), whilst no respondents strongly disagreed (5). The same applied to BoDs, where 78.9% expressed agreement with this item, and none of the responses expressed disagreement. However, a total of 12.7% of external auditors expressed only some agreement (2), which is 7.1% of the total responses. Furthermore, 17.5% of the total responses neither agreed nor disagreed (3). The means for the participants from each group were as follows: external auditors 2.1, BoDs 1.9, PPQRCs 1.5, and all combined = 2.0. By adding 1 and 2 together as one answer (indicating agreement) the results were as follows: external auditors 70%, BoDs 79%, PPQRCs 92% and all combined = 75% (see appendix 19).

6.8.4 The Adoption of International Standards

When asked about the adoption of the IFRS and ISAs to enhance audit quality, a total of 90.3% agreed with the statement. No disagreement was expressed at all by any of the PPQRCs, and only 7.9% of BoDs said that they neither agreed nor disagreed (3). In general, no responses of “strongly disagree” (5) were given by the groups, but 1.6% of external auditors said that they somewhat disagreed (4) with the statement, which was only 1% of total respondents. Only 8.8% of the total responses received from all three groups indicated neither agreement nor disagreement (3) with the statement, as shown in the above table 23 The means for the participants from each group were as follows: external auditors 1.5, BoDs 1.5, PPQRCs 1.4, and all combined = 1.5. By adding 1 and 2 together as one answer (indicating agreement) the results were as follows: external auditors 87%, BoDs 92%, PPQRCs 100% and all combined = 90% (see appendix 20). These results may help us understand the participants' perceptions of international standards and their local application. This item and the previous items may support the

theory used in this research and help us to understand general perceptions about local applications of international standards, and how practitioners view them.

6.8.5 Audit Firm Size

Relating to responses to the statement: “Large companies trust Big Four firms because they are well known internationally”. A total of 77.2% respondents agreed with this statement. Unsurprisingly, there was no response expressing disagreement among BoDs and PPQRCs. A total of 6.4% of external auditors expressed disagreement, and this represented only 3.5% of the total responses received. It should be noted that approximately one-fifth (19.3%) of total responses received chose to answer "neither agree nor disagree" (3) to this statement. The means across each group were as follows: external auditors 2.0, BoDs 1.7, PPQRCs 2.1, and all combined = 1.9. By adding 1 and 2 together as one answer (indicating agreement) the results were as follows: external auditors 71%, BoDs 89%, PPQRCs 69% and all combined = 77% (see appendix 21).

The participants tended to agree that large companies in the Saudi market trust the Big Four firms because of their global reputation. This result may help us to understand the general perception of the participants which equates excellence with a firm just because it is a large global firm.

6.8.6 Audit Fees

The participants were asked to what extent they agreed with the following statement: “Big Four firms get good fees because they are able to deliver higher quality audits”. The percentage of agreement with this statement was less than the previous items. However, just over half of the participants (56.1%) expressed some agreement (2) with the statement. Just over one-fifth of the total responses (20.2%) expressed some disagreement (2), while 23.7% of the total respondents said they neither agreed nor disagreed (3) with the statement. The percentage of agreement between the three groups was shown to be somewhat similar, and the percentage of disagreement among the three groups differed very little. As an example, a total of 26.9% of the total participating external auditors, and 23.1% of the PPQRCs expressed disagreement, but only 7.9% of BoDs expressed disagreement also. The means across each group were as follows: external auditors 2.6, BoDs 2.1, PPQRCs 2.5, and all combined = 2.3. By adding 1 and 2 together as one answer (indicating agreement) the results were as follows: external auditors 49%, BoDs 66%, PPQRCs 62% and all combined = 56% (see appendix 22).

These results can be linked to the results for the previous statements. A significant proportion of respondents did not think that Big Four firms received higher fees due to quality. Regulations and laws may force or encourage a company to go to one of the Big Four 4 firms, for example, the banking

sector, which follows CMA regulations, and is required to engage with an external auditor that is approved by the CMA.

6.8.7 Auditor Rotation

When asked whether they agreed with the following statement: “Auditor rotation should be lower in the Big Four than it is in non-Big Four firms”, a total of 42.1% of the participants expressed their agreement in general, while 32.4% of participants disagreed with the statement. Overall, 25.4% of the total responses indicated neither agreement nor disagreement (3). In addition, 69.3% of PPQRCs expressed agreement, while only 7.7% expressed disagreement. Those who expressed disagreement among external auditors was 39.7%, while 38.1% expressed agreement, and a total of 22.2% said that they neither agreed nor disagreed (3) with the statement. The means for the participants in each group were as follows: external auditors 3.1, BoDs 2.9, PPQRCs 2.2, and all combined = 2.5. By adding 1 and 2 together as one answer (indicating agreement) the results were as follows: external auditors 38%, BoDs 39%, PPQRCs 69% and all combined = 42% (see appendix 23).

These results support the previous two statements across the three groups that responded, and confirmed that auditor rotation differs between Big Four firms and local firms. By adding 4 and 5 together as one answer (indicating disagreement to the statement) the results were as follows: external auditors 40%, BoDs 29%, PPQRCs 8% and all combined = 33%.

6.6.8 Audit Tenure

The results for the questions posed about audit tenure. The percentage of disagreement over agreement with this statement was overwhelming, at 42.1%, while the total agreement was 33.4%, and 24.6% said that they neither agreed nor disagreed (3) with the statement. By looking closely at the above table, it is clear that the percentage of agreement was more among the PPQRCs, at 61.5%. The percentage of disagreement was higher among external auditors (42.9%) and BoDs (47.3%). In addition, results between those who neither agreed nor disagreed (3) were closest between the external auditors and the BoDs: 25.4% and 26.3%, respectively. However, the results were lower in total among the PPQRCs (15.4%). The means for each group were as follows: external auditors 3.3, BoDs 3.3, PPQRCs 2.7, and all combined = 2.6. By adding 1 and 2 together as one answer (indicating agreement) the results were as follows: external auditors 32%, BoDs 26%, PPQRCs 62% and all combined = 33% (see appendix 24).

6.8.9 Reliance on Internal Auditors

For this statement, participants were asked about the impact of the company's reputation on an external auditor's decision to rely on the work of the firm's internal auditor. Just over half of the responses (50.9%) expressed agreement with the idea that a company's reputation matters. Only 18.4% did not agree, and 30.7% of the total responses neither agreed nor disagreed (3). The highest percentage of agreement between the three groups was among the PPQRCs; a total of 69.3% agreed in comparison to 60.5% of BoDs, and 41.2% of external auditors. The means for each group in relation to this statement are as follows: external auditors 2.8, BoDs 2.4, PPQRCs 2.2, and all combined = 2.5. By adding 1 and 2 together as one answer (indicating agreement), the results were as follows: external auditors 41%, BoDs 61%, PPQRCs 69% and all combined = 51% (see appendix 24).

We can link these results to the results for item 5.5, where the participants agreed that a company reputation has a bearing on whether an external auditor decides to rely on the firm's internal auditor or not.

6.8.10 Culture of the Firm

The culture in the Big Four firms helps auditors provide better audit quality than local firms (77.2% agreed). Only 6.2% of the participants somewhat disagreed (4), with no-one strongly disagreeing (5) with this statement. Furthermore, a total of 84.6% of PPQRCs, 86.9% of BoDs, and 69.9% of external auditors expressed agreement. A total of 16.7% of the respondents neither agreed nor disagreed (3), but most of these participants were external auditors out of a total of 22.2% of total auditors. The means for the participants from each group were as follows: external auditors 2.1, BoDs 1.8, PPQRCs 2.0, and all combined = 2.0. By adding 1 and 2 together as one answer (indicating agreement), the results can be shown as follows: external auditors 70%, BoDs 87%, PPQRCs 85%, and all combined = 77% (see appendix 25).

These results can be linked with the results of the first question, which asked about audit quality indicators; the culture at an audit firm received a high rating of 35% and was classed as a top AQI. None of the respondents strongly disagreed (5), and only a total of 6% somewhat disagreed (4) with the statement.

6.9 Conclusion

This chapter has presented a descriptive analysis of the results of the questionnaire which was distributed to the participants in this study. The chapter included an introduction which outlined the chapter contents, detailing what sections it would cover. It then considered the pilot study and its

results, and how tests were conducted to ensure validity and reliability. This was followed by a section outlining the target sample groups chosen for this research. The chapter then moved on to look at the exclusion criteria used when analysing the results of the questionnaire.

The data analysis began with an analysis of the demographic data, including gender, age, educational level, work experience, and the main professional group to which each participant belonged. The proportion of males working in the field was 82% of the total participants, compared to 18% of females, but this result was expected. Regarding age, the results indicated that the ages of half of the participants ranged between 25-35 years. Most of the participants had a bachelor's degree (63%), as a minimum educational level. In terms of work experience, 41% of the participants had more than 11 years of work experience. The most participating group in the research was external auditors (54.5%) and this was expected.

Finally, this chapter presented the results of the three main research questions of the questionnaire, as totals and as cross-tabs tables. The first main question asked participants to determine their top five indicators of audit quality. The results revealed agreement from most of the participants; the order of determinants was listed as follows (from 1 to 5): the auditor's education, the auditor's work experience, the auditor's training, the auditor's practising of professional scepticism, and the culture of the audit firm. The second main question of the questionnaire asked for the participants' perceptions about the relationship of IT tools and audit quality. It was concluded that there was no fundamental difference between the opinions of the participants across the three groups, and most of the participants demonstrated relative similarity in their responses, despite the different nature of their work. The third and final main question of the questionnaire posed to the participants was about their perceptions of the local and global audit quality across ten elements. The responses revealed a significant similarity in perceptions. These results will be explored in more detail in the discussion chapter.

At the end of the questionnaire, participants were asked if they wanted to participate in semi-structured interviews, to contribute further to the current study. Identifying participants for the semi-structured interviews was one of the most important reasons for distributing the questionnaire. Due to the sensitivity of their work and positions, it was essential to be able to reach target groups directly, and inform them about the subject of the research. Thirty-four participants agreed to participate in semi-structured interviews. All interviews were recorded and analysed using the thematic analysis method, which will be discussed in the next chapter. In order to gain a deeper understanding of the data collected from the questionnaire, the data collected from the semi-structured interviews will be presented and analysed in the next chapter.

Chapter 7: Analysis of Interview Data

7.1 Introduction

This chapter analyses the data gathered from the semi-structured interviews, which were conducted with 34 participants from the three target groups. See Tables 30, 31, and 32 below.

Interviews with the Participants	
Participant No.	Position of the interviewee
1	BoD in Industrial sector - Tadawul – Main Market
2	BoD in Industrial sector - Tadawul – Main Market
3	BoD in Industrial sector - Tadawul – Main Market
4	BoD in Materials sector - Tadawul – Main Market
5	BoD in Materials sector - Tadawul – Main Market
6	BoD in Materials sector - Tadawul – Main Market
7	BoD in Consumer Durables & Apparel sector - Nomu – Parallel Market
8	BoD in Banking sector - Tadawul – Main Market
9	BoD in Banking sector - Tadawul – Main Market
10	BoD in Banking sector - Tadawul – Main Market
11	BoD in Industrial sector - Tadawul – Main Market
12	BoD in Commercial & Professional Services sector - Tadawul – Main Market
13	BoD in Consumer Services sector - Tadawul – Main Market
14	BoD in Insurance sector - Tadawul – Main Market
15	External Auditors in a Big Four firm
16	External Auditors in a Big Four firm
17	External Auditors in a Big Four firm
18	External Auditors in a Big Four firm (Female)
19	External Auditors in a Big Four firm
20	External Auditors in a Big Four firm (Female)
21	External Auditors in a Big Four firm
22	External Auditors in a Big Four firm
23	External Auditors in a Non-Big Four firm
24	External Auditors in a Non-Big Four firm
25	External Auditors in a Non-Big Four firm
26	External Auditors in a Non-Big Four firm (Female)
27	External Auditors in a Non-Big Four firm
28	External Auditors in a Non-Big Four firm
29	PPQRC - Member
30	PPQRC - Member
31	PPQRC - Member
32	PPQRC - Examiner
33	PPQRC - Examiner
34	PPQRC - Examiner

Table 7: Semi-structured interviews with the Participants

The three tables above show the number of participants who took part in the semi-structured interviews according to category. The duration of the interviews ranged from a minimum of 40 minutes to a

maximum of 94 minutes. It is crucial to mention that there were only three female participants who were all external auditors. This is because of the absence of women serving on the Professional Performance Quality Review Committee (PPQRC), as well as a lack of women serving on BoDs.

This chapter analyses the semi-structured interviews using thematic analysis, for the following three groups: (1) members serving on BoDS in Saudi companies listed on Tadawul and Nomu; (2) external auditors working in the Saudi market, whether in the Big Four firms (Deloitte, PwC, EY, and KPMG) or local accounting firms; and (3) members of the PPQRC of the Saudi Organisation for Certified Public Accountants (SOCPA) in Saudi Arabia.

Once all of the semi-structured interviews had been analysed using the thematic analysis method, codes were identified from the data and then themes were identified following thematic analysis (see chapter 5). Furthermore, the data collected through the interviews revealed four main themes. The first theme was perceptions of AQ, which was divided into the following two sub-themes: (1) the definition of AQ; and (2) the responsibility for AQ. The second theme was the influence of the application of international standards in accounting and auditing, which was divided into the following three sub-themes: (1) the effect of shaping audit policies; (2) the effect on engagement with external auditors; and (3) the lack of trust in local firms. The third main theme was the cost of AQ, which was divided into the following two sub-themes: (1) the imposed cost; and (2) the investment cost. Lastly, the last main theme was the interactions of local practitioners with Western perceptions of AQ specifically in relation to gender and religion, respectively. Doing so provided a deeper understanding of the data collected via the interviews.

7.2 Perceptions of AQ

Understanding the participants' perceptions of AQ is a crucial starting point for understanding what comes next, since it provides an overall picture of how these perceptions were shaped. This section is divided into two important sub-sections: The first addresses participants' perceptions of the definition of AQ, while the second addresses the participants' thoughts as to where the responsibility lies for the implementation of AQ. Understanding the participants' perceptions of AQ had an effect on all subsequent themes. These perceptions have influenced the rules, policies, regulations, and practices used in the audit profession in Saudi Arabia. The perceptions may be due to the nature of Saudi society in general, its culture, and its scientific and professional background, of which the participants of this study are considered a part and which will be discussed.

7.3 Definition of AQ

This section discusses how the participants defined AQ, thus providing an enhanced understanding of their perception of it. Most participants agreed that it was difficult to provide a definition for AQ, with many touching on a general understanding of what AQ entailed. Despite the different orientations and goals of the participants, similarities existed in their perceptions along with a common ground. For example, a member of the BoDs group might see the quality of an audit from the perspective of the service provided to him (the audit requester); the external auditor might see it from the perspective of the service provided by him and the audit team (the audit provider); and the legislator might see it from the perspective of a service organiser between the two parties (the audit regulator and legislator). However, common views and perceptions were very clear. This chapter brings together all opinions that end in common ground between the participants, thus forming a comprehensive understanding.

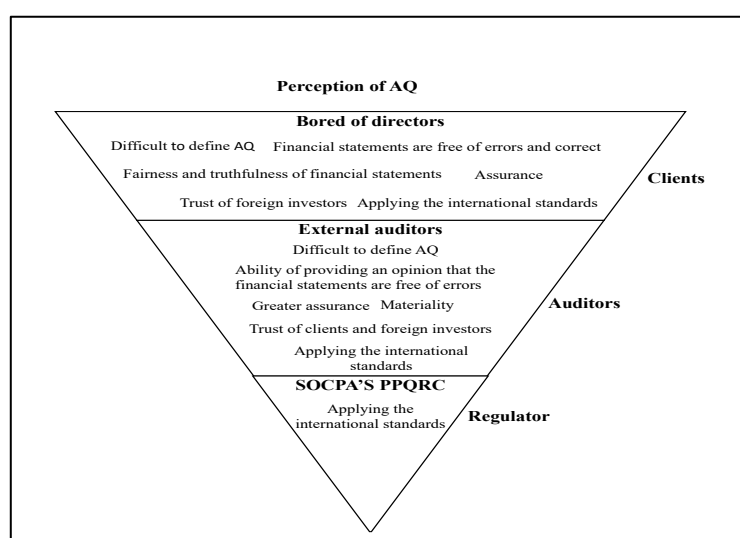


Figure 6: Results of mapping the perceptions of the participants about audit quality.

For example, Participant 12 stated the following:

“Don’t expect me to give you an absolute definition of AQ because this is difficult, but I will speak from my understanding of this term. Simply, I can say that the quality of the audit is the ability of the external auditor to give me strong and adequate assurance on the fairness of the financial statements and internal control systems so that they do not contain fundamental errors, and an important point here I would like to add is that the external auditor will not be able to provide that unless there are clear standards and strong guarantees that, and I mean here the international standards of accounting and auditing that are applied here in the Kingdom (Saudi), praise be to God”.

Although this quote illustrates the difficulty of finding a specific definition of AQ the participant was still able to clarify some perceptions about it. He touched on the ability to provide assurance about the

financial statements submitted by the company's management in its financial data. In addition, the participant expressed the opinion that the internal control system and financial statements should be free from material errors or misstatements. Moreover, the participant said that the assurance provided by the auditor, should be strong and adequate. This might be close to the meaning described by many of the BoDs when they say "greater assurance," "highest level of assurance," or "acceptable degree of assurance." Such views were common among the BoDs members who participated in this study. Participant 12 also directly linked AQ to the application of international auditing standards, which he described as a strong guarantee for reaching the quality required by an external auditor. In addition, Participant 9 – a BoDs member – stated the following:

"The auditor assures me that the management's work is free of errors and that there is no financial manipulation... The auditor's reputation is important, but also his ability and understanding of international standards is very important. Although it is difficult to talk about a specific definition of AQ, you can say that the AQ is the accuracy of the audit report, which gives me the highest level of assurance. Just like the accountant of the company, he must prepare financial statements in accordance with international standards, so also the auditor must follow international standards in auditing and in accounting, and he should be experienced and understand them [...] He speaks English and knows the purposes of standards from the people of who made them".

This participant referred to the assurance given to the BoDs by the auditor regarding the work of the company's management, and indicated that the financial statements should not contain material errors or financial manipulation. However, he mentioned two critical factors from his perspective, namely the auditor's reputation and understanding of international standards as well as their ability to speak English, as this is the language of international standards. This participant also expressed the difficulty of defining AQ, but he also stressed the importance of experience and the international standards in accounting and auditing. Most participants agreed on the difficulty of defining AQ, but their perceptions tended to mean that "assurance" and "trust in the auditor" could shape the meaning of AQ. Participant 8 stated the following:

"Look, the definition of AQ varies from person to person, but if I can see it according to my goals, I always strive for growth and expansion, attracting foreign investors to invest with me and thus increasing growth and other benefits. Therefore, I need an auditor who provides me with an audit report that obtains everyone's trust, I mean here, the foreign investor and I trust him, and what called in auditing the assurance I think if you can correct me? I mean that the financial statements are correct".

This participant expressed the difficulty of defining AQ because it differs according to each person and his or her goals; that is, meaning is subjective. The participant, as a member of the BoDs, specified

his goal of attracting foreign investors to invest and increase capital. Such a goal can be achieved if trust exists in the auditor's work from him as well as foreign investors. Furthermore, the participant expressed this as the assurance that the financial statements have been prepared in the correct manner, which was his perception of AQ.

Participant 9 stated the following:

“AQ, I think, it is depending on the field in which you work. The definition may change with you, if it is true. I am in the banking sector. We have complex and large operations, and the requirements of SAMA are not hidden from you. It is, from my perspective, the assurance that proves the correctness of preparing the financial statements or the truthfulness of the financial statements presented to the auditor who reviewed them in accordance with the requirements of SAMA and meeting the desire of the shareholders that the auditor audited the financial statements in accordance with international standards that guarantee the quality of the outputs. As you know, we as a banking sector have been applying these standards from the past and even before they were approved by the SOCPA as per the requirements of SAMA”.

This participant, who was a board member of a large commercial bank in Saudi Arabia, was of the opinion that the definition of AQ may vary according to the field in which a person works. As a BoDs member in the banking sector, the participant believed that AQ meant an assurance that the information in financial statements is true and correct. The participant said that an audit should be conducted in accordance with SAMA requirements, which obliged banks and auditors to apply international standards for preparing and auditing financial statements before SOCPA announced the adoption and application of international standards in accounting and auditing generally. To this, Participant 3 added the following:

“I believe that the quality of the audit will be achieved by applying the international standards and also the costs will be reduced to companies. As a company, we have international operations and activity outside the Kingdom, so the new international standards serve us in standardising the financial statements and reducing the cost of auditing, as well as more disclosure, transparency and clarity. I mean, instead of contracting with two auditing firms, one for local standards and the other for international relations, now one auditor with a high cost but also a high quality which is better than two different ones. The foreign investor understands and desires this, and this is what concerns me as a company in our activity outside Saudi Arabia”.

This participant believed that AQ is achieved when international standards are applied, and that there are many benefits to doing so. These benefits are the presence of one auditor and consolidated financial statements, which serves the foreign investor as well as the local user, which means one cost to the company. Although the cost of the external auditor is high after the application of international

standards, it is generally less than contracting with two different auditors, each of whom provides audits that apply different standards. In addition, the participant believed that the application of international standards has other benefits in addition to AQ, namely transparency, disclosure, and clarity. Moreover, he believed that this is what any foreign investor seeks in the company, and it is the same as what the company's BoDs are seeking. When the participant was asked about why he linked AQ to international standards, he answered as follows:

“Of course, the standards that are applied here are the international standards, and they are designed and prepared to ensure the provision of AQ, and it is required by law that the external auditor follows the international standards”.

The participant held that international standards are designed from the ground up to achieve AQ. In addition, the external auditor is obligated by law to apply these standards. This perception was explained by Participant 10, who was a BoD member at a commercial bank listed on Tadawul, the main market in Saudi Arabia:

“From my accounting background I can say that there is no alternative to the international standards that we have fully implemented here recently. You have two options, American or International, the most widely accepted internationally among countries and valid for application in every country. And I think the American market will be regulated by international standards soon because they participate and influence them, and the difference is not big in fact”.

This participant said that an alternative exists to international accounting and auditing standards which is the American accounting and auditing standards. For him, limited options means choosing the most appropriate and internationally accepted ones. He added that the international accounting and auditing standards are applicable in every country worldwide, even in the United States, which he believes will abandon its standards to implement international standards. He justified this by the fact that the United States is the largest influencer and contributor to international standards. This is as if, one way or another, one standard fits all, which he expressed as “[t]he most widely accepted internationally among countries and valid for application in every country.” Many participants expressed the importance of international standards as a guarantor of AQ as well as a critical tool for attracting foreign investors. This was most evident among the BoDs members. Participant 11 stated the following:

“Previous standards are old and have not been developed and contain many weaknesses. I mean, let me ask you a question why would want me to become isolated from the world by applying standards that are 25 or 30 years old and have not been updated? Or even why would you want me to attract the foreign investor who invests in most countries of the world and knows only international standards? The capital is cowardly Mr. Ali. The investor does not invest one riyal except when checking the applicable regulations. The external

auditor and auditing standards are one of the most important guarantees for a successful foreign investment”.

This participant criticised the standards previously applied in Saudi Arabia for being outdated and not updated periodically and effectively since adoption. In addition, continuing with the previous standards means becoming isolated from the world or the prevailing accounting system. He added that the recent application of international standards has attracted foreign investors, who only accept international standards. Thus, gaining the trust of foreign investors requires the application and adoption of international standards, which he considered one of the most crucial guarantees of the success of foreign investment. When Participant 12, also a BoDs member, was asked what made him link AQ to the application of international standards, he answered as follows:

“Let’s be more realistic, they are the people of science and knowledge [the West where the international standards came from], we are just transmitters and beneficiaries of their experiences and knowledge that preceded us. This does not mean that we do not understand or do not have the knowledge, no. But we do benefit and share knowledge. In the end, we are part of the world and every country in the world does it”.

This participant distinguished the West as the best in terms of science and knowledge. This may mean that what comes from the West is taken for granted as distinct and difficult to criticise. This participant also justified his view of international standards because they are internationally accepted and applied by many countries. This perception might be, as some participants believed, down to the application of standards meaning the quality of auditing, which some perceived to be what attracts foreign investors to invest in Saudi Arabia.

After analysing the opinions of the BoDs who participated in this study, it can be stated that most agreed that AQ is subjective and lies in assurance; that it is important to attract foreign investors; and that this can only be achieved in compliance with the IFRS and ISAs. The linking of AQ to the application of international standards also applied to most external auditors, including those in the Big Four firms and in non-Big Four firms (local firms). The notable difference was that when auditors expressed their perceptions of AQ, they considered themselves to be a service provider or that they are the person performing the audit. For example, one of the participants, an external auditor from a local audit firm, said the following:

“There shall be AQ in the event that there are accurate and clear standards that ensure that the auditors reach excellent quality. I mean it is not easy to talk about a specific definition, but I can say that the quality of the audit is the highest degree of assurance. This high degree of assurance cannot be achieved without clear standards to be followed by the auditor”.

In this quote, the auditors' perception of AQ and its close link with the standards applied for auditing are clear. The participant also expressed his perception of AQ as the highest levels of assurance, which he believed cannot be achieved without clear standards being followed by the auditor. Here, the link between AQ and the standards applied, even from the perspective of external auditors, is also evident.

Participant 16, an external auditor from one of the Big Four with 15 years of experience in the field, stated the following:

“The quality of the audit is the procedures, plan, and direction through which the auditor can reach the required quality based on the standards, which is the point through which the auditor can reach the decision. As an auditor and partner in one of the Big Four, I can provide the quality of the audit because I am more experienced with international standards and have better tools than others. In the end, it is difficult to define the quality of the audit, but this is my perception as an expert”.

Since this auditor worked for a Big Four audit firm and provided audit services to banks, as he explained, he believed that AQ was linked to the procedures, plan, and direction, achieved through applying the standards. He also believed that his experience of international standards, in addition to the tools that exist in the Big Four firm, is what helps him provide AQ. This is consistent with the results of the questionnaire. The participant also expressed the difficulty of defining AQ, but this was presented through his perceptions as an expert in the field. This was agreed upon by most of the participants from different categories, along with the difficulty of defining AQ, as it is subjective.

Linking AQ to international standards was not limited to the perceptions of BoDs members. It was also perceived as being important for attracting foreign investment and for external auditors, in a more direct manner. For example, Participant 15, an external auditor from one of the Big Four, stated the following:

“It is impossible for a foreign investor to come to you without applying international standards, whether in accounting or auditing. A foreign investor trusts only such international standards, which are known globally”.

The link between the application of international standards and AQ reinforces the belief that it is one of the most crucial tools for attracting foreign investment. In addition, the participant believed that the trust of foreign investors is based only on international standards and that their application contributes to supporting foreign investment in the local market, essentially because it is applied in most countries globally. Thus, the application of international standards of auditing and accounting might mean achieving AQ and attracting foreign investors to invest in the Saudi market. This might also explain

the questionnaire results which suggested that the education, training, and experience of external auditors internationally are related to AQ.

The difficulty of defining AQ continued to be expressed among external auditors, but they linked it to international standards in a more practical way as service providers. Participant 26, an auditor in a local firm and an ex-Big Four auditor (in the list of 14 firms – see Table 1), stated the following:

“Your question is really difficult. How many people did you meet before me in your search and how many answered you with a similar definition to the one before? It’s really difficult to define the quality of an audit, but I can tell you that I see it as an approach, the approach by which you do the audit. You could say that this approach is driven by the international standards. For example, in the previous standards, we had standards that differed from the current standards, in disclosure, presentation of data, financial information, machinery, equipment, inventories, etc. The current standards, thanks to Allah, are clear, perfect and do not burden the auditor with lots of personal judgement”.

This participant expressed the difficulty of determining AQ, but his perception was that it is the approach the auditor takes when performing the audit process by following international standards which differ from previous standards. The differences in his opinion included the disclosure and presentation of financial statements, the calculation of the depreciation of machinery and equipment, and the methods for calculating inventory. He also distinguished the international standards that reduced the exercise of discretion in professional judgement. However, professional scepticism can be related to professional judgement. Nelson (2009) defines professional scepticism as being, “indicated by auditor judgments and decisions that reflect a heightened assessment of the risk that an assertion is incorrect, conditional on the information available to the auditor.” This was explained by the questionnaire participants who said that professional scepticism is one of the five most important criteria for AQ. The results in the previous chapter indicated that, among the top five AQ indicators according to the participants’ perceptions, was the level of professional scepticism that the auditor exercises, which was ranked fourth with 39.5% of all questionnaire respondents.

Participant 26 might have tried to offer an advantage to international standards, as he saw them as clear and excellent because they helped define the auditor’s responsibilities more clearly than the previous standards. Alternatively, his view may be because he is a local external auditor and ex-Big Four and his name is on the list approved by the Capital Market Authority (CMA) as an auditor authorised to audit listed companies (see Table 1).

The semi-structured interviews revealed that a minority of the participants who were auditors with local audit firms were more traditional in their definition and perceptions of AQ. That is, they did not

directly link AQ to adoption of the international standards, which may be because they provide an audit service for unlisted companies. Some of the auditors in local auditing firms that were not included in the list of the 14 auditing firms permitted to audit companies listed on Tadawul and Nomu (see Table 1) did not completely agree with prevailing perceptions among many participants. Specifically, this divergent opinion concerned AQ and its direct link to the application of international standards, as the only guarantor of achieving AQ. Such individuals included Participants 24 and 28. Participant 24 stated the following:

“Almost all new or old standards tell you the same thing about the quality of auditing. In the end, we do not have many options for standards, whether international or American, and this case applies to almost all countries in the region, but my problem is with what comes after the application of international standards. For example, as an individual auditing firm, I have the same qualifications as any partner in the Big Four firms, but my name is not liked by some, you know our people love the big foreign names hahaha. They can always be excused that we do not provide AQ and we need some rehabilitation here, but the question is what the big companies provided? And everyone knows the scandals that happened”.

This participant was largely in agreement with Participant 10, who believed that there are only two options regarding standards in accounting and auditing – either American or international. This, in his opinion, applies to all countries, including Saudi Arabia. However, he expressed concern not with the standards per se, but rather with the perception of quality linked to the standards. This will be discussed later in this chapter. On the other hand, Participant 24 asked about what the Big Four auditing firms provide to the local market when there are scandals of audit failure, despite their application of international standards. It could be understood that he defines AQ as non-failure. In addition, the participant compared his qualifications to that of auditors in the Big Four firms. He justified such a perception among practitioners in the local market as a preference for foreign names (which referred to the Big Four firms), as they are seen as a source of trust in local practitioners. In addition, Participant 28 added the following:

“AQ for me is to provide a report and an opinion that the financial statements are free from material errors. This depends on the auditor himself and the effort in detecting errors”.

This participant expressed his perception of AQ as providing an audit opinion via the audit report that the financial statements of the audited company are free from material errors.

Participant 27, an external auditor in a local firm, expressed a view highly similar to Participant 28 but linked AQ to international standards:

“AQ for me is the extent of my ability as an auditor to discover material errors in the financial statements or in other words, making sure that the financial statements are free of material errors and this is what the new standards tell you”.

This participant said that AQ is the auditor’s ability to discover material errors, which is achieved through ensuring that financial statements have been prepared correctly in accordance with international standards, which he referred to as “new.”

As mentioned earlier, the BoDs of listed companies suggested that trust in what the auditor provides and the assurance they offer can be part of the meaning of AQ. Similarly, this perception was repeated among some of the auditors, specifically those in the Big Four firms. Participant 17, an external auditor at a Big Four firm, stated the following:

“The trust in the information contained in the financial statements that it is actually free of errors. Of course, without a doubt, I am committed to what is in the standards and I am not able to submit work on my own. This is obtained by the audit report, in which I write that I have audited in accordance with international standards and SAMA requirements, look [the participant shows a copy of his audit report for a listed company] and the company that I audited provided the information in accordance with the international standards IFRS. In my view, this is the AQ, trust and adherence to international standards”.

The trust that this participant mentioned may explain what the BoDs members were talking about, as mentioned above. “Trust,” includes the trust of the foreign investor, which may match their perceptions that international standards are linked directly to AQ – the client’s trust in him and his opinion as an external auditor. On the other hand, the semi-structured interviews revealed that some of the auditors in local audit firms were more traditional in their definition and perceptions of AQ.

This is consistent with Participant 22’s statements. However, Participant 22 went further by linking AQ to international standards.

“Let me explain something important to you. The auditor’s job is to ensure that the financial statements are correct and that the client’s accountants have prepared them in accordance with international standards. This, in short, is the task of the auditor, which means the quality of the audit. Just like a striker in football, his job is to score goals. If he scores a goal, this means that he has fulfilled his mission to the fullest. Do you understand what I mean? Of course, the attacker cannot score without a playmaker who guarantees him to make the attack. This applies to us as auditors. Without these international standards, we cannot achieve AQ”.

This participant considered AQ to be the final result of the work of the auditor. He offered the example of an attacking football player, who would not be able to score goals without the presence of a playmaker; similarly, he believed that the auditor's task is to provide a quality audit, which is only possible with the presence of international standards. This was also described by many participants as the only guarantor of AQ. Many participants in various categories linked AQ to "assurance" and international standards. However, the external auditors cited the standards more practically, which may be because they were more interactive with the standards. Moreover, auditors are the ones who practice them. For example, Participant 18 stated the following:

"I do not think that I can give you a specific concept or definition of AQ, but I, as an external auditor, I can tell you that the materiality that I set at the beginning of the audit process for the client is what can help me to determine the AQ, and this is in accordance with international standards, specifically International Auditing Standard 320. So if the materiality is high, it means that the client has low risks, and therefore expects a higher AQ and a greater assurance. And if the opposite, I mean low materiality, it means more effort and more examination and may affect the assurance given to the client. I mean this depends on the client's field and industry".

This participant expressed the difficulty of defining AQ as an external auditor. The participant presented a practical concept of AQ, which he described as "materiality." She cited the international auditing standard No. 320, namely "ISA 320 Materiality in Planning and Performing an Audit". This standard defines the meaning of materiality and its relationship with audit risk, which was touched upon by the participant. According to the International Standard of Auditing, the definition of materiality is as follows: "Information is material if omitting, misstating, or obscuring it could reasonably be expected to influence decisions that the primary users make on the basis of those financial statements." However, because there is no standard or mathematical equation for calculating materiality, it may be subject to the discretion of the auditor, by which the participant might have meant that it varies according to the field and industry of the client. The international standard clarifies that the relationship of materiality with audit risk is inverse – higher one side and lower the other. Here, the extent to which the auditor related the practical example of AQ to the standards was clear. The participant expressed it as a positive relationship; therefore, the higher the materiality, the higher the AQ and "assurance."

Participant 19 expressed the close link between international standards and AQ as follows:

"Whoever tells you that there is an AQ without applying international standards is lying to you. I apologise for my language, but this is the reality".

The linking of AQ to international standards also applied to the PPQRC participants from SOCPA. For example, Participant 30 stated the following:

“Let me tell you that the quality of the audit is the extent to which the external auditor adheres to the standards adopted by us [SOCPA]. I mean, I can tell you the standards are like the Bible (God forgive me, hahaha) but I mean, without them, there’s no AQ. And by making sure that it is implemented, I can see the quality of your audit as an auditor, the quality of the audit is what is stipulated by the recently applied international standards”.

This participant expressed his perception of AQ as the application of international standards, describing the standards as biblical. The participant meant that it is the reference and basis for the audit work, and he believed that the presence of these standards means the existence of AQ. This demonstrates how the participant’s perception was shaped by linking AQ directly to the application of international standards.

Participant 33, who was also a member of the PPQRC in SOCPA, stated the following:

“If you ask me as one of the SOCPA employees, then certainly the quality of the audit for me is the extent to which the auditor adheres and applies the auditing standards. Here we have made a great effort in translating and adopting international standards, and they undoubtedly guarantee all parties, whether auditors, companies, users of financial statements or regulatory authorities like us [SOCPA] of the required AQ”.

This participant believed that AQ is the extent to which the auditor adheres to the standards adopted by SOCPA. The participant added that these standards guarantee the achievement of AQ that satisfies all relevant parties, whether they are regulators, providers, or requesters of audit services. The participant continued as follows:

“I cannot actually determine what others see as the quality of an audit, but I can say that it is the commitment to implement the standards approved by us [SOCPA], after the efforts made by SOCPA in this regard”.

This participant hinted at the difficulty of expressing a comprehensive definition of AQ, but as a member of SOCPA he viewed it as the auditor’s commitment to apply international standards approved by SOCPA. This was justified by the efforts made by the project to adopt and translate the standards by SOCPA. The perceptions of the SOCPA participants may have been down to their work on the project for transitioning to international standards.

Participant 31 stated the following:

“SOCPA is making great efforts in keeping pace with the updates of international standards. As soon as an amendment is announced in one of the standards, whether in auditing or accounting, we do the necessary in terms of advertising, translation and raising awareness for the accounting community, and this is our duty. This also reflects the extent of our keenness on the quality of auditing as a desired goal by all relevant parties”.

This participant said that because AQ is based on the application of international standards, SOCPA plays a key role in the speedy implementation of any amendments made to international standards as announced by the International Accounting Standards Board. The participant added that SOCPA also carries out translation, advertising, and awareness-raising initiatives. This may enhance the preferential view of international standards since AQ lies within them. This was evident in the opinions given by most participants in this study.

Participant 30, also a participant in the project for the transformation of international standards, stated the following:

“These standards came from international organisations and revisions were made to them and were reviewed and tested in developed countries in the world. These things do not come out easily from them. They carry out many empirical studies and have a deep and historical understanding of the profession in general. They will surely achieve quality of the audit required by adopting and applying these international standards, whether in Saudi Arabia or other countries that seek today to keep pace with the developed world”.

From this participant’s comment, it can be understood that linking AQ to the application and adoption of international standards, in their view, guarantees the required AQ only because these standards came from the West. The participant continued as follows:

“May I ask you? How many countries in the world have adopted these standards? I mean not only us but there are more than 140 countries in the world that have adopted these standards for their high confidence and quality”.

The term ‘developing country’ is used by international organisations, and is defined in the Cambridge Dictionary as “*a country with little economic and industrial activity and where the people are generally of low income.*” Possible synonyms, such as ‘emerging economies’, ‘poor countries’, and ‘low-income countries’, are chosen dependent on the context. Recently, the World Bank categorised countries according to gross national income as follows: low-income countries; lower-middle income countries; upper-middle income countries; and high-income countries. However, the United Nations still classifies countries according to their economies as follows: developed; in transition; and developing.

Alternatively, countries can be classified according to markets and economic growth, which is the classification used by the International Monetary Fund (IMF). Specifically, the IMF classifies countries as follows: newly industrialised countries; emerging markets; frontier markets; and least developed countries. Such classifications might have influenced the participants' perceptions of the meaning of AQ by linking it directly to the application of standards imported from developed countries.

Participant 29 noted the following:

“In addition to the application of international standards, and achieving AQ, it improves our image and reputation among the countries of the world”.

This participant expressed his perspective as a legislator and regulator of the profession. Several participants expressed the importance of how the world views them. They believed that following instructions and fully adopting standards would result in the improvement of their image, thus demonstrating that they are as modern as the West. The application of international standards is related to AQ in the opinion of this participant, but he also viewed this as a reason to improve the world's image of Saudi Arabia in general. This is what many participants may have seen as a prelude to the critique of previous standards.

Participant 34 stated the following:

“Allow me to explain to you, the old standards do not have any defects. In the end, they are also translated from international standards and American standards according to what suits us, but it was difficult for us to update them, and as you know the world is changing very quickly. In order to keep pace with the world and to serve our aspirations, the adoption of international standards comes to assure us that the world is a small village in the language of accounting”.

This participant said that even the previous standards (Saudi GAAP) were mainly imported and translated from American and international standards. This was also noted by Participants 10 and 24. However, for the participant, the language of accounting has become one language as a form of standardisation. He continued as follows:

“So if you talk about our old standards and AQ, they were clearer because we practiced them for longer. But it is not updated and not developed. The issue of updating standards is complex and requires very great efforts. International standards are updated and developed periodically. All you have to do is apply them. Not to mention that it is a commitment between us [Saudi Arabia] and the G20 countries”.

This participant justified why international standards were linked to AQ by critiquing the previous standards. He believed that the previous standards are incompatible with the current practices, and are

not able to maintain pace with the development of local and international business and regulations. As explained previously, Saudi standards were adopted in 1994 and were not updated for many years. Hence, the participant saw the validity of the decision to adopt international standards. After Saudi Arabia joined the Group of Twenty (G20) in 2008 after the global financial crisis, according to SOCPA it was the only G20 country that did not apply international standards in accounting and auditing. This necessitated the decision to adopt international standards in auditing and accounting starting in 2017.

Participant 33, from SOCPA, stated the following:

“As you know, Saudi Arabia is a member of the Group of Twenty, and one of the largest oil and energy exporters in the world, and after our accession to the twenty countries, they imposed a shift on us in several matters, including the application of international standards in auditing and accounting”.

This participant noted that the application of the standards came after Saudi Arabia joined the G20 countries, as if it were a kind of directive from those countries that Saudi Arabia should replicate their international standards in accounting and auditing. Thus, the participants saw that the transition to international standards in accounting and auditing meant enhanced development and falling into line with developed countries. This may be one of the reasons for the perception that the application of international standards leads to achieving the required AQ.

Participant 33 also said as follows:

“We have the idea to work on developing the auditor in local firms to be like the auditor in the Big Four audit accounts. The banks are supporting us in this project as a kind of social responsibility, the project is still an idea, and I can’t talk about it more”.

This participant from SOCPA pointed out the need for the auditor to develop, to be like auditors in the Big Four audit firms in terms of quality, so they are seen as superior. He also pointed out that there is a project funded and supported by Saudi banks as a form of social responsibility, but this project is still in its infancy, and he was not allowed to talk more about this project. However, he also referred to a project funded by banks (who already deal with the Big Four audit firms) to make sure local auditors are like auditors in the Big Four audit firms. This may support this perception of AQ and the application of international standards represented by the Big Four audit firms.

Participant 31 stated the following:

“The quality of the audit is [the participant used the volumes next to him, which were the international standards, to search for a definition of the quality of the audit] standards, what do you say? Look here! This

is a framework in the standards. This is the AQ. Apply the standards and you will achieve the quality of the audit”.

This participant was an ex-Big Four auditor before he decided to work with SOCPA. In his answer, he said that international standards clearly define AQ, which prompted me to ask him about how international standards are defined. He opened a large folder but did not find a specific definition, so he presented what he found in the standards, namely a framework developed in 2014 by IAASB. This framework, from a legislative and regulatory perspective, divides AQ into inputs, processes, and outputs, and attributes the responsibility for AQ to the auditor. This action might explain what has shaped the perceptions of most of the participants relating to AQ, and how it is linked directly to international standards.

This section has touched on how the participants defined AQ. Although they unanimously agreed that it is difficult to provide a specific definition, they linked the general concept of AQ to the application of international standards, which they saw as the clear guarantor for reaching the required/satisfactory AQ. This link demonstrates the dominance of the idea that Western superiority is entrenched in the minds of practitioners of the profession, as they linked quality to the application of those standards to which they do not contribute to creating or developing but only translate and apply them. The next section presents the participants’ beliefs that the external auditor is responsible for AQ, and how it is linked to indicators such as the auditor’s education, training, and experience, in addition to whether education was local or in a Western country.

7.4 Responsibility for AQ

Most participants agreed that AQ is one of the responsibilities of the external auditor. Some divided AQ responsibilities among the following three parties: the provider of audit services (the external auditor); the audit service requester (the client), who is responsible for selecting the appropriate auditor; and the regulator and legislator (mainly SOCPA in Saudi Arabia), albeit with different ratios. However, among these three parties, many participants attributed the highest proportion of the responsibility for AQ to the external auditor, as the one primarily responsible for the audit. The findings of the semi-structured interviews suggest that a gap exists between the understanding of the adoption and the application of international standards and what is expected of the auditor.

Moreover, many on the BoDs believed that the main responsibility for AQ lies with the external auditor, as the person conducting this work. However, some suggested that the responsibility of AQ is shared with other parties, such as the regulator and clients.

Participant 1 stated the following:

“It is undoubtedly the joint responsibility of several parties: the auditing and management committee, the accounting department of the company and us, as members of the BoDs. But let me tell you, all these factors are supportive of the external auditor and his work team, who is mainly responsible”.

This participant expressed the opinion that while there are many parties that play a role in AQ, the external auditor is the main pillar. This may explain why the participants linked AQ to the international standards that the auditor follows and practices. However, the auditors believed that the application of international standards has also helped to attract foreign investment, thus meeting the needs of capital owners.

Participant 8 stated the following:

“My role is limited to selecting the external auditor honestly, which is limited for me, especially in the banking sector as you know. So, the quality of the audit, in my opinion, is the responsibility of the auditor. But if the choice is open and I can choose freely without restrictions from SAMA, then in this case I may be involved in part of the responsibility because I did not choose the best or most appropriate”.

This participant believed that the responsibility for AQ lies with the external auditor. He justified this by saying that he is in the banking sector and, according to SAMA’s requirements, he chooses from among a limited number of audit firms. It was as if he was saying that the limited choice in this case may absolve him of responsibility. He believed that if he had the option to choose the external auditor freely and without legislative requirements, this would mean that he could be held responsible for AQ alongside the auditor.

Participant 27 stated the following:

“The truth says that the responsibility for the quality of the audit is shared, but the reality says that it is the responsibility of the auditor. You know, I am in the listed market [Nomu] and I strive to join the main market because of its benefits to me, so I have to contract with an auditor that satisfies the Nomu and also the Tadawul market for the future, who assigns me 14 audit firms to choose from. So, the auditor is fully responsible for the quality of the audit”.

This participant believed that the current practices in the audit profession and the selection of a specific number of auditors (14 audit firms in the CMA list) placed the responsibility for AQ completely on the external auditor. This was despite his belief that it is originally a shared responsibility.

Participant 27 also stated the following:

“The quality of the audit is mainly related to the external auditor, just like football, for example, the coach has a role, and the captain has a role, but in the end the player is responsible for scoring the goal and not losing”.

This participant clarified, using the example of football, that the auditor is the main player in terms of AQ and that the roles of the rest of the parties in the profession are complementary despite their importance.

Participant 15 stated the following:

“It is easy to tell you that the responsibility for AQ is a joint responsibility and is not limited to one party without the other. But the truth, as a practitioner of the profession and as an auditor as well, I believe that it is the responsibility of the auditor first and foremost”.

This auditor believed that AQ is among his responsibilities. He said that he can disavow and theorise in determining who is responsible for AQ, but from the practical side and practice, it is the responsibility of the external auditor.

Participant 21 stated the following:

“International standards do not hold me responsible for the quality of the audit, but our practical reality says that clients expect AQ from you as an auditor and also hold you responsible for failure. What is between the auditor and clients, is the final audit report which in my opinion is based on what was presented to me from the financial statements, and here it is the difference between what is stipulated by international standards and what the clients expect”.

This auditor felt that international standards exempt him from responsibility for AQ, but the client still associated the failure of the audit with the auditor. He believed that AQ starts from the preparation of the financial statements; that is, the internal audit at the client’s company might be also responsible for AQ. The client believed that a misunderstanding exists between what international standards require from the auditor and what the client expects from him when audit services are provided (i.e., an expectation gap).

However, participants from SOCPA felt that the external auditor is responsible for AQ. Participant 29 stated the following:

“The role of SOCPA is based on regulating the profession in the Kingdom of Saudi Arabia, so we adopt standards, for example international standards, translate them and ensure that they are applied to the fullest. The role of our executive committees, including the executive management of professional quality, which

is concerned with the quality of the audit, but the quality of the audit, as an audit, is the responsibility of the auditor, because he is the one who does the task”.

This participant believed that because the auditor is the one who performs the audit work, he is responsible for the quality of what he provides. The role of the legislator is regulation and oversight to ensure that the auditor adheres to the standards. The participant believed that the legislator helps in adopting and translating international standards, which he saw as the completion of his mission as a legislator, in addition to the supervisory aspect of the audit profession.

Participant 33, from SOCPA, stated the following:

“Our role in the committee is to monitor the work of the external auditor and ensure his commitment to the application of standards, but mainly the quality of the audit is the responsibility of the auditor himself, because he is the one who does the work, examination and issuance of the final opinion”.

The participant believed that because the audit report comes from the external auditor, he is supposed to be responsible for AQ. The participant said that the role of the professional committee at SOCPA is to ascertain the extent to which the auditor adheres to international standards.

Participant 30 stated the following:

“The quality of the audit is primarily the responsibility of the auditor. Everything is prepared for him today to provide AQ, international standards and regulatory committees as well as coordination between the relevant authorities to ensure that the auditor provides satisfactory AQ”.

This participant believed that AQ is also the responsibility of the external auditor. However, he linked this to the adoption of international standards and the involvement of the auditor in coordinating committees with other regulatory bodies, namely CMA and SAMA, to ensure that the auditor can provide (satisfactory) quality of the audit.

In summary, this section was divided into two important sub-sections. The first addressed the participants’ perceptions of the definition of AQ. The second dealt with the responsibility of the base from the perspective of the participants. For most participants, a close link exists between AQ and the application of international standards, which many participants believe the auditor to be responsible for in application and compliance. The next section introduces the influence of the application of international auditing standards. It is divided into three sections: the effect on shaping policy; the effect on engagement with the external auditor; and the lack of trust in local accounting firms.

7.5 The Influence of the Application of International Auditing Standards

This section examines the influence of the application of international accounting and auditing standards in Saudi Arabia, namely ISAs (issued by the International Standards of the IAASB) and IFRS (issued by the International Accounting Standards Board, IASB). Most participants linked their perceptions of AQ to the application of international standards as illustrated in depth in the above sections 7.3 and 7.4. The semi-structured interview analysis suggested that perceptions of AQ are influenced by the application of international standards in three ways: (1) they have an effect on the shaping of the policy that governs the audit profession in Saudi Arabia; (2) they have an effect on engagement with external auditors by companies listed on both Tadawul and Nomu; and (3) they engender a lack of trust in local accounting and auditing firms in Saudi Arabia. The influence of these three aspects is outlined separately in the following three sub-sections.

7.5.1 The Effect on Shaping Policy

The participants directly linked perceptions of the definition of AQ to the application of international standards in accounting and auditing, as doing so is the best way to achieve AQ. Such perceptions have an influence on shaping audit policies that regulate the profession in Saudi Arabia. The results suggested that although the main legislator of the accounting and auditing profession in Saudi Arabia is SOCPA, some sectors, such as the financial sector (including banks and insurance companies), are regulated by SAMA (the Central Bank of Saudi Arabia), which adopted and applied international standards for accounting and auditing years before they were adopted by SOCPA. In addition, the CMA has its own policies, which apply to all of the companies listed on both Tadawul and Nomu.

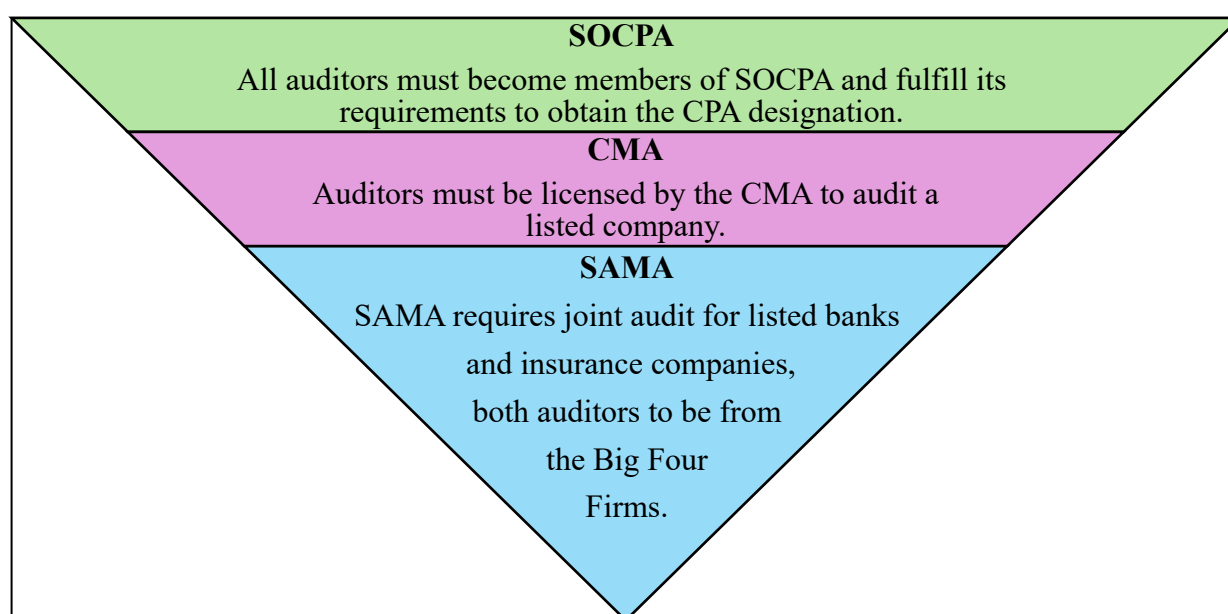


Figure 7: Licenses that the auditor must obtain to audit a listed company in Saudi Arabia.

Most participants expressed views on the influence of AQ perceptions and the application of international standards on shaping policies that regulate the profession. Such influence has led, first, to an overlap of tasks between the auditors and the legislator SOCPA; secondly, to legislation overlaps between legislators and regulatory bodies, namely SOCPA, the CMA, and SAMA; and thirdly, a widening gap between auditors in local and Big Four audit firms.

7.5.2 Overlap of Tasks between Auditors and the Legislator

Participant 28, an external auditor in a local firm, stated the following:

Let me clarify a point for you. Most of the members of the SOCPA committees are auditors in large firms, and they are the ones who contribute to the decision-making.

The participant said that most technical and professional committees of a legislative nature are made up of members, most of whom work in the Big Four firms, which means to that they influence regulations and legislation. He indicated that the professional auditor in a Big Four firm is the one who regulates the profession, as though referring to a conflict of interest between being an external auditor and working on SOCPA committees which might threaten independence. This participant clarified that the members of the committee of SOCPA, who authorise the organisation of the accounting and auditing profession in Saudi Arabia, are auditors who belong to the Big Four firms. The participant specifically referred to two committees in SOCPA: the Auditing Standards Committee and the Accounting Standards Committee. These consist of professionals, academics, board members of companies listed on Tadawul, and other market regulators such as SAMA and the CMA. However, those representing the auditing profession on the committees are from the Big Four firms or from the 14 firms that have obtained a licence from the CMA. This may help in understanding the participants' perceptions of linking AQ to international standards.

Participant 15, an auditor in one of the Big Four firms, justified this by stating the following:

“We have experience with international standards due to SAMA’s requirements for the banking and insurance sector, for example, this experience we contribute with SOCPA to help Saudi auditing companies in order to raise the level of quality and knowledge of international standards, and we have representatives on committees as well, and one goal is to advance the profession”.

This participant expressed the belief that some Big Four auditors work on SOCPA committees because of their experience applying international standards, since applying these standards was a requirement of SAMA before the adoption and implementation of international standards by SOCPA. The participant suggested that the aim is to work on raising the level of quality and knowledge of auditors in other firms.

Participant 7, a BoDs member in Nomu, stated the following:

“I know a few friends in audit firms who work on SOCPA committees as well, and this is important because the profession needs their field of experience. The people of the profession with experience, for example, auditors in KPMG or EY, are more understanding in their profession than others”.

This opinion could be considered a good example of the influence of the perception of AQ and its link to international standards and the big four. This overlap between the practitioner (external auditor) and the main legislator of the profession, SOCPA, might be driven by the same motives that cause the overlap of regulations and policies between other legislators.

7.5.3 Overlapping Legislation between Legislators and Regulatory Bodies (SOCPA, CMA, and SAMA)

Participant 22, an external auditor, stated the following:

“The legislator here [CMA in Saudi] believes that what happens in America must happen here, as the number of firms specified is very few to audit over 200 listed companies. I think honestly there should have been more coordination between legislators”.

This participant believed that there is a lack of coordination between the relevant legislators SOCPA, CMA, and SAMA. He believed that this was because of an attempt to imitate and copy the American way of regulations, although there are differences. For example, he believed that the Saudi market is different, specifically in supply and demand for audit services. The number of audit firms on the CMA list (14) is much lower than the number of companies listed on the markets (more than 200 companies listed) that have to request audit services as a legal requirement. Thus, according to his view, there is a lack of coordination between the SOCPA and the CMA in this regard. This participant believed that the CMA, after applying international accounting and auditing standards, is attempting to replicate what is happening in the American market (in terms of policies) and its legislation in the United States. According to the Sarbanes–Oxley Act, accounting firms are required to be registered with the Public Company Accounting Oversight Board (PCAOB) and are licensed by the U.S. Securities and Exchange Commission (SEC) in addition to being CPA-certified.

Participant 10, a BoDs member of a bank, stated the following:

“We, as a bank in the banking sector, apply the instructions of the Central Bank [SAMA], and for a long time we have relied on international standards, and we used to call them SAMA standards before they were even adopted in SOCPA. We are a sensitive sector and only international standards that achieve the satisfaction of everyone and achieve the required quality are of benefit to us”.

The participant said that his banking sector company is listed on the main Saudi stock market (Tadawul) and has three legislative bodies connected to the accounting and auditing profession. However, because it is a bank (in the financial field), it follows the requirements of SAMA. As explained in Chapter 2 (the Saudi context), SAMA applied international standards before anyone else in the field, which were known as SAMA Standards. Participant 10 suggested that the reason for this overlap is the sensitivity of the banking sector, as it is one of the most important joints of the economy, and satisfaction, quality, and benefit can only be achieved by applying international standards. The

participant emphasised the importance of the banking sector, in which it became necessary to contract with two auditors. However, it has become customary for the two auditors to specifically be from the Big Four firms. This reinforces the general perception of the quality of auditing, which is achieved, according to the participants, by applying international standards, where the Big Four firms are masters in their view. Such a perception might lead to the effect of shaping the policies that regulate the profession.

To confirm what the participants were saying, the researcher reviewed some data about the financial companies on the main market (Tadawul) and the auditors who provided audit services to them. In Table 33 and according to Tadawul, it is clear that 100% of the financial companies, including banks and insurance companies (under SAMA's regulations), are audited by the Big Four firms.

List of financial sector companies listed on the Saudi Stock Exchange's main market (Tadawul) and the audit firms engaged with them.			
Bank Name	Trading Name	Audit Firm	Financial Year End
Riyad Bank	RIBL	PwC and EY	31/20–31/21
Bank Aljazira	BJAZ	EY & PwC	31/20–31/21
Saudi Investment Bank	SAIB	EY & Deloitte	31/20–31/21
Banque Saudi Fransi	BSFR	KPMG - EY	31/20–31/21
Saudi British Bank	SABB	PwC - KPMG	31/20–31/21
Arab National Bank	ANB	Deloitte - KPMG	31/20–31/21
Al Rajhi Bank	ALRAJHI	KPMG - EY	31/20–31/21
Bank Albilad	ALBILAD	EY & PwC	31/20–31/21
Alinma Bank	ALINMA	KPMG - EY	31/20–31/21
The Saudi National Bank	SNB	KPMG - EY	31/20–31/21
Amlak International for Real Estate Finance Co.	AMLAK	PwC	31/20–31/21
Saudi Home Loans Co.	SHL	Deloitte	31/20–31/21
The table lists the names of banks and financial companies listed on the main market Tadawul as well as auditing companies that provided audit services to them during the financial years ending 20/31–31/21, respectively. Source: Tadawul.			

Table 8: List of financial sector companies listed on the Saudi Stock Exchange's main market (Tadawul) and the audit firms engaged with them.

Participant 29, a member of the PPQRC in SOCPA, stated the following:

“I am talking to you from my experience as a former auditor, and now with my work here, the companies have gotten rid of Abu Shanta and the market is no longer accepting them. It is true that I see that there is an overlap in the policies between us, but this is a necessary evil”.

This participant was an ex-Big Four auditor who is now working at SOCPA, which may have contributed to the formation of his opinion and perceptions. He pointed to an overlap between the legislators, which he described as inevitable. The participant suggested that this overlap of legislation and policies has resulted in the removal of what he called “Abu Shanta.” This translates as a ‘bag holder’ and refers to a middleman who plays an important role in offering external auditors to the companies, and providing the necessary services to meet the regulator’s auditing requirements. This term was used many times by the participant when he talked about the local firm’s way of working.

Participant 32, a member of the PPQRC in SOCPA, stated the following:

“SOCPA has made the transformation plan and the dates were previously announced to all. International standards need understanding and practice experience, and this exists in some audit firms and not others, and this is what calls CMA and SAMA to give licensed to some specific audit firms... they fear for their reputation and are keen on their companies and we understand that”.

This participant said that SOCPA has played a role in the plan to shift from Saudi to international standards, and that this was done according to a timeline announced to all parties. However, SAMA and the CMA's fear of the capabilities of local audit firms made them issue some legislation of their own. SOCPA through the PPQRC went further due to their perception of AQ, as some participants indicated. For example, Participant 9 stated the following:

“SOCPA conducts inspection visits to check the quality of the audit, but it is useless and does not provide value to anyone. Every how many years they visit audit firms to check the extent of the auditor's compliance with the standards”.

What might have support the SOCPA legislator's perception of AQ is the committee's actions via the auditing of quality control in audit firms in Saudi Arabia. Participant 9 criticised the role of the PPQRC as useless but made it clear that their goal in the examination was to ensure that the auditor complies with standards (international in this case). This was mentioned by Participant 24, who stated the following:

“I don't remember their last visit, but their role is not effective, according to my memory, he comes here and requests files for five years, pulls a random sample to make sure that I comply with the standards. How many percent can an error occur, for example?”

This participant also criticised the methodology under which AQ is controlled by the PPQRC, stressing that they only aim to ensure the auditor's compliance with the standards. The participant criticised the PPQRC methodology as ineffective in practice. When the committee visits the auditing firms, it draws a random sample to ensure that it is free of errors, which was mentioned by several participants of SOCPA.

Participant 33 stated the following:

“We in the committee make check-up visits, and make sure of the audit reports and the quality of the files. I mean, we make sure of the quality of the auditor's audit and his compliance with the standards. We do the rounds every five years, and the audit firms and their files are chosen randomly”.

Furthermore, Participant 34 stated the following:

“In our examination of the AQ, we focus on small audit firms because they have many problems, unlike the large ones that have international standards and an excellent audit environment”.

The aforementioned two participants linked the quality of auditing and the international standards applied in Saudi Arabia through the work of the SOCPA Committee and the supervision of AQ.

However, Participant 34 also said that they were likely not to visit large audit firms due to their international work standards and a healthy audit environment. This might also be consistent with the findings of this study's questionnaire, which assumed that the audit firm's environment is one of the determinants of AQ (see the first main question in the questionnaire related to the top five AQIs).

This overlap between the perceptions of legislators may have led to the gap widening between local auditors and Big Four auditors, which will be discussed in the next subsection.

7.5.4 Widening the Gap between Local Audit Firms and Big Four Audit Firms

Participant 13, a BoDs member, stated the following:

“After applying international standards to the listed companies, the CMA identified to the listed companies a number of accounting firms that we can contract with to audit our financial statements which they believe provides a higher quality of auditing, because they understand the international standards, reliable and capable to do so and including mainly the Big Four firms”.

This comment highlights the influence of the application of international standards on the enactment of laws regulating the profession and shaping policy. In addition to the dominance of the Big Four firms over the audited companies on the listed market, a belief might exist that these audit firms provide a superior AQ compared with other local firms because of their ability, understanding, and international connections. The results suggested that the influence of the application of international standards on shaping policies that regulate the profession (which most participants think it will bring AQ) extended into widening the gap between the local audit firms and the Big Four audit firms.

Information of firms that are registered to practice the profession according to the CMA		
Registered Accounting Firms	Licence Number	Registration No.
KPMG Professional Services	46/11/323	190500
Ernst & Young Professional Services	45/11/323	190300
Deloitte and Touche & Co. Chartered Accountants.	323/11/96	221400
PricewaterhouseCoopers Public Accountants.	25/11/323	190400
Baker Tilly MKM & Co. Certified Public Accountants.	479/11/323	190200
Al Azem, Al Sudairy, Al Shaikh & Partners CPA's & Consultants.	148/11/323	190700
AlKharashi & Co. Certified Accountants and Auditors.	536/11/323	191100
Allied Accountants Professional Services L.L.C.	168/11/323	190900
Dr. Mohamed Al-Amri & Co.	66/11/323	190800
El Sayed El Ayouty & Co. Certified Public Accountants.	35/11/323	190600
Ibrahim Ahmed Albassam & Co. (Albassam & Co.)	520/11/323	190100
Osama A. Elkhareiji and Partner Co	502/11/323	191300
Talal Abu-Ghazaleh & Co.	81/11/323	191200
Turki Alluhaid & Saleh Al Yahya Accountants & Auditors	735/11/323	191000

Table 9: Information of firms that are registered to practice the profession according to the CMA

Participant 24, an external auditor in a local firm, stated the following:

“The new and upcoming policies will marginalise the firms that are not from the Big Four. I mean either you are part of the Big Four to eat from the cake, or you stay in your place, and you have your market, which is not controlled”.

The participant said that local audit firms suffer from marginalisation due to the current policies regulating the audit market, and they expected more marginalisation as a result of upcoming policies. He expressed the opinion that the auditor has two options, either to join one of the Big Four firms or continue with a local firm. The participant described the audit market and auditing as a “cake” that big firms eat; this referred to the audit fees that Big Four firm auditors receive because of the current policies regulating the profession, which are in their favour. Participant 24 said that the other audit markets (by auditing the non-listed companies) are worse and lack regulation. This may mean that the regulations are connected with auditing the listed companies based on their importance, without concern for others.

Participant 18, an external auditor in a Big Four firm, stated the following:

“Our market [the stock market] is moving from local to international and global now and there are many examples. Like what I mentioned to you, the obligation to apply international standards and then the lists of auditing firms that are allowed to audit listed companies. Therefore, you see the general orientation of the Big Four because people trust them and that their auditors are excellent because they have an

understanding and practice of international standards. The local I saw went to the unlisted companies and he might have found his livelihood there, this is similar to what is happening in America as you know”.

This participant suggested that the main Saudi stock market, Tadawul, and its parallel Nomu are shifting from local to global markets. This is intended to allow the foreign ownership of companies and the targeting of foreign capital. The participant believed that these transformations have led to such policies regulating the profession, leading to a widening gap between firms. Thus, the criterion for evaluation became the understanding of international standards, where one auditor can understand the international standards (Big Four) and others might not understand them (local). This participant believed that this situation led to the existence of two markets, namely an audit market for listed companies and one for unlisted companies, as is the case in the United States, which is similar to what participant 22 in section 7.5.3 above said.

Participant 25, an external auditor in a local firm, stated the following:

“At first they said that we were not familiar with the new standards [the international standards] and we will help you with training and workshops, and then they said that you do not have resources, and sometimes they tell us the issue is with CMA and its regulation and policies but nothing is clear to us. Today I work with unlisted companies, and I have a good market and this has become our practical reality unfortunately, as you can see”.

This participant said that there are two markets for auditing, and the reason is justified by SOCPA as auditors in local firms were lacking familiarity with international standards. However, another justification by SOCPA to local auditors is that the list of 14 auditors is made by the CMA. Thus, the result is the existence of two audit markets – one that is regulated by three main regulators (SOCPA, SAMA, and CMA) and another that is less regulated and has a gap between the two auditors.

Participant 12, a BoDs member, stated the following:

“They helped us with the issue of auditing firms that we are authorised to contract with. They simply told you there is an auditor who understands international standards, contract with him and his work will satisfy you, but the other is not”.

This participant said it was a common perception that the CMA’s actions have assisted with the selection of external auditors, one of whom understands international standards and the other who is not at the same level of understanding. Thus, choosing the auditor from the list would not only make one abide by the CMA regulations but also satisfy quality of work.

Participant 34, a member of the PPQRC in SOCPA, stated the following:

“[An] actual description of reality says that the international standards distinguished those who are proficient auditors and those who are not. So, the proficient auditor is the one chosen by the regulator [CMA] to audit the listed companies. So, the CMA has a list that tells listed companies about the proficient auditors to select and engage with”.

This participant suggested that international standards have drawn a distinction among auditors. Such standards have summoned legislators to categorise auditors into two types, those who understand international standards and those who do not. The participant felt that such regulations and policies led to an increase in the gap between these two types of auditors.

Participant 4, a BoDs member, stated the following:

“Allow me to ask you how many companies are listed in the Saudi market? Okay, how many audit firms are we allowed to contract with? I think that the aim of these regulations is to achieve satisfactory AQ and to distinguish competent auditors from others, but this has made the matter more difficult for auditors, and I am really touched by this matter. I and some members of the BoDs, because of our keenness on the company, we allocate days to check the work of the auditor”.

This participant believed that the objective of the regulations and policies is to achieve satisfactory AQ by using the best auditors, whom he described as “competent.” However, the result of these regulations and policies in his opinion has led to difficulty in achieving that goal. The participant believed that the difficulty lies in the fact that the number of auditors included on the CMA list is not commensurate with the number of companies listed on Tadawul and Nomu. This led to him personally as a BoD to review the financial statements after the external auditor submitted the audit report. He viewed this step as a main concern for the company’s work.

7.6 Interactions between the Audit Firm and the Client

This section presents the participants’ views regarding the effects of the application of international standards on interactions between external auditors and listed companies (clients) and their perceptions of AQ. This section focuses on perceptions from a practical point of view, thus, differing from the previous section, which dealt with perceptions from the level of policy and regulation. This has an impact on interactions with external auditors by companies listed on the main and parallel Saudi markets. These effects are not limited to shaping policies. The analysis revealed that interactions between companies listed on the Saudi market and auditing firms on the market has been affected.

This section sheds light on the effects of the application of the international standards in creating a lack of trust among local firms as well as the reasons behind it. This section is critical as it highlights the glorification of Western standards, which is boosted by the application of international standards and the hegemony of the Big Four firms over local organisations.

Participant 2, a BoDs member, stated the following:

“BoDs receive the names of auditors, and we choose from them, and to be honest with you, we choose from the Big Four firms because in the end I am forced to choose from the firms licensed by the CMA, and certainly the CMA did not choose these firms except because they provide high quality auditing and also understand international standards”.

This participant assumed that the CMA chose these audit firms for two reasons: firstly, they provide AQ, and secondly, they understand international standards. The participant noted the lack of options in the auditing firms, which means that listed companies can only engage with a limited number of auditors who were previously selected by the CMA (the list of the 14 audit firms). The participant said that the company will only engage with an auditor from the Big Four in particular, which might enhance the effect of the CMA list on companies' choices regarding their engagement with external auditors.

Many participants referred to the effects of the adoption/application of international standards in accounting and auditing on their engagement with the external auditor. Among the effects are the advantages of engaging with auditors from the CMA list or meeting/following SAMA's requirements. Other participants said that the application of international standards has affected their engagement with external auditors and the right to choose an external auditor to engage with.

Participant 3 stated the following:

“We have a sacred text hidden in the company hahaha, which is that we only contract with the Big Four. These firms meet CMA regulations, help us when seeking financing from banks because they only trust them, and I can tell you that they help us attracting foreign investors”.

Participant 3 said that their company pursues engagement with an auditor from the Big Four. The participant justified his answer by saying that this approach is in line with the requirements of the CMA. However, he added two other critical reasons, the first of which was that engaging with an auditor from the Big Four facilitates the process of obtaining financing. This is because the financing

providers (“banks”) only trust the Big Four. The second reason was that such a step (engaging with a Big Four firm) is beneficial for their company in attracting foreign investments.

Participant 7 stated the following:

“We only engage with the Big Four firms, depending on the fees that we agree on. I think this is what we have in the market, if you want to see your company in Tadawul, your company needs to be audited by one of the Big Four - better for the company and everyone. I mean, if our company asked to move to the main market, whatever conditions you meet, if your financial statements are sealed by an auditor other than the Big Four, your request will not be accepted easily, as the saying goes, the door from which the wind comes, close it to rest”.

This participant expressed the opinion that linking with the Big Four is the safest way to transform companies from the parallel Nomu market to the main market Tadawul. The participant used the famous Arabic proverb “the door from which the wind comes, close it to rest,” by which he meant that not being engaged with the Big Four firms might cause one unnecessary trouble.

From these views, it can be understood that engagement with the Big Four auditing firms and contracting with them as external auditors is seen as necessary, to ensure AQ, because of their understanding of international standards. However, other participants presented other reasons that may help us to understand the picture in greater depth.

Participant 19 stated the following:

“It is true I offer quality audits of what the small firms cannot provide, Ali. For example, I have the ability to communicate with various experts around the world, in America and Britain to solve a problem that may hinder us during the audit work. Can other firms do this? Simply no!”.

This participant felt he could provide something that non-Big Four auditors could not provide.

He distinguished himself by his ability to communicate with experts around the world. Then, he identified experts in the United States and in the United Kingdom who are used to solve problems encountered during the audit process.

Participant 21 stated the following:

“I use advanced software and high-accuracy systems that help me solve complex transactions and identify suspicious activities with just one click. Do you think the local one can do like this? By the way, a point I

would like to add. This software that I use is used in all developed countries, and I trained on it in New York and London, and I know what I say”.

This participant added to the features that drive engagement with Big Four external auditors, and talked about his use of software that helps to analyse complex transactions and detect suspicious activities. The participant added that the software he uses is also used in some developed countries where he was trained. This could have been an attempt to convince me of the importance of this software; he linked it to developed countries, which was repeated by several other participants.

After being asked about these tools and their usefulness to AQ and the engagement with external auditors, he answered as follows:

“The IT tools I use are the same as those used in the New York office and others; they [the New York office] did not use them out of thin air. They certainly serve the quality greatly otherwise they will not be used”.

Participant 21 said that this software is used in developed countries because it assists in providing AQ. In other words, the participant linked the criterion for the use of IT tools to developed countries. What is happening in developed countries was repeatedly noted to distinguish the reasoning for engagement with the Big Four firms, rather than with local audit firms.

Participant 14 stated the following:

“I think that the selection of firms is based on standards and requirements, and to be honest, these firms have CPA partners and professional certificates from abroad, all of which give them preference not to mention their practice of international standards and their full understanding of them”.

This participant said what many participants had already expressed, namely that understanding international standards and having experience in their application by Big Four auditors have an influence on the auditor which firms choose to engage with. However, Participant 14 added that the international certificates which the Big Four auditors hold from abroad have a higher status reputation than local certification (SOCPA). Many auditors who hold SOCPA certification took exams based on the old Saudi standards (Saudi GAAP). However, the participants also named “CPA” which is a USA certification not based on IFRS and ISAs, but GAAP and GAAS.

Participant 16 stated the following:

“An auditor working for one of the Big Four who graduated from America, and holds a CPA, even without a CMA list, will be contracted as a qualified external auditor”.

This participant mentioned qualifications, such as graduating with a bachelor's degree in the United States as well as holding a CPA from there. The participant added that with such qualifications, listed companies will engage with an external auditor without the need for CMA regulations and policies.

Participant 3 stated the following:

“The Big Four are keen to select qualified auditors, and they are trained and taught on the latest technologies in the best places in the world. I have a relative who works in one of these firms. They train them in New York and London periodically, and this undoubtedly increases the distinction of the Big Four firms”.

This participant highlighted the connection of the four major auditing firms with the developed world is, and in his perception, this is something that distinguishes them from others. The participant did not mention the type of training provided to the auditor or its method. He went directly to the training cities of New York and London. This may be due to his belief in the superiority and distinction of training in those cities, which he described as the best in the world in general.

Participant 31 stated the following:

“I do not blame the companies for contracting with the Big Four, they have experience of international standards, and this is essential, and qualified and trained teams with high potentials [Big Four auditors], as well as the ability to audit complex transactions and their resources that are not available to others”.

This participant believed that the experience of auditors in the Big Four firms in international standards, their qualifications, and their training were the reasons why companies engage with them. He also added that their resources allow them to audit complex operations. This is in agreement with most of the questionnaire respondents. To the first main question, respondents noted the three of the most important AQIs as education, training, and experience. However, some participants expressed reservations about the accuracy of this approach, which gives the Big Four a presence in terms of engagement as external auditors. Participant 4 stated the following:

“The application of the standards [IFRS and ISA] and then the requirements of the CMA reduced our options for engaging with the best firm from our perspective, because limiting them to these firms, their fees became high. I mean the number of firms is very few and the listed companies are many

This participant expressed the negatives that he saw of the impact of the application of international standards on audit fees and engagement with the external auditor. Participant 4 considered the CMA's list of 14 auditing firms to have led to an increase in audit fees, especially when comparing the number

of listed companies with the number of audit firms authorised to audit companies listed on both Tadawul and Nomu”.

Participant 26 stated the following:

“Do you know why some companies do not prefer to contract with us? Because if some of the Big Four auditors receive the audit of the company after me, the audit fees will be too high, and this is because the previous auditor is not from the Big Four and is not proficient in international standards and their goals”.

This participant is from a local audit firm. She said that the listed companies prefer to engage with the Big Four firms to avoid increases in audit fees from the Big Four firms. These things make listed companies (clients) want to always engage with the Big Four firms. This is even though this auditor was on the CMA’s list of the approved 14 audit firms. However, clients still prefer to engage with the Big Four firms.

Participant 24 stated the following:

“No listed company that can contract with me even for non-audit services. We really want to audit listed companies, even if it is joint audit with another auditor, but because of the current requirements and policies, we cannot. Listed companies pay a fee equal to 50 unlisted companies I audited today”.

This participant who is from a local audit firm said that the lack of opportunities to engage with listed companies was, he believed, due to current policies and regulations. This made him work on auditing unlisted companies, which, he believed did not pay sufficient fees. The participant said that the auditor of companies listed, the Big Four firms, on Tadawul and Nomu receive high fees. This participant audited non-listed companies because he felt that listed companies avoid him, and so they always prefer to engage with the Big Four firms. While many countries restrict the external auditor to provide non-audit services and audit services to the same client, this participant indicated that he does not even provide non-audit services for listed companies, but the Big four firms do. It should be noted that the local regulation in Saudi Arabia allows the same audit firm which provides audit services to provide non-audit services, but using with different teams. In other words, EY, for example, can provide audit services through its audit partner and using his audit team, at the same time. EY can also provide non-audit services to the same client but through the consulting team.

Participant 28 stated the following:

“We all remember the Mobily and MMC scandals, but I don’t want to talk about them much. It was between Mobily and PwC. Unfortunately, PwC was not suspended, and with MMC and Deloitte, Deloitte was

suspended by the CMA and not by SOCPA. After the suspension period expired, Deloitte returned directly to their list”.

This participant referred to accounting scandals involving some of the Big Four firms that occurred in the Saudi market, such as the Mobily case in 2014. However, despite this, the belief in their quality and superiority still exists. In this example, Mobily manipulated the recording of the returns of their customer loyalty programme, through which the customer is given points when paying each bill, which can later be exchanged for rewards. Mobily recorded revenues taken from the value of customer points in its records to look as if they had been completely redeemed even though the points had not been used by the customers themselves. Mobily recorded revenues gained from renting an optical fibre network which was not ready for use and this amounted to 1.2 billion Riyals. The internal auditor discovered this financial manipulation and informed the external auditor, who failed to act and neglected this information. After the matter was exposed, the external auditor asked Mobily to amend this in their financial statements for the next year. In the end, the external auditor was not convicted, and the penalties were imposed only on Mobily’s board members.

Participant 28 mentioned a second scandal that occurred between the Mohammed Al-Moaijil Company (MMC) and Deloitte, in which MMC manipulated the financial statements for the years 2008 to 2011. The CMA suspended Deloitte from working in the Saudi market and auditing listed companies for two years, although the scandal and manipulation occurred with the knowledge of the external auditor. In the interviews, when such scandals were raised, some interviewees commented on them. Participant 5 stated the following:

“The advanced information technology that they are using now prevents them from getting into such a problem [scandals/failures] in the future, this is it, Ali, giant and expert firms, and they know what they are doing”.

Participant 30 stated the following:

“The Big Four remains the Big 4 no matter what”.

Participant 5 believed that the Big Four audit firms use advanced information technology to prevent audit scandals and failures. The reason for this was that he considers the Big Four audit firms to be experienced, and he described them as “giant.” Participant 30 felt that it does not matter what scandals and audit failures occur for the Big Four. He believed that the Big Four will just continue to be powerful. On the other hand, Participant 27 highlighted the following:

“They only trust the Big Four, the ex-Big Four, or those who have a world-famous name, and by doing this, they widen the gap between the firms”.

This participant expressed his displeasure with the way the accounting and auditing profession is regulated by legislators. This resentment stems from the legislator’s contribution to the marginalisation of local firms by enacting regulations that limit the practice of the profession in the country because of their perceptions. This leads into the next sub-theme, which concerns the views of the participants regarding the lack of trust in local firms.

7.7 Lack of Trust in Local Firms

Participant 7 stated the following:

“The firms registered in the list are professional, with a great history in the market and a well-known name. But local or small, there is no trust in it and it does not provide a quality audit”.

This section has presented the participants’ views about the effect of the application of international standards on the engagement between external auditors and listed companies (clients) due to perceptions of AQ. However, this section has focused on perceptions from a practical level. This is different from the previous chapter, which dealt with perceptions from the levels of policy and regulation. This, subsequently, has an impact on engagement with the external auditor by companies listed in the main and parallel Saudi markets. This effect is not limited to shaping policies, but rather goes further. The analysis revealed that the engagement between the companies listed on the Saudi market and the auditing firms in the market was affected.

This section sheds light on the effects of the application of international standards on creating a lack of trust in local firms by regulators, BoDs, and external auditors in the Big Four. The opinions expressed by the participants are divided into two groups: those who expressed a preference for non-local firms, and those who criticised and belittled local firms. The term “auditor in a local auditing firm” in this section means the auditor in the local auditing firm, regardless of whether it is on the CMA list or not.

7.7.1 The Preference for Non-local Audit Firms

This section presents the participants’ opinions of their positive view of international audit firms, which were widely accepted by most. A number of participants tended to prefer major audit firms and had a lack of trust in local audit firms. These participants compared the Big Four and local audit firms by stating the advantages and disadvantages of the major firms and the disadvantages of the local firms. The capabilities and resources of the audit firms and the auditors’ certifications and competence were

the points of difference between the Big Four and local audit firms. Some of the participants' opinions were somewhat harsh on local audit firms, such as those of Participant 7, who stated that the Big Four audit firms have a good history and name in the Saudi market compared with the local audit firms, which he did not trust to provide quality audits.

Participant 7 added the following:

“The application of international standards and the policies that followed revealed to us who is the auditor Abu Shanta and who is the excellent auditor”.

This participant felt that international standards, with their full application in Saudi Arabia, have contributed to the identification of “*excellent*” auditors and poor auditors, who were described as “Abu Shanta,” which, here, means auditors in local auditing firms. This participant and others, such as Participant 29, described auditors in local audit firms like this because they are only looking for clients, without considering AQ.

Participant 13 stated the following:

“The Big Four and their auditors are like a Mercedes car; it has its prestige, strength and durability, while the other is a normal car that can do only the basics and may ask you for more than it gives you”.

This participant used a car analogy to demonstrate the difference between the Big Four audit firms and local ones. He compared the Big Four to a German Mercedes car, which is known to be a luxury car, while he saw the local auditing companies as a regular car (i.e., not luxury). By this he meant that the auditor's capabilities and resources were better than those of an auditor in a local firm. He used the adjectives prestige, durability, and strength to describe Big Four firms, and opposite terms for local audit firms.

Participant 32 stated the following:

“The Big Four in particular have resources and capabilities that are not at all comparable to the local firms, if we give this name for the sake of argument. The local brings two accountants out of cheap labour and the owner just signs the final audit report. It does not provide you with any service that may benefit you at work”.

Most of the participants saw a significant gap between the local and Big Four firms (the global practice) relating to their resources (e.g., IT tools), understanding, and expertise in international standards, as well as their ability to make contact with international experts. This participant used the term “cheap

labour” to refer to accountants from other Arab countries employed by local firms on low salaries, and said that the work of the authorised auditor is to sign the audit report only.

Participant 31 stated the following:

“You compare one who trains his accountants, for example, in the United States and provides consulting services and extensive experience, with a local firm that does not even have the technical tools to help him and works on paper until today”.

This participant mentioned the training that the auditors receive in Big Four firms, but he did not mention the type or method of training. He mentioned the place of training as “the United States of America” to describe the quality of the training received. The participant added that auditors in Big Four firms provide consulting services, which means the non-audit services based on the experience of the Big Four firms. Then, the participant said that auditors in local firms audit work with limited resources in the old, traditional way.

Moreover, some participants compared the certificates of auditors in Big Four audit firms with local ones. They talked about international certificates, such as CPA, comparing them with local equivalents and SOCPA. Participant 21 stated the following:

“I think that education and professional certificates are also determinants of AQ, right? Okay, CPA is much more difficult than SOCPA, especially since the SOCPA exams and the requirements for the licence to practice a profession have become very easy, because the number of auditors is few, and this makes people doubt the competence of the one with SOCPA”.

This participant believed that the method of obtaining the CPA certificate and its exams is more difficult (in a positive way) than the local equivalent SOCPA exams. Thus, he concluded that an auditor who holds a CPA is better than auditors who have only the SOCPA qualification. The participant justified this by the fact that SOCPA currently offers easier exams due to the need to increase auditors in the market. Although it was not possible to be certain of what the participant felt, he attempted to describe his perceptions and justify his attitudes towards this opinion. Further, CPA stands for US GAAP and is not related to the international standards applied in Saudi Arabia.

Participant 24 stated the following:

“As a person, I graduated from King Saud University in Riyadh with a major in accounting, and I excelled academically but I did not like the academic field, so I preferred the professional field, and after almost 4 years of effort I got the SOCPA. I still find the difference between someone who holds a SOCPA and someone who holds a CPA. People in our market tend to prefer the CPA holders. Some of them justify that he understands international standards and speaks English, but I also understand international standards as an accountant, and I also speak English but maybe my accent is not perfect hahaha”.

This participant, who is an auditor in a local audit firm (in the list of 14), saw differences in the opinions of practitioners in the field between the auditor holding a SOCPA certificate and another holding a CPA. Practitioners are believed to prefer CPA auditors because they understand international standards and speak fluent English (as the language of business). However, he did not consider those justifications to be convincing. He made an effort to obtain the local professional certificate to become a chartered accountant, and he was also fluent in English, but practitioners still prefer others who are CPA holders.

7.7.2 Those who Belittle Local Auditors

This section presents the participants’ negative views of local audit firms in relation to their positive preference for the Big Four firms. Participant 2 stated the following:

“The local employs new trainees and graduates because the salaries are low and takes advantage of their enthusiasm. They also take advantage of Saudization decisions”.

This participant stated that local firms employ newly qualified graduates or final-year university students. He referred to a university course called ‘training’ or ‘field work’, which final year accounting students are required to take. After graduation students take training courses at accounting firms and are often employed there after their course ends. In addition, this participant and others mentioned ‘*Saudization*’, a term which originates from the word *Saudi*, which refers to Saudi labour in the market. It is a term used by the Government to favour the employment of nationals (Saudis) over foreigners. One of the fields in which the Government favours Saudi employment is accounting and auditing. In 2020, the Ministry of Human Resources and Social Development announced that 50% of accounting firms in Saudi Arabia must hire Saudi accountants as part of the ‘*Saudization*’ plan to lower the unemployment rate. Participant 2 stated that local audit firms are recruiting new graduates and trainee students because of their low cost and enthusiasm for work. However, Participant 34 stated the following:

“Many universities here teach accounting according to the previous Saudi standards. And in the market, they are obliged to apply international standards”.

This participant believed that to change negative perspectives, preparation to train an effective external auditor must start from a fairly early stage in universities. Some students link up from local universities with firms via and their accounting education curricula. In addition to being trained in local auditing firms (which most participants did not prefer) students receive training in old Saudi standards (Saudi GAAP), which increases the inferiority of their production and quality.

This view was supported by responses received in the questionnaire to items 1 and 2 in the third main question. Participants preferred global over local education and training, and listed education and training as one of the most critical AQIs. Participant 11 stated the following:

“It is not possible to contract with an auditor who has SOCPA... and has opened a firm. He has four accountants whose cost is 4000 riyals, and he also has five trainee university students”.

This participant found it difficult to contract with an auditor with a newly obtained SOCPA certificate, although the requirements for granting licences to practice the profession by SOCPA require five years of experience in the field. However, this was not considered by the participant, who mentioned the resource problem as well as the size of local audit firms. Many of the participants tended to talk about auditors in local auditing firms using the worst examples.

Participant 7 stated the following:

“Unfortunately, the local does not have the quality of work. He sends you accountants who do not understand the basics of auditing. He brings companies to him through Abu Shanta which we do not accept to work with”.

Participant 15 stated the following:

“What I heard is that some local firms still do the audit manually, but what about the accuracy and quality here? Ha ha almost non-existent”.

In addition to stigmatising auditors in local audit firms, labelling them as inexperienced, these participants felt that auditors in local audit firms could not provide AQ. This is because they do not trust their understanding of auditing. It was felt that there was a lack of resources at local firms and also the feeling that local audit firms performed ‘traditional audits’ without modern techniques. The participants continued to provide negative examples to describe their opinions of auditors in local audit firms. Participant 31 stated the following:

“Do you know that some locals do not have a professional accounting certificate? Some of them are very old who obtained licences to practice the profession of accountancy before the certificates and the regulation of the profession that is currently in force”.

Participant 29 stated the following:

“Old auditors in local firms do not have a professional certification and this was because we were at the beginning of the profession in Saudi Arabia so this was the case”.

These two participants believed that the failure of some local auditors to obtain a professional accounting certificate (because they started practicing the profession before obtaining an audit certificate from SOCPA) weakens confidence in auditors from local auditing firms. As mentioned in Chapter 2, SOCPA started to give out licences to practise the audit profession in 1994, and, at the time, a licence could be obtained without any exam requirements. According to Participant 29, nearly 69 local firms received the licence simply by attending some accounting workshops organised by SOCPA.

Participant 25 stated the following:

“Co-ordination between the parties was not done in a way that benefits everyone. I mean, here, the transition to international standards was done quickly and the local firms are not ready”.

This participant was concerned with SOCPA’s transformation from Saudi GAAP to international standards. Quick adoption with low preparation and coordination between the regulator and related parties, such as CMA and SAMA, and licensed accounting firms, and Saudi universities, might be one reason for the existing gap between local and global firms.

Participant 20 stated the following:

“Because of the rapid transformation of the application of international standards, the companies we are auditing have problems in understanding the new standards such as IFRS 9 and IFRS 16, and the companies are asking for our help in this regard. We have certainly increased the workload and thus raised the fees for them, and local firms cannot do that”.

IFRS 16 is the standard for leases with lessees, which divides lease contracts into two parts: operating leases and finance leases and the recognition of the lease liability. This criterion, according to the participants, caused confusion among companies, which led to the use of large offices and additional fees to help them in this regard. IFRS 9 also introduced new requirements for classification, measurement, depreciation, and hedge accounting, and must be applied retrospectively. IFRS 9 is

divided into three sections, namely the re-evaluation of financial instruments, calculation of future credit losses, and risk management and hedging. The application of this standard directly affects deposits and loans, especially in the financial and financing sectors. This constituted further confusion for companies in calculating loans. The above noted standards have contributed to the introduction of broader and more comprehensive concepts in credit risk management in banks, which in turn required the existence of sound governance procedures at the bank to ensure the proper application of the standards. Therefore, listed companies need the Big Four firms more, because they can help with implementing these standards. Participants 20 and 25 were concerned about SOCPA's transformation from Saudi GAAP to international standards.

This section has dealt with the implications of applying international standards in accounting and auditing. After presenting the effects of how the profession's policies have been shaped by legislators and the overlapping of regulations with different legislators, the effects of the engagement between the external auditor and listed companies as a result of the application of international standards was presented. These effects reinforced the dominance of and preference for the Big Four firms, as well as having a negative effect on local firms, which suffer from a lack of trust. The next section covers the cost of AQ.

7.8 The Cost of AQ

This section deals with the issue of AQ cost, which is divided into the following two sub-topics: (a) the imposed AQ cost; and (b) the cost of investment AQ. Here, the term 'cost' refers to the fees paid by listed companies for external audits.

7.8.1 Imposed Costs

Imposed AQ costs are the costs resulting from the engagement contract with an external auditor for reasons that are not apparent or tangible, but are present in the audit market in Saudi Arabia. Most practitioners consider there to be an imposed cost due to their perceptions of AQ. AQ was linked by the majority of participants to international standards. Because of their application, some regulations were imposed on companies listed on both Tadawul and Nomu by relevant authorities, such as SOCPA, the CMA, and SAMA.

Imposed costs refer to the costs that listed companies are obliged to pay to contract/engage with a specific number of external audit firms (14). Listed companies find themselves obliged to contract with a specific number of audit firms and not others due to regulations issued by the CMA. Additionally, according to the requirements of SAMA for the banking and insurance sectors, listed

companies can contract/engage only with the Big Four audit firms, and the audit needs to be run jointly between two of the Big Four firms. Notably, all of the costs are borne by the listed companies and are exclusive to the (14) audit firms in the list published by CMA. These costs may have arisen due to the general perception of AQ and its direct link to the application of international standards in accounting and auditing, in conjunction with the clear conviction that the Big Four firms are best suited to provide AQ.

Participant 13 stated the following:

“I can honestly say that we, as listed companies, must contract with a limited number of audit firms in accordance with applicable law. Listed companies, Ali, if we contract with others [other audit firms not included in the list] then our financial statements are considered unfit for publication and are not approved by the CMA”.

This participant again clarified that listed companies cannot engage with any external auditor in the market, with the exception of those already on the CMA list. Otherwise, the CMA would not approve and publish their financial statements. Participant 13 said that other options are not available to using the specified 14 auditing firms. Thus, those 14 firms are imposed on listed companies by legislators in one way or another.

Participant 17 stated the following:

“There is a high and permanent demand for my services, and the reason is that we provide a quality audit and that we are accredited by the CMA for this reason. Not to mention that our number as audit firms for auditing listed companies is limited and the number of listed companies is large”.

This participant, who was an auditor of a Big Four firm, confirmed that the demand for his services is permanent due to the large number of companies listed on the Tadawul and Nomu markets. All must by law contract/engage with an external auditor, in contrast to the small number of audit companies and their certified auditors on the CMA list. The participant believed that the reason for this is that the CMA believes the 14 audit firms have the ability to provide AQ. Additionally, if the company is one of the banks or insurance listed companies to which SAMA regulations are applied, the audit firm used must be one of the Big Four firms, and audits must take place jointly with another auditor.

Participant 20 stated the following:

“It is true that legislation helps us provide our services and ensure demand for them, but we are not isolated from the countries of the world. This is the case in America, Britain, and the rest of the developed world”.

The participant believed that the legislator, specifically the CMA, has contributed to ensuring demand for the 14 audit firms in the Saudi market by listed companies. In other words, the legislator has imposed a limited number of auditors on listed companies because it believed that they would provide quality audits. The participant said that these same practices exist globally, specifically in developed countries, citing the United States and the United Kingdom as examples.

Participant 8 stated the following:

“At the end of the day, I am forced to engage with the Big Four firms in order to meet the requirements and follow the regulations, and from my experience in the field, we used to choose two from the Big Four firms to avoid any cause of a headache. Because, if I try to choose a firm from the two [the joint audit] outside of the Big Four, the audit fees would be very high because the Big Four do not accept to work jointly with a firm other than Big Four”.

This participant clarified that laws and regulations push the listed companies and specifically banks to engage with the Big Four firms without providing the full right to choose other auditors, which creates the imposed cost. In other words, auditors in the Big Four do not prefer to audit with a joint auditor from one of the local audit firms on the CMA list of 14. While the appointment of auditors is the responsibility of the listed company, the Big Four audit firms tend to encourage the selection of another Big Four auditor by increasing their audit fees if the listed company appointed another local firm with them. Additionally, the participant indirectly suggested that this practice aligns with the preferences of legislators in the Saudi market.

Participant 7 stated the following:

“As a company listed on Nomu, I need two years from the date of listing on Nomu in order to submit a request to move to the main market, Tadawul. During these two years, I try to do the best I can to meet the requirements of the main market Tadawul you know, and, therefore, I engage with one of the Big Four firms to audit my financial statements to prove seriousness and concern for quality and credibility”.

Tadawul, as the main market, requires companies listed on the parallel market Nomu to meet a number of requirements when applying to transfer the company from Tadawul to Nomu. These requirements state that the annual financial statements be audited and approved by an auditing company for a period of two years from the date of submitting the transfer request. Practitioners understand this, specifically the companies that have applied to move to Tadawul, as engaging with an external auditor from the Big Four firms is one way in which they can prove both their seriousness and the integrity of their financial statements. This may be the result of the prevailing perception that AQ is the application of

international standards, and that the Big Four are best positioned to apply them optimally to ensure AQ, which may result in a cost imposed by the legislators and practitioners in the field of the profession.

Participant 23 stated the following:

“I, as a local firm, suffer from these practices, but as the saying goes, we talk and no one listens. We told SOCPA that such practices cause problems and gaps. Their response is that this works in the best countries, in the United States of America and European countries, for example”.

He added the following:

“Listed companies go to them (the Big Four) and pay huge audit fees and feel comfortable with that. I am an external auditor and I speak to you from 17 years of experience”.

This participant expressed resentment at the overlap of powers between the legislators (SOCPA, CMA, and SAMA) which serve the Big Four firms. He said that current practices, such as the list of audit firms from the CMA, tighter supervision of local firms compared with the Big Four by SOCPA, and when the Big Four increase audit fees, have created a gap between local firms and the Big Four, as well as imposing a cost on listed companies. Participant 23 believed that SOCPA’s view is that these practices are the same as those in developed countries, such as the United States and those in Europe.

The next section will discuss investment costs. Although effectively a continuation of the current section, the next section takes the perspective of investment costs, which are shaped by the general perception of AQ and the application of international standards.

7.8.2 Investment Costs

Investment costs mean the return listed companies get from engaging with one of the Big Four firms. Many participants believed that there is an investment benefit to them by contracting or engaging with the Big Four. However, such engagement might be costly, because the Big Four ask for high audit fees. However, according to many of the participants, listed companies seek to attract foreign investment, obtain financing, and conclude transactions with legislators, and this leads them to consider an investment by contracting with the Big Four, where the payment of large fees allows listed companies to benefit from contracting with the Big Four.

Participant 6 stated the following:

“All the existing requirements are applied only to the Big Four firms, and I cannot hide from you, these firms know what you are doing and give you everything you ask and what the legislator asks for without creating problems or negligence in the work required of them”.

This participant expressed an understanding of the need to contract with the Big Four auditing firms and legislators (due to regulations). Furthermore, such engagement provided the listed companies access to get the work done and get what the listed companies want. This high level of trust in the Big Four firms gives the Big Four the opportunity to monopolise the audit market in its current form. An interesting point that this participant talked about how independence might be brought into question, and that the Big Four firms, “gave you everything you ask and what the legislator asks for without creating problems.” However, this participant may have been intending to describe the level of trust and satisfaction with the work presented by the Big Four firms.

Participant 11 stated the following:

“Let me tell you, dear Ali, we are profitable companies, I mean we focus on the return on everything we do. At the end of the year, I present financial statements to people and they trust blindly the Big Four. For example, if we need financing from banks, we will not get it if the financial statements have been audited by a firm other than KPMG or so, so I engage with what are called the Big Four and get myself [as a company] out of the problems and complexity of transactions”.

This participant said that one of the investment benefits that listed companies obtain from engaging with the Big Four firms is obtaining financing. In other words, procedures were easier and more reliable if the financial statements submitted to the financing entity were audited by one of the Big Four firms. Companies in general, and listed companies specifically, are always looking to finance and operate their projects and help in the continuation of the flow of production, or even to maximise the company’s wealth and the value of its market shares, thus making it grow. Therefore, engagement with an external auditor from the Big Four may mean greater confidence, through which the applicant for funding proves the seriousness and credibility of the financial statements. This includes making sure the statements are free from fundamental errors and that companies are sound in their financial position to obtain the required financing by the financier. Participant 11 also referred to what he called the “blind trust” of the major shareholders and the company’s general assembly, which is held at the end of each year to discuss the company’s work. The participant saw that great trust is given by everyone to the Big Four firms.

Participant 33 stated the following:

“You see, it is normal to see the fascination and glorification of the work of the Big Four, because the services that they provide to you [the audited company] immediately fascinate and amaze you. I mean, it provides you with other information that benefits the company and presents it in a professional manner, graphs, tables, and all consultation that the company needs. It makes the level of service very high. Thus, you [the audited company] get satisfaction and acceptance”.

This participant reviewed the services provided by the Big Four auditing companies, such as designing and evaluating accounting systems for audited companies, providing consultancy for the current accounting systems, and working on how to increase and develop their effectiveness. Participant 33 said that these were the advantages they could offer, advantages that companies valued and sought. According to SOCPA, audit firms can obtain a number of fees for the services they provide, including audit fees and other consulting fees, zakat, and tax fees, as well as fees for referring clients to other audit firms. This may mean that audit firms receive additional fees (from consultations, zakat, and tax services) in addition to auditing fees. This participant believed that the satisfaction with the auditors in the Big Four stems from the fact that they provide work that satisfies clients. The data they provide with audit reports, the way they provide the data, and the consultations provided to the client all make the work of the Big Four auditors satisfactory and worth the fees.

Participant 1 stated the following:

“The foreign investor only trusts them (the Big Four) and I am always looking to attract investors. Especially now with the opening of the country and with Vision 2030, I mean, for example, that the financial statements are presented to you in English, and in the right way that the foreign investor understands. This saves me the trouble of translating the financial statements and adjusting some items, for example”.

This participant said that one of the investment benefits from the cost of engagement with the one of the Big Four firms was the trust of foreign investors in these firms. The participant believed that new economic trends in Saudi Arabia and the Vision of 2030 have allowed foreign investors to invest in listed companies. Trying to attract investment indicates more confidence in the Big Four audit firms. Presenting financial statements in a way that makes it easier for the foreign investor to read the financial statements increases investor trust in the company, its activities, and the soundness of its financial position. In addition, providing the statements in both Arabic and English saves companies the cost of translating these lists and clarifying any issues.

Participant 9 stated the following:

“A smart, understanding auditor, with an excellent qualification, will impress you from the first meeting. He speaks fluent English and is an American graduate with a homogeneous team that we are proud of. They receive the highest qualification and training and work with the latest technology available. I am talking about an auditor in a giant and internationally known auditing firm. In short Ali, I can tell you that he [the Big Four auditor] provides satisfactory work that deserves to be engaged with and its high cost”.

This participant was talking about an auditor in a Big Four audit firm. He believed that the auditor’s capabilities are worth the high fees. It may be that he looked at the matter from an investment perspective. Participant 9 linked the education of the auditor in the Big Four to the United States, his ability to speak English, and the techniques that are available to him to use in the audit process, to make the client satisfied with the work.

Participant 16 stated the following:

“In addition to the advanced information technology that I use to reach the highest levels of assurance and then give my signature and certify the company’s financial statements, my name is as a firm that gives people confidence in my work, I am a large global company with branches in all the countries of the developed world, so it makes sense that my name [as a firm] and my work [the audit] have a higher value than other firms that don’t have any capabilities [he meant none of the Big Four]. It is also logical for the legislator and the financier to trust me because they trust the name of the firm I work for”.

This participant confirmed that users of the financial statements had the greatest confidence in those financial statements audited by one of the Big Four firms. The participant justified this with the fact that the firm’s name denoted the value of goodwill as it is well-known globally. In addition to the information technology that the external auditors in the Big Four firms use helps to provide a result such that the quality of the work is assured. He refers here to auditing firms, specifically the Big Four, use technological tools in the analysis of advanced financial operations, such as IDEA, Omnia DNAV, Aura, and, Canvas. This participant believed that this use of information technology also contributed to the general perception of his company as belonging to the Big Four firm category. However, in fact, these tools are nothing more than assistants in the audit process; by conducting semi-structured interviews, this study found that the auditors in Big Four firms used IT tools to highlight the strengths of the firms and that it was not essential to the work itself. Thus, knowledge of the use of information technology tools might be perceived as an additional advantage in the minds of non-auditors, which could be seen to justify the superiority of the Big Four firms over others. This participant believed that legislators and funders trust him as an auditor and his capabilities, and that this is what the listed companies understand as well.

Participant 5 stated the following:

“There are other aspects that I have not touched upon with you and I think it may help you, Ali. Do not forget that we are in a business environment and market! That is, a business and we are talking about social and personal relations with people of stature and positions. I mean, the auditors in auditing firms as partners are keen on such relations [with the people in the field] and for his future, if he thinks about his future, he resigns [from the Big Four] and establishes an individual auditing firm. And I do so from my side. We are a tight-knit community, and this person is a cousin of the other person”.

This participant referred to the nature of the business community in Saudi Arabia, which formed part of the larger community, namely Saudi society – notably the nature of relations between members of the whole society and its influence over individuals in the business community. Personal interests may be present for auditors as well as any other individual in the field. The participant indicated that the auditors in the Big Four may be keen to form relationships with BoDs and regulators for future investment goals, which brings the ‘independence’ in to question. Participant 5 believed that the external auditor in the Big Four would leave and establish a new audit firm in his name. This auditor would seek to be in the CMA’s list of 14 audit firms. This is particularly so given the scarcity of auditors and the increase in demand for them, prompted by regulations and legislation issues, as discussed above. For example, in the insurance and banking sectors, in which the legislator requires a contract with only one of the Big Four audit firms, the same auditor may engage with the same bank or insurance company even after the process of auditor rotation, which is what the participant intended to convey by linking to the nature of the local community in Saudi Arabia and the business environment.

The next section addresses the culture of the local audit environment and its interaction with the perceptions of AQ and its consequences.

7.9 Interaction of Local Practitioners with Western Perceptions of AQ

Some participants touched on topics relating to the Islamic religion, the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI), and the gender of the auditor. Common among the participants regarding these issues was the purely religious and social perspective. Where some participants saw the importance of religion and practices for religious legal transactions, some of them did not see that importance when talking about adherence to AAOIFI Islamic standards in contrast to international standards are fully applied in Saudi Arabia.

The same applied to the issue of the gender of the auditor. Although most participants believed that the quality of the audit is the responsibility of the auditor, some believed that the auditor's gender greatly affects this due to local culture in Saudi Arabia. Another opinion existed among a small number of participants that no difference exists between genders in the quality of the audit. The next subsection addresses the religious perspective in the local audit environment and its interaction with perceptions of AQ and its consequences.

7.9.1 Religion

This section deals with the participants' opinions about their religious perspectives and their relationship to AQ as well as with the application of international accounting and auditing standards in Saudi Arabia. This helps in understanding the participants' perceptions as expressed in this study. Islam was the defining characteristic of all of the semi-structured interviews. Therefore, their starting points in talking about ethics and professional rules came from a religious perspective, not a purely professional one.

Participant 1 stated the following:

“True, I tell you, the responsibility for auditing is on the auditor himself, because he is responsible for implementing international standards, and he is the one who works on them with his team, but his honesty, sincerity, and fear of Allah [God] is also important. As a Muslim, he must be honest”.

In this comment, a religious link to the importance of the auditor's commitment to honesty, sincerity, and fear of God is clear. It can be seen that the participant viewed ethics and professional rules from a religious perspective.

Participant 6 stated the following:

“After I have counted for you the basic indicators of AQ that the auditor is required to meet, such as education, training, the principle of professional scepticism, independence, and others. It is necessary that he has a good reputation, and a respected Muslim human being who observes Allah [God] in secret and in public”.

Although the audit profession may be represented by Muslims and non-Muslims, international standards might not be the preferred option from a religious perspective because it does not refer to religion or to religious teachings in any way. Rather, its starting points are pure secular capitalism. However, some of the participants, as highlighted above, expressed the interaction between perceptions associated with AQ and religious, social, and cultural premises. The participant indicated

that the auditor must feel the control of Allah while performing the audit. It is an ethical aspect, which the participant cited from a religious perspective. This was confirmed by some of the participants talking about the hadiths of the Prophet and the Quranic verses.

Participant 34 stated the following:

“The Messenger, may God’s prayers and peace be upon him, says that ‘Allah loves someone who when he works, he performs it in a perfect manner’, I mean here ‘Itqan’ and this is the duty of the auditor after all means have been provided for him to provide a quality audit”.

According to this quote, the auditor should provide audit services in the optimal manner, especially with the introduction of international standards, which this participant in section 7.5.3 gave it a credit. He expressed this by mentioning the word “Itqan,” which means mastering the work; in other words, it means providing the work in the best way possible (i.e., striving for perfection).

Participant 7 stated the following:

“Audit quality is the highest degree of assurance from my perspective, and I get it from the auditor who signs the final audit report and by signing it, I feel confident because this signature will be asked about on the Day of Resurrection”.

This may confirm the overlap of culture and religion and their interaction with perceptions of AQ as the responsibility of the auditor. Notably, this participant mentioned that it was the auditor who held responsibility for the audit report, not only because it was their job to do so, but also because it was a duty of religion and, therefore, it would be judged on the Day of Judgement. This religious perspective differed for some participants when it comes to the application of Islamic standards in accounting and auditing issued by AAOIFI, which is discussed in the next section.

7.9.2 Islamic Standards

This section deals with the participants’ opinions of Islamic accounting and auditing standards (AAOIFI), their relationship with AQ, and the application of international accounting and auditing standards in Saudi Arabia. Here, cultural factors and backgrounds played a critical role in shaping participants’ perceptions.

Participant 31 stated the following:

“International standards were adopted in Saudi Arabia for both accounting and auditing, and some banks, particularly Islamic ones, were trying to harmonise, but in the end they are required to apply international standards”.

This participant believed that only international standards for auditing and accounting are applied in Saudi Arabia. However, he also believed that Islamic banks are attempting to comply with Islamic standards, but they are required to apply international standards only.

Participant 10 stated the following:

“We provide some disclosures as an Islamic bank in the financial statements, but they are not mandatory additions”.

This participant said that in an Islamic bank, disclosures are made in the financial statements that have an Islamic origin. However, he stressed that it is optional, not compulsory. The participant meant that some disclosures concern Murabaha; he did not mean zakat and income as it is a statutory requirement from the Zakat, Tax and Customs Authority.

Participant 9 stated the following:

“As a bank, it is true that I am an Islamic bank, but I implement what is required of me in the country in which I am in a manner that does not contradict international standards. We have Islamic committees, thanks to Allah, and the banking and insurance sectors in particular have the lead in implementing SAMA standards, which are international”.

This participant said that his bank is committed to international standards, and that anything relating to religious financial matters and transactions has a reference in the bank, namely the Islamic Sharia Committee. Therefore, some of the participants on the theoretical side spoke from a religious perspective, but on the practical side they talked without explicitly mentioning the religious side.

Participant 21 stated the following:

“I, as an auditor, and as written in my final report, must express my opinion in accordance with international standards and ensure that the financial statements have been prepared in accordance with those standards”.

This auditor was asked whether he is required to submit an audit based on Islamic standards, or whether a conflict exists with international standards. As a professional, he submits the audit and the audit report in accordance with international standards as stipulated in the audit report that he submits at the end of the audit stage.

Participant 14 stated the following:

“There are Islamic accounting and auditing standards, but we have nothing to do with them and are not obligated to apply them. It is a good effort from them, but it is not appropriate in all honesty. Today we live in an open world and the goals are to standardise practices”.

This participant expressed his appreciation for the efforts exerted in preparing and issuing Islamic standards for accounting and auditing, but he did not see them as commensurate with the global trend at present. Participant 14 meant that the goal of international standards is to standardise practices around the world, and the issuance of Islamic standards for accounting and auditing does not serve this goal.

Participant 31 stated the following:

“In my opinion, we cannot talk about the quality of the audit, and at the same time we try to apply the standards from several sources. Like the rest of the world, we apply international standards, and this is a step forward. Clarity of standards is important to achieve quality as I mentioned to you, patching the standards up means another problem that we do not need”.

This participant believed that applying standards in accounting and auditing (international standards) serves AQ. He also said that an attempt to adopt both Islamic and international standards would cause a lack of clarity in the standards and, thus, an AQ problem. The participant believed that the application of international standards in Saudi Arabia is the same as in most countries of the world. It seemed that many of the participants, when talking about any other standards (other than the current international ones), remembered the previous Saudi standards for accounting and auditing. This is what most participants saw as not being commensurate with the profession in Saudi Arabia.

7.9.3 Gender

This section deals with the participants' opinion about the auditor's gender and its relationship with the quality of auditing in Saudi Arabia. One participant, a BoDs member in one of the listed companies on the Tadawul, stated the following:

“Look, Mr. Ali there is supposed to be no difference between male and female, black and white, or Saudi and foreigner in providing audit and access to AQ. But because of the privacy of the community, and by virtue of my experience and with more than one listed company, I can honestly say that I do not accept working with a female auditor. After a really bad experience, I called the auditor before one of the meetings of the general assembly to ask for the accuracy of a task that I don't remember now. It was almost 12 at

night and the meeting would be 9 am. The female auditor's husband answered the call and was very upset and told me this is unacceptable and hung up the phone. Then a few weeks later, I received a summons because her husband filed a case against me and a complaint. I am the same as her father's age, and I did not imagine that this would happen to me one day. Therefore, I will not deal with a female auditor because of the society and because of the nature of the profession and the need for permanent communication".

Thus, it can be understood that, in essence, no difference exists in race, shape, colour, gender, or even religion in theory. However, when it comes to practice, the participant confirmed that it was present in local practice. In some cultures and traditions, it may be difficult for a woman to work in the same manner as a male auditor; examples include communicating with the client at different times or being present at the client's premises, without restrictions, such as the being in a separate room or having private toilets or a place to perform prayer. Another reason, as mentioned by the participant, for not contracting a female external auditor is due to cultural and social backgrounds. The participant expressed a paternalistic view, about how he might treat the female auditor despite it being a professional work environment. Linked to the community, this could mean that society would have a negative view of him due to interpretations and perceptions of such an incident (e.g., a man who does not respect women, Islam, and Saudi culture). These practices may work to prevent gender equality in the heavily scrutinised environment of Saudi Arabia, again due to religious and cultural grounds.

Participant 18 stated the following:

"Look, I, as a girl, can face two problems if we talk about practice. The first is the audit firm in which I work. I mean, they prefer men because we are new to the field and so on. The second problem I face with the client, either he does not know how to deal with me and calls at inappropriate times. I have a home, family, and a personal life that they must respect, or that the place at the client is not suitable for me as a girl. Sometimes, I have to send men from my team work to the client, and I work from here [her office]. Therefore, comparing the quality of the audit that I provide with the quality of the audit provided by the male auditor cannot be compared, and it is unfair".

This comment reveals some of the interactions between theory and practice; for example, a discrepancy exists between theory and practice due to cultural and religious factors and interaction with the local profession, which impacted the participants' perceptions that the application of international standards equated to the provision of quality auditing. It is important to link these results to the questionnaire, which dealt with the determinants of AQ. The participants reported that the culture of the audit firm was among the most critical determinants of AQ. This participant also referred to something mentioned in previous studies concerning the issue of gender in the Saudi audit environment, namely the term

“female-friendly workplace,” which means the availability of a suitable space for women to practice their profession without transgressing cultural or religious beliefs (Sian et al., 2020). However, opinions about this varied among the participants and a clear picture was not achieved. This may be due to two social reasons. The first is the lack of female auditors in the market due to the nature of society and the profession. Until recently, most professional fields were dominated by men, such as the audit profession. The second reason is the nature of the profession, which requires mixing with men, which was uncommon until recently. The job also requires the auditor to visit the client, which can be difficult for female auditors, as women were not allowed to drive until recently.

Participant 22 stated the following:

“I am against such comparisons. For example, in Britain and America, such matters are not considered! My current team is mostly female now, which as you know was not possible before, and they are all qualified as auditors, and I can tell you that, contrary to the prevailing view of them in the audit profession, they are better than men, being accurate, are keen and work with dedication”.

This participant repeated that the ideal model to follow is the Western model, as it does not differentiate between auditors in term of their gender, male auditor and female auditor at work, which he believed to occur in the local environment in Saudi Arabia. The participant then directly compared the business environments in the United States and in the United Kingdom (as examples to follow) while ignoring the differences in societies and cultures. This participant believed that female auditors are better than male auditors in terms of accuracy in work and dedication, despite his refusal to compare them initially.

Participant 34 stated the following:

“We are in the process of working on a project to empower women in the profession, with the support of the Ministry and in accordance with Vision 2030. This project aims to increase the number of females in the profession by working with the relevant authorities. And do not forget that the number of female scholarship recipients with the highest certificates and qualifications in the field of accounting and from developed countries will return and have an important role in that. This may see the light soon, God willing”.

This participant mentioned a project to empower women auditors in the market. This was an implicit acknowledgement of the small number of female auditors and the tendency to increase numbers in line with the Saudi Vision 2030. This happened in 2021 (at the data analysis stage of this research). The Minister of Commerce and Industry, in cooperation with SOCPA and the Ministry of Human Resources and Social Development, announced a programme to empower women in the accounting profession through four main tracks: training; qualification; leadership; and employment. This programme was

launched due solely to the small number of female auditors, which may also explain the participants' opinions about the relationship of AQ with the gender of auditors and the local culture.

Participant 29 noted the following:

“Female and male are the same and there is no difference. With all due respect to you, this is a Western perception of us, that we oppress or do not respect women, and this is undoubtedly not real. Our religion respects women and urges us to do so as well as men, and we are now proving to the West that we are like them. Fully working with women and as you can see today women are possible and work in all our organisations in accordance with the nature of our society and the teachings of our religion”.

This participant believed that this lack of respect for women is an incorrect Western view of his society. The participant touched on religious principles that call for respect for human beings without regard to their gender. Nevertheless, he wanted to prove to the West that he is like them, particularly in the business environment.

Participant 24 stated the following:

“You and I know our women in our culture very well, and are new to professional work, so what about a job that requires an acceptable level of professional scepticism. You get what I mean? I mean, yes, there are programmes to empower women, and God willing, we have seen a number of SOCPA graduates, and I think we will see soon as well. I am afraid that the issue of women's empowerment will negatively affect the fairness of opportunities, whether in audit firms or in granting professional licences and certificates. This will affect their reputation, the market in the future and the quality of audit in particular”.

This participant believed that women's participation in the profession is still in its infancy, and that the audit profession requires the practice of professional scepticism, which women are not believed to have a sufficient capacity to practice due to cultural reasons. For example, he believed that because of the culture of Saudi society and the nature of women's role in it, practicing professional scepticism may be difficult for women. For example, working among men may be a cultural problem faced by women in Saudi Arabia, although the participant believed that things have improved somewhat in this aspect due to Vision 2030 projects and the women empowerment in the labour market. The participant believed that the women's empowerment programme is a promising programme, and its initial results have been positive. However, this approach makes it easier for women to obtain professional certificates and licences to practice the profession at the expense of men; thus, the problem shifts from the exclusion of women in previous practices to siding with women over men in new practices, which in turn affects the quality of auditing.

Participant 29 stated the following:

“The first generation will face difficulties, and I think this is normal and expected, but future generations will receive equal opportunities and evaluation based on work only”.

This participant believed that the difficulties that women face in the audit profession in Saudi Arabia, and the sometimes negative view of some practitioners, will change with time. Participant 29 also believed that it is the current practitioners who face these difficulties as it is almost new and in its infancy. However, equal opportunities and a healthy professional environment are the future for audit professionals in Saudi Arabia.

7.10 Summary

This chapter has presented the qualitative results of data collected using the semi-structured interviews with 34 participants. The chapter dealt with the following themes: The first theme, perceptions of AQ, was divided into two sub-themes: (1) the definition of AQ; and (2) the responsibility for AQ. The second theme, the influence of the application of international standards in accounting and auditing, was divided into three sub-themes: (1) the effect of shaping policy; (2) the effect on the engagement with external auditors; and (3) the lack of trust in the local firms. The third main theme, the cost of AQ, was divided into two sub-themes: (1) the imposed cost; and (2) the investment cost. The last main theme was the interactions of local practitioners with Western perceptions of AQ specifically in relation to gender and religion.

The next chapter is the discussion chapter, which interprets the key findings of both the quantitative and qualitative research results. They are explained, evaluated, and linked to previous studies and literature, the research questions, and the theory used in this research.

Chapter 8: Discussion

8.1 Introduction

This chapter will discuss the most important findings of the current research. It seeks to offer meaning to the data collected and analysed, and to answer the research questions posed in the thesis. The research questions were designed, firstly, to understand AQ and how it is defined from the perspectives of external auditors, BoDs, and regulators in Saudi Arabia, and, secondly, to explore what AQIs are from the perspectives of external auditors, BoDs, and regulators in Saudi Arabia. Finally, this chapter will seek to describe how Western applications of auditing are implicated in general perceptions about AQ in Saudi Arabia.

8.2 How did the Selected Respondents Define AQ?

This section will discuss how the participants defined AQ for the purposes of answering the first research question set which is ‘How do BoDs, external auditors, and PPQRC members define AQ?’. This section will be divided into five sub-sections. The first sub-section will look at the difficulty of defining AQ, the second will examine how the participants perceived AQ, the third will focus on perceptions about the output of the auditor, the fourth will look at perceptions about the auditor’s responsibility for AQ, and, finally, the fifth will examine the connection between the definition of AQ and the application of the international standards IFRS and ISA in Saudi Arabia.

As already noted, no specific definition of AQ has ever been agreed upon by researchers working in the field of accounting and auditing. Indeed, different points of view are held by those who seek to define AQ, and, thus, difficulties have been experienced in defining AQ. This has been noted in many previous studies (DeAngelo, 1981; Palmrose, 1988; Carcello et al., 2002; Francis, 2004; Chadegani, 2011; Christensen et al., 2016; Knechel et al., 2016), and this is consistent with the findings of the current study. This situation begs the question as to how the participants of the current study might look to define AQ. The findings also indicate that although it is difficult to define AQ, perceptions of AQ are influenced by the application of international standards in accounting and auditing and the local auditing culture in Saudi Arabia.

8.2.1 Difficulties in Defining AQ

Defining AQ was not an easy task for the participants who took part in the current study. All participants found it difficult to define AQ, and held different stakeholder viewpoints. However, the findings of the current study come out in line with those of previous studies (see for example Francis, 2004; Knechel et al., 2013; Hosseinniakani et al., 2014; Octavia et al., 2015; IAASB, 2013; Vaicekauskas 2014; Knechel et al 2016) all of which look at the difficulty of defining AQ because it

can be seen from different stakeholder viewpoints. The same difficulty was shown by most of the participants in the current study, despite their different professional positions (auditors, board members and regulators in SOCPA).

Difficulties in defining AQ are not limited to academic researchers, and can be found in accounting organisations, and in regulations, such as FRC 2008, IOSCO 2009 and IAASB 2013. Indeed, adopting only one definition of AQ often poses problems. The current study focuses on understanding how AQ is defined in Saudi Arabia, according to its unique society and culture. In Saudi Arabia, legislators consider SOCPA to be the main source for everything relating to the auditing profession, but SOCPA has not previously presented a definition of AQ in a way that reflects its understanding of the Saudi market. This makes it difficult for other stakeholders (the auditors and BoDs in this case) to form a definition of AQ. Participant 31, who holds a high position in SOCPA, specifically noted this problem in relation to the national project to implement international standards. Participant 31 has made attempts to form a definition of AQ via his own research into international standards. Eventually, he settled on the framework found in IAASB 2014. However, this framework talks about the indicators of AQ, not the definition of AQ specifically. Difficulties in defining AQ may have arisen because SOCPA translated new standards into Arabic, before presenting, approving, and applying them. However, they did not make any amendments to reflect their role in the profession as a regulator in Saudi Arabia to provide any understanding of what AQ is in the local profession. This may be because SOCPA believes that there is no need to amend the international standards, because these standards have already been developed in Western countries. For example, in the United Kingdom, the FRC presents its AQ framework, which may reflect its understanding of AQ and the nature of the profession in the UK. This is also the case in the United States. However, SOCPA may feel that there is no need to make any real effort to reflect its general role as a regulator in the auditing profession in Saudi Arabia because they mainly copy what developed Western countries are doing. This finding is consistent with that found in a study by Kamla (2007) which examines postcolonial Anglo-American influence on Arab societies and their accounting regulations.

8.2.2 Perceptions of AQ

The participants who took part in the current study often looked to the results of audit work, i.e. the audit report, when defining AQ. In this report the auditor gives an opinion on the fairness of the financial statements. Most of the participants referred to the quality of the audit as “assurance” or “the highest degree of assurance” that the auditor gives the company being audited. This approach is highlighted by Palmrose (1988) and Gaynor et al. (2016). However, some perceived AQ to be the

auditor's ability to discover and report errors in the financial statements; this view is consistent with studies by DeAngelo (1981) and others. This view differs from the view offered by Carcello et al. (2002) who suggests that AQ is the amount of audit work that the auditor puts in, and the degree of effort put in has a bearing on AQ. Further, Clinch (2010) sees AQ as the quality of disclosed accounting information, which can be seen as an 'output'.

A study by Carcello et al. (1992) which looks at the perceptions held by auditors, investors, and financial controllers about AQ (using a quantitative approach) concludes that perceptions of AQ are linked to the audit team, their professional certificates, and non-audit services such as tax advisory and consultations which can be seen as AQIs. This finding is consistent with a study by Chen et al. (2001) which tests the perceptions of accounting regulators in China. Also, in a study by Christensen et al. (2016), auditors define AQ as following what the regulator says, but investors link it with the individual characteristics of the engagement team performing the audit.

Differences in the findings of previous studies may be due to various reasons, such as the position of the participants (stakeholder's views), countries and contexts, and differences in research methodology. For example, some studies use the research test hypotheses approach in a quantitative way. However, this current study uses a qualitative approach by understanding people's voices and exploring these voices. Also, the current study takes into account the nature of the profession in Saudi Arabia, where the legislator plays an important role in shaping the perceptions of professional practitioners. These factors might also account for differences in the findings of previous studies and the current one. This point is highlighted by Al-Qarni (2004).

In addition, the results of this study have revealed that perceptions about AQ are linked to audit output. These perceptions may be due to the participants' understanding of the auditor's legal responsibility. When the audit fails, the auditor will be responsible for not following the standards guidelines. This is in line with the findings of Desi Jr et al. (1992), Wooten (2003), Francis (2004 and 2011) and Hosseinniakani et al. (2014). Thus, the absence of an audit failure may mean the inability to measure audit quality (Sikka et al., 2009). This highlights the need to understand the organisational and social context of auditing in order to understand AQ because such phenomena are socially constructed (Sikka et al., 2009). The current study attempts to do just this.

8.2.3 The Auditor's Responsibility for AQ

The current study finds that perceptions about the audit report 'output/outcome' is linked to perceptions about AQ, and that ultimate responsibility for quality rests with the auditor. This point is highlighted

by Knechel et al. (2013). Many participants in the current research viewed AQ as the responsibility of the auditor in the first place, and justified this view by noting that it is the auditor who performs the audit and gets paid to do so as a contractual obligation, and, therefore, the responsibility for AQ lies with the auditor and his or her opinions/judgments in the audit report. This finding is consistent with the findings of previous studies (see Kadous, 2000; Nelson, 2005; Venkataraman, 2008; Quadackers et al., 2014; Gimbar et al., 2016; Brasel et al., 2016) but differs from studies that recognise the input of other parties, such as an audit committee, especially because an audit committee is tasked with reviewing financial statements before they are approved by BoDs. Further, the role of the audit committee is not limited to reviewing financial statements but starts with choosing the external auditor and providing oversight on the audit process carried out by the external auditor (Odudu, 2018).

Part of the task of the members of the audit committee is to give investors' confidence in the financial reports, and it also enhances interaction with internal auditors for a more integrated process. Ghafran and o'sullivan (2013) suggest that audit committees that are larger and more independent, especially those with members with financial expertise, tend to enable a better quality of financial reports and also improved audit quality. Moreover, the same study finds that when audit committees are more independent, they tend to rely less on non-audit services from auditors, which helps maintain the independence of the external audit process.

Interestingly, the participants in this study did not comment on the role of the audit committee or its role. Indeed, Aldosari et al. (2021) reveals the weakness of the role of audit committees in listed Saudi companies, especially with regard to the work of external auditors and the holding of meetings. This is consistent with the findings of Al-Tuwaijri (2003). However, Aldosari et al. (2021) suggests that audit committees in listed Saudi companies often lack influence and can fail in their relationships with the external auditor. Despite the adoption of IFRS/ISA, which Aldosari et al. (2021) suggests might improve the role of audit committees, the findings of the current study do not reveal that any changes have been effected in relation to previous Saudi standards, and newly adopted international standards, in terms of the role audit committees and external auditor relations.

8.2.4 The Definition of AQ and the Application of IFRS and ISA in Saudi Arabia

Most of the participants who took part in the current research believed that AQ cannot be achieved without applying international standards, such as IFRS/ISA. Many participants described these standards as the only "guarantee" of AQ. This view was evident among the participants in all three categories. A study by Ebrahim (2014) undertaken in Egypt finds similar, but in Laili and Khairi (2014) and Jung et al. (2016) IFRS/ISA did not affect perceptions about AQ. A Chinese study by Liu et al.

(2011) and Uthman (2021) in Nigeria finds that IFRS/ISA standards work to decrease AQ because of the challenges of interpretation faced by local auditors of international standards; mainly because of regulatory and legislative differences between countries, and the lack of training programs that provide training to auditors about the newly adopted international standards, which is in line with the findings of the current study in the case of Saudi Arabia. The findings of the current study could point to two things: the first is that the adoption of the international standards IFRS/ISAs are perceived as being associated with the quality of auditing; and the second is that the influence of Western auditing practices has shaped the perceptions of the participants. Both potential meanings will be discussed in this section.

A study by Massad (2001) examines the perceptions and attitudes of Jordanians towards modernity and the West, with particular attention being paid to how Bedouin origins have transformed into a more modern, Westernised identity. Massad (2011) suggests that this transformation has involved a rejection of traditional values and practices in favour of a more Westernised understanding of modernity. The answers given by some participants for the current research suggest a similar trend in Saudi Arabia. Participant 12 said of Westerners, “they are the people of science and knowledge”; his answer referred to Western accounting and auditing standards which were linked to an assurance of AQ. This suggests a rejection of old standards. Participant 11 said, “Previous standards are old and have not been developed and contain many errors”. While it is common for humanitarian efforts to encounter errors and deficiencies, it is important to note that even the international standards recently adopted in Saudi Arabia are subject to ongoing revisions and improvements by the international bodies responsible for their issuance. Rather than contributing or developing a locally issued standards, the participant appeared to display a bias by favouring international standards solely because these international standards align with his interests as a BoD. This participant is a BoD, and he explained in his answer that he is looking for profit and to attract and increase investors. He perceived that adopting international standards means serving his interests for attracting investors. This trend can be seen as part of the growing influence of the power and legitimacy of postcolonial modernity.

A study by Robinson and Cooper (1990) suggests that Western modernity is an “external legitimating source of power” in the accounting profession. This, in turn, reinforces its legitimacy. In the current research, the participants linked the quality of an audit with the idea of assurance and/or an audit report which indicates that the financial statements are free from fundamental errors. They also linked AQ to the satisfaction and trust of investors (output), and to the application of international standards as the only “guarantee” for AQ. It became apparent that some of these factors were influenced by perceptions

of Western accounting standards, as well as a search for legitimacy and acceptance from Western sources and foreign investors. This can be explained with reference to three main points: namely, having previous experience of Saudi GAAP and other auditing standards, a desire to keep up with the developed world, and global realities, each of which is discussed below.

8.2.4.1 Previous Experience of Saudi GAAP

Previous studies reveal that the Saudi accounting and auditing standards applied before 1994 were not modified or improved over time in line with changes in economic concepts or changes in local and global financial transactions (Al-Rashed, 1983; Al-Rehaily, 1992; SOCPA, 1994; Al-Twajjry et al., 2002; Al-Rashed Consultants & Accountants, 2008; Mihret et al., 2017). Further, previous studies also suggest the presence of deficiencies in pre-1994 standards (SOCPA, 1997; Naser and Nuseibeh, 2003; Mihret et al., 2017). The findings of the current study revealed dissatisfaction among more experienced participants with pre-1994 standards. For example, one BoDs member of a multi-national company told of how he would submit two audit reports, one in line with international standards, and another in line with local standards. This finding is consistent with a study by Merei (1985) which explores accounting and auditing practices in Saudi Arabia. Merei (1985) explains that (in 1985) auditing in Saudi Arabia was divided into three categories, according to what auditing standards were used with different auditing firms: the use of US-GAAP, British or French standards.

The use of different auditing standards in Saudi Arabia continued until 2018, even though SOCPA was founded in 1992. A 2007 study by Al-Abdullatif explains that some Saudi Islamic banks would prepare financial reports using AAOIFI standards (the Accounting and Auditing Organisation for Islamic Financial Institutions), while commercial banks would use international standards (locally referred to as SAMA (IFRS) standards), and listed companies would submit their reports using Saudi GAAP or IFRS depending on their preference. This led to a lack of clarity about practices, which created a negative perception among investors, especially, as some participants in the current study noted, among foreigner investors.

Western companies and capital investors often judge that local standards of accounting and auditing are useless, and they prefer to adopt Western standards for their investments in developing countries (Gallhofer, Haslam and Kamla, 2011). Massad (2001) suggests that negative views of local Bedouin culture are held by colonialists in Jordan, Western values have been imposed through force over time, and suspicions have grown about local people and local knowledge. Thus, Western ideas are perceived as modern, and this view has evolved further with the passage of time. The findings of the current study show that the participants described old or local auditing standards as being incompatible with

the requirements of the modern accounting profession. Older and local standards were described as outdated and under-developed and characterised by a lack of clarity. The findings also showed that the banking sector and the insurance sector have, for some time, depended solely on international standards, mainly because of the profound international flavour of these two sectors. Such opinion about old Saudi standards of accounting and auditing seem to be right in one aspect, since SOCPA does not play its necessary role through the constant updating and development of standards which suit the Saudi context. However, this view is also wrong, because previous standards were originally translated from the American and international standards, with some modifications to suit the Saudi context. However, the participants in the current study revealed that Western accounting dominance has led them to idealise any standards coming from the developed West.

Most of the participants in the current study stigmatised previous Saudi accounting standards in a negative way, and praised amendments imposed by the SOCPA. Local standards were often described as ‘backward’ and ‘weak’, and perceived as inferior in comparison with modern standards. The recent adoption of international accounting and auditing standards was undertaken entirely in 2018, without modifications. Indeed, Errington (2001) suggests that the acceptance of the prestige of international/Western standards can be described as a kind of colonial ideology. These ideas will be discussed in more detail in the next section.

8.2.4.2 The Desire to Keep Up with the Developed World

Chapter 3 reviewed recent studies about postcolonial theory. Postcolonial theory suggests that it is the desire of powerful economically developed countries for developing countries to assimilate their practices and values. Yapa (2010) finds that colonial ideology is rooted in the accounting profession in Sri Lanka as a postcolonial society, and even in new local organisations after independence. The same study suggests that colonial ideology is rooted in the ‘habitus’, which is the way a person perceives and interacts with the world as influenced by their background. This view is very similar to that expressed by Participant 12 in the current study who said, “They are the people of science and knowledge”. Further, this phrase was repeated more than once in the expressions used by the interviewees in the current study. Indeed, many of the participants in the current study linked international standards of auditing and their application to the values of Western developed countries, and noted the drive to appear to be “like them”. In this respect, the participants made connections between AQ and the application of international standards in accounting and auditing, and keeping pace with the developed world.

The interviewees, who contributed to a study by Massad (2001), about the perceptions and attitudes of Jordanians towards modernity and the West, focused more on the symbolism of meaning instead of knowledge itself. Similarly, in the current study, many participants referred to international standards and their assumed superiority in symbolic terms. Indeed, many professional accountants and auditors push towards professional dependency on Western dominance in their own countries. This is based on perceptions about the superiority of Western professional standards over local standards (Gallhofer et al., 2011; Kamla et al., 2012; Boussebaa, 2015). The findings of the current research also reveal this trend. Participants talked about AQ, linking it to the full adoption and application of international standards. They justified their views by asserting that they needed to keep up with the standards adopted in the rest of the world, and that most countries in the world have adopted the same standards. Such justification comes from a kind of global reality, in that there is only one option globally for developing countries, which is to adopt Western standards for auditing and accounting. Further, international standards are dominated by Western auditing practices.

8.2.4.3 Global Realities

The participants who took part in the current study perceived the adoption of international standards as a global reality. This idea was alluded to by Participant 10, “I can say that there is no alternative to the international standards that we have fully implemented here recently”. Previous studies highlight the influence of global realities on the adoption of international standards in many organisations, arguing that these realities are clear and evident in the accounting and auditing profession. Amiram (2012) finds that foreign investors require the application of international standards in accounting and auditing in order to invest in developing markets. This is in line with the findings of the current study, in that the participants perceived that adopting international standards attracts foreign investors, and meets their need for clear standards. Indeed, PCAOB (2013) defines as AQ as, “meeting the investors’ needs”.

Efobi (2015) finds that Western international organisations often impose the application of international standards in accounting and auditing on developing countries in order to justify offering aid and finance for development projects. The current study notes that Saudi Arabia is not in need of material support in the way other developing countries might be, because of its recent rich oil producing history. However, external relationships, international pressure (especially after joining the G20), and the goals of the Saudi Vision 2030 (which aim to increase foreign investment) have made the necessity of applying international standards in accounting and auditing and the idea of AQ, a reality.

Continued Western domination of the auditing profession reinforces the idea of unified accounting and unified auditing standards. These ideas are recognised by many as a global reality which no-one has the power to change. This domination is seen as an authoritarian force through which the ideas and institutions of globalisation are realised (Tikly, 2001). These findings align with the findings of the current study, in that many of the participants felt that there was no other option than to adopt the standards preferred by foreign investors, and this, they felt, was a global reality today. However, this global reality serves the capital and investments of the investing firm, and often ignores local social, religious and cultural norms and values, as well as local legal and regulatory environments, and the nature of companies in other countries of the world (Botzem, 2008; Durocher et al., 2016; Gallhofer and Haslam, 2007; Lehman, 2005).

It is through the promotion of international standards such as IFRS/ISA, that the Big Four firms can influence local perceptions about adopting Western practises in the accounting profession. This encourages cooperation with global imperialist forces (Annisette, 2010; Boussebaa, 2015; Gallhofer et al., 2011; Kamla, 2007; Yapa et al., 2016). Boolaky et al. (2020) find that a role is played by the Big Four audit firms in the decision to adopt IFRS/ISAs in developing countries, and evidence of the influence of the World Bank on the decisions made by developing countries to adopt international standards. In this respect, SOCPA's councils and committees are mostly made up of auditors from the Big Four audit firms. Further, Wieczynska, (2016) finds that the Big Four audit firms are pressing towards adopting international standards in the countries in which they operate in order to obtain the largest market share and serve their interests. The same study also reveals that most companies, after approving the transition to international standards, turn towards the Big Four audit firms because of the experience they have applying international standards.

Postcolonial theory asserts that globalisation and neo-liberalism affects individuals and societies, culturally, economically and politically (Rizvi, 2007). Neo-liberal forces influence the practices of individuals and societies and their characteristics, and encourage the subordination of one society to another, based on strength of influence (Burke, 2018). The findings of the current study were consistent with this. The perceptions of the participants in the current study indicated that they are influenced by the domination of Western accounting practices, and their bright view of everything that is Western as a global reality.

8.3 Audit Quality Indicators (AQIs)

Chapter 3 discussed AQ and AQIs, and described how the way AQ is conceptualised influences the identification of the indicators of AQ. This principle was indicated in the findings of the current study. In the current study, perceptions of AQ affected the participants' opinions about AQIs. The second research question posed which was “What are Audit Quality Indicators from the point of view of BoDs, auditors, and members of the PPQRC of SOCPA in Saudi Arabia?” This question looks to explore perceptions of AQIs in Saudi Arabia from the point view of the BoDs of Saudi listed companies (on Tadawul and Nomu), external auditors, and SOCPA members of the PPQRC. As noted in Chapter 3, many studies have examined the determinants of AQ from different perspectives and in different countries. For the purposes of the current research, previous studies were categorised into two groups, namely, those dealing with input, and those dealing with output. Those dealing with input were further divided into two groups: operational input pertaining to individuals (auditors) and organisational input. Those dealing with output were also further divided up into two groups: the first covering individuals, and the second covering firms.

For the current research, participants were asked to identify their top five indicators of AQ, and their answers are reviewed in detail in Chapters 5 and 6. The participants highlighted two main elements: the first being the input of the auditor who is responsible for the quality of the audit; the auditor’s education, experience, training, and the level of professional scepticism (auditor competence) practiced. The second element was the audit firm; the culture of the auditing firm, the reputation of the firm, and the size of the auditing firm, were all considered.

8.3.1 AQIs and the Auditor

Previous studies find that auditor competence is one of the most important indicators of AQ (Gul et al., 1994; Noor, 1996; Owhoso et al., 2002; Chin et al., 2009 and 2011; Ittonen et al., 2013; Goodwin et al., 2014; Cheng et al., 2009; Gul et al., 2013; IAASB, 2014; Alissa et al., 2014; and Nolder et al., 2018). Specifically, the education, training, experience, and the level of professional scepticism of the auditor were scored highly in the current study. However, research findings can differ based on the different perspectives of the participants in a study sample, and the angle of research taken. For example, some studies focus on investor perspectives, others on management perspectives, and others on auditor perspectives.

8.3.2 Auditor Competence

The findings taken from the questionnaires revealed that all three groups agreed about the important of education, training, experience, and the level of professional scepticism of the auditor: auditor education was scored by 65% of the total respondents; work experience of the auditor was scored by 63.5% of the total respondents; auditor training was scored by 61% of the total respondents; and the level of professional scepticism that the auditor exercises was scored by 39.5% of the total respondents.

These findings are consistent with those of several other studies. A Chinese study by Gul et al. (2013) which analyses data given by 800 auditors, finds that the education and experience of the auditor are indicators of AQ. Also, Brown et al. (2016), which studies AQIs from the auditors' point of view, shows similar findings among auditors in the US market; this study concludes that experience, including the auditor's education and training, is one of the indicators of AQ. Further, in a study of emerging markets and the determinants of AQ, Mansouri (2009) finds that auditor competence is an indicator of AQ.

The participants in the current study said that professional scepticism is an important indicator of AQ. This is consistent with the findings of studies by Lamba et al. (2020) and Wahidahwati et al. (2022) undertaken in Indonesia. In these studies, professional scepticism, experience, education, and training are linked to the competence of the auditor. Further, a study by Hubais et al. (2023), which explores the perspectives of auditors in Oman, finds that PS directly influences AQ, because it relates to the integrity and ethics of the auditor. The findings of the current study were not surprising because the participants confirmed their perceptions about the auditor's responsibility for AQ. Indicators relating to the auditor formed a significant proportion of answers given by the respondents on the questionnaire.

In the current study, consistency was shown between the opinions of the auditors, BoDs, and legislators (SOCPA) relating to the indicators of AQ for an auditor. This may be for a number of reasons. Firstly, there was agreement on the perceptions of AQ, and focus was placed on audit output/outcomes, or the "auditor's report". This links AQ indicators to perceptions. In other words, perceptions of AQ were linked to the responsibility of the auditor in terms of 'assurances' given in the audit report at the end of the audit phase. This led to perceptions being made about the indicators of AQ. A study by Knechel et al. (2013) also concludes that perceptions of AQ reflected on AQIs. Secondly, the participants in the current study were influenced by the models presented by PCAOB 2015, as well as by the framework presented by the International Accounting Standards Board in 2014. These models were cited by a

number of respondents, including Participant 12, who commented on the auditor's role and competence within the audit framework.

8.3.2.1 International Auditor Competence

The participants in the current study said that international education, training and experience, specifically, that undertaken in the US and in the UK, was preferable to local equivalents. Western education, training and experience for an auditor were perceived as an indicator of AQ: education 76%, training 79%, and experience 75%. This finding is in line with a study by Kamla (2014), which argues that Western educational qualifications, professional certificates, experience in Western accounting, and speaking English are all indicators of differentiation between the quality of local services and Western ones.

Bourdieu (1985) suggests that learners in Western schools, institutions and universities acquire not only knowledge, but the capital of prestige, which gives them power over their peers in the same specialisation. This idea was confirmed by the findings of the interviews conducted as part of this current research. Those who took part in interviews revealed the importance of auditor qualifications from Western countries, and clearly expressed their preference for hiring auditors with a Western educational background in accounting, and for auditors who had trained in developed Western countries, and had gained experience in these same countries. Additionally, those who have the means to obtain Western training/education are likely to be members of a high social class in the first place. Thus, they already have 'cultural capital'. For example, Participant 21 said, "I trained in New York and London," and Participant 3 said, "They train in New York and London periodically, and this undoubtedly increases the discrimination of the Big-Four firms. They are trained and taught... in the best places in the world". Participants also mentioned the CPA. For example, Participant 24 said, "People in our market tend to prefer the CPA holders." This situation was commented on by Participant 23, who said the following:

I, as a local firm, suffer from these practices, but as the saying goes, we talk, and no one listens. We told SOCPA that such practices cause problems and gaps... Their response is that this works in the best countries, in the United States of America and in European countries, for example.

This participant is an external auditor from a non-Big Four firm. He told of how he complained to SOCPA about the marginalisation and inequality between him and the Big Four in terms of opportunities. He felt that policies and regulations in the auditing profession only served the Big Four firms. Nurunnabi (2018) finds that education is an important and fundamental key to the quality of

auditing and the development of the profession in Saudi Arabia. However, the same study also finds that out of a total of 25 Saudi universities offering undergraduate accounting programmes, the IFRS/ISA standards are notably absent from their curricula. Those who took part in the current study said that quality does not always depend on whether the auditor holds a university degree in general, but rather on professional degrees and qualifications in accounting as well.

In Saudi Arabia, SOCPA requires all those seeking a license to work in the auditing profession to pass its exams and have a bachelor's degree in accounting or its equivalent (Al-Saghir, 2023). Recent studies reveal a gap between the output of accounting programmes in Saudi universities and the demands of the Saudi and global labour markets such as (Srdar, 2017; AL-DHUBAIBI, 2022; Al-Saghir, 2023). Further, some universities offer curricula in Arabic, whilst others teach in English. Therefore, graduates from some Saudi institutions are seen as not being proficient in English, and not trained in the IFRS/ISAs. This may be one of the reasons why the participants in the current study linked AQ with gaining an education and vocational qualifications taught in the English language, particularly programmes run in the United States and in Britain. For example, many participants in the current study mentioned mastering the English language, obtaining professional certificates from America and Britain, or receiving training in cities such as New York. Legislators of the profession in Saudi Arabia, such as SOCPA, deem that accountants who hold professional certificates from the United Kingdom and the United States are not required to take further professional certification exams in Saudi Arabia. This approach leads to perceptions of the superiority of Western qualifications and standards. Further, it links the West to perceptions of modernity, science, and knowledge (Enwezor, 2010).

A study by Waked and Bin Youssef (2017) interviews auditors in the Saudi market to discover what factors they feel might work to distinguish themselves in the market, in auditing firms, and as potential partners in big auditing firms. The study reveals that distinguishing factors include: an auditor's fluency in the English language; his or her understanding of international standards in auditing and accounting; holding international professional certificates such as CPA; his or her professional relationships; and the gender of the auditor. The same study also reveals that these features must be possessed by young and fresh graduates in order to progress in a career as an auditor in the Saudi market. In the findings of the current study AQIs included education, training, and the experience of auditors in Western English-speaking countries. Additionally, the study revealed a strong preference for the Big Four firms within the Saudi auditing profession. This preference was driven by an understanding of international

standards, proficiency in the English language, and holding prestigious professional certifications like CPA and ACCA from the United States and the United Kingdom.

Recent studies reveal an urgent need for the introduction of training programmes to help auditors in the Saudi market (Nurunnabi, 2017; Mihret et al., 2017; Ebaid, 2022), and that these programmes are needed to develop and provide AQ, especially in relation to IFRS/ISA. However, Aburous (2016) finds that training in international standards is only available within the Big Four firms in Jordan. This is the same scenario as in Saudi Arabia. This might explain the preference for training Saudi auditors in Western countries. Further, IFRS have only been recently applied, but there is an abundance of training programmes relating to IFRS in developed countries, and in the Big Four firms (Alomair et al., 2021).

Global professional associations, a global professional education, and global certifications, as well as political imperialism, technological dependence, unequal access to training, the existence of hierarchies, and the maintenance of exclusivity by local elites, all demonstrate that an ‘informal empire’ impacts the accountancy profession (Annisette, 1999 and 2000; Davie, 2000; Poullaos and Sian, 2010; Ukwatte and Yapa, 2013). Annisette (2000) explores how local elites, political imperialism, and technological reliance, successfully works to impede efforts to develop local training systems in Trinidad and Tobago, a once colonised nation. The accounting profession in Trinidad and Tobago continues to be influenced by the British Association of Chartered Certified Accountants in terms of professional training and certification, which is described as the ‘internal logic of imperialism’. Additionally, Annisette (2000) contends that distinct professions may be built in various political, economic, and social contexts. Participant 9 from the BoDs group described the emergence of an elite set of auditors as follows:

A smart, understanding auditor, with an excellent qualification, will impress you from the first meeting. He speaks fluent English and is an American graduate with a homogeneous team that we are proud of. They receive the highest qualifications and training and work experience with the latest technology information available... I am talking about an auditor in a very giant and internationally known auditing firm.

The participant's feeling of pride because the auditor speaks fluent English, graduated from an American educational institution, may mean a mental perception of the English language preference, and American education being an advanced Western one.

In the current study, the importance of international education, training and experience emerged as a factor that influenced perceptions of AQ. However, data collected revealed that perceptions of what comprises ‘global’, ‘developed’ and ‘people of knowledge’ is almost exclusively associated with the

Western hemisphere. For example, they referred to training in ‘New York’ or graduating from the ‘United States’ and the ‘United Kingdom’. It was interesting that none of the participants mentioned non-Western developed countries in their responses, nor did they mention standards relating to the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI). In this respect, the findings of the current study associate the English language with the kind of training and education most linked to auditor competence and AQIs. In Saudi Arabia, financial statements and auditor reports are submitted mainly in the Arabic language. In the current study, the English language emerged as a linked criterion to competence and legitimacy. This finding is consistent with studies undertaken by Bourdieu (1985), DiMaggio and Powell (1983), Annisette (2000), Gallhofer et al. (2011) and Aburous et al. (2021).

Since the inception of the accounting profession in Saudi Arabia, it has been associated with Western accounting practices. In this respect, the perception of the superiority of Western auditing practices in the Saudi local environment has become a major trend. The dominance of Western auditing practices and standards is also apparent in many other developing countries worldwide, where colonialism and imperialism have shaped global power dynamics, and influenced the flow of knowledge, resources, and prestige between countries, between a centre and a periphery (Petras et al., 2001, Gallhofer et al., 2011).

There is a desire for external auditors to hold a degree or professional qualification from a Western institution, and for auditors to be trained in, and to gain experience in, Western countries. These preferences could be perceived as symptoms of the continuing influence of Western colonialism and imperialism. However, it may also indicate that Saudi Arabian BoDs, and regulators in the accounting profession, wish to align themselves with emerging global power structures, and benefit from the reputation and expertise associated with Western institutions (DiMaggio and Powell, 1983). These views have been suggested in different post-colonial studies (Annisette, 2000; Ashraf et al., 2005; Gallhofer et al., 2011; Aburous et al., 2021).

8.3.3 The Role of Information Technology

The participants in the current study asserted the importance of information technology for delivering AQ. Information technology was linked to saving time and effort, and improved accuracy. This finding is in line with the findings of previous studies (Stoel et al., 2012 and 2020; Mazza, 2018). It is difficult to separate information technology from culture, and culture plays an important role in obtaining the best information technology (Leidner et al., 2006; Gallivan et al., 2005). In Arab countries, including

in Saudi Arabia, technology has been imported from developed countries, and is often viewed with admiration, but the transfer of technologies between societies and cultures often has a profound socio-cultural impact (Hill et al., 1998; Straub et al., 2001; Al-Gahtani, 2004).

A study by Maghribi et al. (2012) finds that information technology has the power to influence individual values and norms, and it shapes presentation in Saudi Arabia. In the current study, this trend was revealed in the responses given in the semi-structured interviews, from which two main points in relation to information technology emerged. The first was that the auditor gains tangible benefits from using information technology, and this works to enhance the trust of clients and stakeholders. The second point was that technology is imported from developed countries. However, when auditors working in the Big Four firms, and in local firms, were asked about the use of block-chain, no one responded in a way which suggested a deep understanding of this technique, as noted in the analyses chapters. Instead, answers focused on the importance of IT for saving time, accuracy, and speed. A study by Azmi et al., (2022) notes that technologies such as block-chain and other advanced technologies are not widely used in the business environment in Saudi Arabia yet, and that an auditor cannot use them if the client is not using them.

The current study concludes that auditor competency, which covers the education, training, and experience of the auditor and his practice of professional scepticism, are the key determinants of AQ in Saudi Arabia. The findings revealed a clear preference in Saudi Arabia for auditors with a background in Western accounting in terms of education, training, experience and speaking English. This situation has created inequality between locally trained auditors with local qualifications, training and experience, and Western trained ones. The findings also revealed that the role of information technology, despite its importance as a tool for achieving AQ, is still seen as a helpful tool for saving time and effort and improving accuracy.

The next section will discuss AQIs that are related to the audit firms, which include the size of the audit firm (Big Four and non-Big Four), the audit firm's culture, and its reputation.

8.3.4 Audit Firms: Audit Firm Size and Audit Firm Culture

The findings of the current study indicate that the size of the firm (Big Four or non-Big Four) and the culture of the auditing firm count as AQIs in Saudi Arabia. Previous studies have highlighted the relationship between the size of the audit firm and AQ, and that audit firm size is one of the most important AQIs (Francis, 2009; Choi, 2010; Lawrence, 2011; Sawan, 2014; DeFond, 2017). Most studies that examine audit firms divide auditing firms into two groups: the Big Four firms (KPMG,

Deloitte, PwC, and EY), and non-Big Four firms (all the rest). Many studies carried out in the Western world note the relationship between audit firm size and AQIs (Geiger et al., 2006; Francis et al., 2009 and 2012). Further, a study by Sawan et al. (2014) based in Libya, finds that the size of the audit firm is positively correlated with AQ although the study did not give a definition of AQ. The study finds that the Big Four firms provide AQ that is better to that provided by local firms. The Big Four audit firms are perceived as providing quality auditing because of their capabilities, use of technology, their culture, their uniform structure, and because they have offices in all continents of the world (Sawan et al., 2013).

A study based in Jordan by Al-Thuneibat et al. (2011) finds a relationship between audit firm size and audit firm culture in terms of its influence on AQ. In Jordan, the Big Four audit firms have long relationships with major Jordanian companies, and have gained prestige and a good reputation, and have offered local firms a Western face. The Big Four firms are positively rated for trust, healthy practices, having a famous name and prestige. Sian et al. (2020) finds that the Big Four firms in Saudi Arabia adopt a different audit firm culture from that associated with local audit firms. The culture of the Big Four firms in Saudi Arabia promotes diversity, and adopts some Western norms and values. For example, in light of Saudi Arabia hosting the Group of 20 countries, KPMG announced a programme to support women's empowerment by appointing the first Saudi woman as a partner KPMG KSA (KPMG, 2020).

Further, a significant amount of research finds that the Big Four audit firms provide AQ (DeFond, 2017). However, Vanstraelen (2006) argues that due to differences in audit environments between Western and developing countries, the quality of Big Four audit firms varies from country to country. A study by Alsalloum, (2015) finds that audit firm culture in Saudi Arabia is different from that which exists in Western audit firms (the Big Four). The same study finds that Saudi firms have separate workplaces for males and females, and that this works to restrict the allocation of tasks according to social customs and traditions, as well as causing some issues when communicating with audit clients. As mentioned earlier, the auditor is responsible for the quality of the audit, and the culture of the firm (according to local culture) affects the auditor's behaviour, and, thus, the quality of the audit. Alsalloum (2015) notes that Big Four firms are least affected by local culture, because they are Western entities, and their office culture differs from office culture in Saudi Arabia.

Responses from the semi-structured interviews undertaken for the current study revealed the following: that the Big Four firms are able to communicate with experts from developed Western countries; that auditors in the Big Four firms hold international qualifications; that Big Four auditors

speak English; and that Big Four auditors understand the new international standards IFRS/ISA. The current study shows that this situation has caused inequality between the Big Four auditing firms and local Saudi auditing firms. This is in line with many studies that deal with post-colonial societies such as, Aburous (2016 and 2022), Maria (2016) Trabelsi (2016). Annisette et al. (2013) Hauthal and Toivanen, (2021) Karampinis and Hevas, (2011). Moreover, this is in spite of many auditors existing in the Saudi market who possess the above-mentioned characteristics, including those who do not work for Big Four auditing firms, but instead for firms that bear their own names.

Carruthers (1995) suggests with some justification that the primary goals of Saudi organisations are to improve efficiency and to gain legitimacy in the eyes of internal, but more external stakeholders. Many participants in the current study mentioned the confidence of foreign investors in the Big Four firms, rather than in local firms. This process was seen to be shaped by cultural and political factors, and ideas about power, rather than the principles efficiency alone (bad audit or good audit). The hegemony of the Big Four may exist in a Western country, but its hegemony in a developing country like Saudi Arabia comes from a different cultural perspective, which is explored in this study.

Johnson (1972) and Gary (1998) explore the relationship of the Big Four audit firms to post-colonial developing countries. In this dynamic, a Western culture, modernity, prestige, reputation, a good image, advanced technology, and good preparation, are elements associated with the Big Four auditing firms. Further, Massad (2011) suggests that the local 'elite' often perceive the accounting profession from a Western eye. Most of the participants in the current study spoke with admiration and conviction about the Big Four auditing firms, looking on them positively. This was in spite of recent financial scandals in some Saudi Arabian firms that had been audited by the Big Four (Mobily and Al Moajil, for example). These scandals were mentioned by a number of participants, including Participants 28, 5 and 30, and one participant said that, "the Big Four are still the Big Four". In spite of these financial scandals, perceptions of the Big Four were still positive among the participants. However, Massad (1991) notes that just because the Big Four firms are perceived as 'modern' and 'superior', and as able to satisfy foreign investors, this does not mean that local firms are, in reality, 'traditional', 'weak', and 'difficult to trust'. This is in line with the findings of the current study, where the trust of the Big Four firms exists no matter what are the results of the audit are.

8.4 Western Standards for Auditing in Saudi Arabia: Shaping a General Perception of AQ

The third research question posed aimed to understand how Western applications of auditing have shaped general perceptions of AQ in Saudi Arabia, specifically after the adoption of the international standards IFRS/ISA. IFRS and ISA have influenced the participants' general perceptions of AQ at an

auditor level (the audit provider), at an organisational level (the regulator), and within Saudi listed companies (the clients). International standards have also influenced interactions between local practitioners and Western perceptions of AQ.

The findings of the current study highlight three main groups that have been affected by the spread of Western practices in auditing in Saudi Arabia. The first is regulators, the second is customers (listed companies), and the third group is auditing firms and auditors. A study by Houghton et al. (2019) suggests that culture can affect how AQ is viewed. Auditing systems worldwide have become more westernised as a result of the adoption of international standards like IFRS/ISA. DeFond and Zhang (2014) note the spread of the IFRS/ISA approach in accounting and auditing worldwide. According to the IFRS, the number of countries that have adopted unified standards is 167 countries worldwide, out of which 144 have fully adopted the standards. The current study reveals that Saudi Arabia's accession to the G20 was a major reason for adopting the international standards IFRS/ISA in Saudi Arabia.

Previous studies have shed light on the impact of Western accounting and auditing practices in developing countries, and how the influence of Western practices has spread in spite of differences in social composition, and the cultural and historical backgrounds of developed and developing countries (Baydoun et al., 1995; Askary, 2006; Baker et al., 2007; Poullaos et al., 2012; Zakari, 2012; Hopper et al., 2017; Nyamori et al., 2017). This has had implications at an organisational level, at auditor level, and at a company level (the clients).

The Big Four audit firms have played a major and pivotal role in introducing accounting/auditing regulations globally, specifically through their influence on the International Accounting Standards Board (ISAB), which issues IFRS standards. The headquarters of the Big Four are based mostly in Anglo-American countries, and regulations are adopted in line with Western financial culture (Botzem et al., 2009; Botzem, 2014; Boussebaa, 2015). This is essential if Western companies want to enter emerging markets in developing countries (Bakry, 2008; Boussebaa, 2015). Studies by Poullaos and Uche (2012) and Evans (2010) highlight how introducing IFRS/ISAs into developing countries, especially into post-colonial countries, can help improve financial reporting, attract foreign investment, and promote economic growth. These views were shared by the participants in the current study. Other studies suggest that this process is a continuation of colonialism, power, and cultural influence, in different way (Poullaos and Uche 2012; Yapa, 2022).

8.4.1 Implications at the Organisational Level: Mismanagement

The participants in the current study named three main players who regulate auditing in Saudi Arabia, namely, SOCPA, the CMA, and SAMA. Each seeks to enact laws, legislation, and regulations with the aim of reaching AQ. SOCPA undertakes the following activities; it organises the auditing profession in Saudi Arabia; it issues standards for auditing and accounting (it translates IFRS and ISA); it conducts the tests required to obtain a professional certification; and it grants licenses to practice the profession. The CMA issues a list of auditing firms that listed companies are allowed to engage with as external auditors. SAMA's work overlaps with that of the CMA regarding enacting new requirements for auditors, appointing joint auditors, and working with Big Four firms. The responses given in the current study confirmed that the application of the international standards IFRS/ISA has impacted all three aforementioned organisations. This has led to mismanagement in regulating the profession in Saudi Arabia. For example, the findings of this study revealed that in Saudi Arabia, the engagement with local auditors is limited (as are the choices for listed companies when choosing their auditor) to the 14 audit firms included on the CMA's list. Some of the participants in the current study spoke of their dissatisfaction with these limitations, but offered justification for the situation by comparing it with what happens in the United States and in other developed countries.

In the case of the USA, audit firms are required to register with SEC (the Securities and Exchange Commission) if they want to audit public companies. The registration process involves submitting the Form AP to SEC, and auditors are required to comply with SEC's independence rules. However, it is important to note that SEC does not directly oversee auditors (as is the case with the CMA in Saudi Arabia). Instead, the PCAOB, a non-profit corporation established by the Sarbanes-Oxley Act of 2002, is responsible for overseeing the audits of public companies and the registration and inspection of audit firms who work with public companies. In addition, external auditors do not need to register with SEC, but they must register with PCAOB to audit public companies. Banks have to follow different rules when working with external auditors, and are overseen by various regulatory bodies, such as the Federal Reserve, FDIC, and OCC; each has its own specific auditing rules (as is the case with SAMA). For instance, banks must appoint an independent auditor who is registered with PCAOB, and the audit must follow generally accepted auditing standards (GAAS). Additionally, FDIC mandates that banks must have their financial statements audited using generally accepted accounting principles (GAAP), and that guidelines issued by the Federal Financial Institutions Examination Council (FFIEC) should be followed.

Certain professional relationships between different entities may be specific to the United States, because of the different nature of the development and origin of the profession in the United States and Saudi Arabia. However, in Saudi Arabia, SAMA, CMA and SOCPA tried to copy the USA regulatory system of the profession which is explained above, which has led to mismanagement and the overlapping of tasks, where each of the above-named regulators set a separate guidelines and regulations for auditors. Further, the application of Western accounting systems often fails to serve local Saudi economies. Overall, these standards often fail to succeed in developing countries because of cultural and organisational differences (Beydoun et al., 1995). For example, the understanding of AQ among the participants and how this was linked to international standards does not seem to reflect an actual understanding of the international standards themselves. In addition, the application of Anglo-Saxon accounting systems in countries that are culturally diverse can lead to challenges at the cultural, economic, and organisational levels; in the local context, inequity and can work to increase complexities (Trabelsi, 2016). In simple terms, the purpose of global accounting today is to bring together basic concepts that apply to all countries. The World Bank believes that the bodies responsible for creating international standards should seek to make systems comparable (IFRS, 2017) while still recognising the importance of cultural differences. In this respect, developing countries, such as Saudi Arabia, are encouraged to address various factors to ensure their integration into the global economy, including in their national accounting systems. Nevertheless, perceptions of global standards and AQ, have caused overlaps and mismanagement within the three regulators in Saudi Arabia, namely SOCPA, the CMA, and SAMA.

Accounting provides structure to society and to businesses, but national accounting systems, including local regulations and accountancy practices, often differ between countries due to cultural differences (Trabelsi, 2016). A study by Daske et al. (2007) argues that although efforts have been made to merge cultures, differences persist between countries regarding their accounting practices. Daske et al. (2007) refers to these differences as cultural accounting differences. Thus, trying to align the Saudi context with the US context may not lead to positive results because of the existence of cultural, historical, social, and religious differences between these countries, which are reflected in accounting systems (Askary et al., 2008). In the current study, perceptions about AQ and international standards as a facet of Western auditing practices in Saudi Arabia have led to regulations and guidelines being drawn up by various parties such as SOCPA, CMA, and also SAMA. This has been done out of a keenness to achieve the highest possible AQ, which has made the matter even more complicated.

8.4.1.1 Regulating the Profession and Independence

The findings of the current study reveal that a large number of SOCPA committee members are also Big Four auditors. The current study finds a large presence of auditors from the Big Four audit firms working on the technical committees of SOCPA in Saudi Arabia. This phenomenon relates to the general perception of the quality of auditing, which is linked to the auditor, specifically, auditors from the Big Four auditing firms. This finding is in line with a study undertaken by Malsch and Gendron (2011) which reviews the role of independent regulators, the reasons for appointing independent auditors, and the role of independent regulators to regulate the profession. The same study conducts an experimental analysis which reveals that a kind of loyalty exists between the auditors of the major auditing firms and legislators. This relationship significantly affects the supervisory and regulatory role of oversight bodies. Being an auditor while also working at SOCPA, can present challenges to independence and raise concerns about potential conflicts of interest. Such a role places auditors in a position where they may be inclined to advocate for their own agendas, potentially compromising their impartiality and objectivity in overseeing and regulating the auditing profession. Moreover, when those involved in setting auditing standards are the same people responsible for auditing, this might create a situation where the AQ already linked to international standards is at risk. This is because the people shaping the rules may inadvertently prioritise their interests or those of their firms, potentially undermining the integrity and effectiveness of the standards.

In these circumstances, some local auditors have claimed that a conflict of interests exists, because the independence of the auditor is not reflected. Further, this points to the existence of an ‘elite’ group which regulates the profession according to the group’s perceptions. Moore et al. (2006) concludes that the occurrence of conflicts of interest in the audit industry is one of its main shortcomings, and this situation challenges ideas about auditor independence and AQ, and increases fears of audit failures (Sikka, 1997).

8.4.2 Implications for Auditors

The participants who took part in the current study noted how the application of Western standards in local accounting in Saudi Arabia has led to the dominance of Big Four firms auditing listed companies. All guidelines and requirements issued by the regulatory authorities of the Saudi stock market, such as CMA and SAMA, are in favour of the heavy involvement of the four big international auditing firms. According to CMA, there are 14 firms authorised to audit listed companies in Saudi Arabia, and this number already offers only a limited choice for companies looking for auditors. Further, SAMA requires joint auditing for financial companies and banks in Saudi Arabia. Nurunnabi (2018) suggests

that the adoption of IFRS international standards works in favour of the Big Four firms, because these standards raise the bar of approved qualifications for accountants, and highlight the lack of sufficient familiarity with international standards among local audit offices. This situation is compounded by the fact that Saudi universities have not yet updated their accounting programmes to comply with international standards. Participant 31 stated the following:

“Do you know that some locals do not have an audit certificate? Some have very old ones, and some obtained licenses to practise the profession of accountancy before certificates and regulations for the profession came into force”.

This is what Annisette et al. (2013) refers to as the inequality between professionals in the same field; in the example shown above there is inequality between local and elite auditors in Saudi Arabia. One of the participants, an external auditor and the owner of a local audit firm, said, “They [businesses] only trust the Big Four firms or ex-Big Four auditors, or those that have a world-famous name, and, on their terms, they widen the gap between firms”.

The reason why in Saudi Arabia, companies listed on the Tadawul and Nomu stock markets have limited options for selecting auditors, is because of the regulatory requirements imposed by the CMA and SAMA. The CMA mandates that auditing companies are chosen from a predetermined list of 14, and SAMA requires financial institutions, such as banks, to appoint joint auditors. As a result, the Big Four auditing firms dominate the market. In addition, the findings confirmed that all financial companies, including banks and insurance firms, were audited exclusively by Big Four auditing firms. In this respect, one participant from the BoDs group commented as follows:

“All the existing requirements are applied only to the Big Four firms... and I cannot hide from you, these firms know what you are doing and give you everything you ask for and what the legislator asks for without creating problems or negligence in the work required of them”.

This participant expressed an understanding of the need to contract with the Big Four auditing firms and legislators (because of regulations). Furthermore, such engagement provided the listed companies access to get the work done and get what the listed companies want. This high level of trust in the Big Four firms has given them the opportunity to monopolise the audit market in its current form. An interesting point spoken about which might bring the concept of independence into question is that the Big Four firms “*gave you everything you ask and what the legislator asks for without creating problems.*” However, this participant may have been intending to describe the level of trust and satisfaction with the work presented by the Big Four firms.

Aburous (2016) argues that cultural capital, which includes knowledge, skills, and attitudes that are valued by the dominant group, can be used as a source of power and privilege within the field of accounting. Aburous (2016) notes that not only cultural capital, but also ‘habitus’, plays an important role in shaping auditing practices and reproducing inequalities in most postcolonial societies. IFRS/ISAs standards have been developed in Western countries and are based on their cultural and institutional frameworks. This might mean that certain standards and practices may not be entirely appropriate or applicable in some countries, because they do not take into account the cultural and institutional specificities of the local context. In this respect, one participant commented as follows, “They [auditors in Big Four firms] understand international standards, and those capable of doing so are mainly the Big Four”. In this respect, the current study noted two classifications of auditors in the Saudi market, namely, an elite group which is associated with the Big Four firms, and locals. This situation might have occurred due to the influence and power international standards have brought into local practices, and the influence of an elite group which supports such classifications (Oakes et al., 1998; Nobes, 2013; Annisette and Trivedi, 2013).

8.4.3 Implications for Saudi Listed Companies (Clients)

In the current study, the participants noted that the Big Four firms increased their fees when companies had previously opted to use non-Big Four audit firms even if the audit firm is a firm from the CMA list. Consequently, listed companies prefer to select one of the Big Four auditors to avoid the audit fees increases, potential regulatory issues, to gain the trust of foreign investors, and to enhance global legitimacy and acceptance, which was perceived to be associated with AQ. Participant 8 stated the following:

“At the end of the day, I am forced to engage with the Big Four firms in order to meet requirements and follow the regulations, and, from my experience in the field, we used to choose two from the Big Four firms to avoid any cause of a headache. Because, if I try to choose a firm [for the joint audit] outside of the Big Four, the fees would be very high, because the Big Four do not accept to work jointly with a firm other than the Big Four”.

In many developed countries, such as in the United States and the United Kingdom, the Big Four firms audit over 84% of listed companies (Audit Analysis, 2021). Further, Beisland (2018) finds that companies in developing countries seek to contract with a Big Four auditor to facilitate access to international trade and finance, and to gain local and international government support. Moreover, according to Addams and Allred (2002), the selection process used by firms to choose auditors is significantly influenced by connections/relationships between key individuals at an audit firm and the

key decision makers within the company being audited, and, in this scenario, culture is seen to play an important role. Muniandy and Ali (2012) suggest that adopting IFRS/ISA 'high quality standards' is crucial for establishing the trust of stakeholders and potential investors. In addition, a quantitative study by Nurunnabi et al. (2020) finds that the shift from Saudi GAAP standards to the international standards IFRS/ISA, has worked to increase audit fees, particularly when a Big Four firm is used. Listed companies have been forced to pay the cost, because of the perception that an association with a Big Four firm works to increase cross-border investment opportunities, and that this relationship works to attract investors. A study by Nurunnabi et al. (2020) explains that because of perceptions about the quality of auditing and adopting international standards, listed companies have faced increased costs, which is in line with the findings of the current study. The findings of the current study also indicated that listed companies pay according to type of costs, the imposed cost and the investment costs. Perceptions about AQ were also shown to be influenced by guidelines issued by legislators, and a company's desire for legitimacy, and the need to build confidence with foreign investors. The findings of the current study indicated that companies listed in the Nomu parallel market which are looking to gain a listing on the main market, Tadawul tend to contract with one of the Big Four, which gives them confidence and legitimacy in their application to the CMA.

The aforementioned reasons are among those that have increased engagement between Saudi companies listed on the Tadawul and Nomu markets and Big Four firms. This means that many Saudi firms now ignore local auditors. Perceptions and guidelines work to link ideas about AQ to the application of IFRS/ISAs, which are perceived to be only fully understood and mastered by the Big Four auditing firms. However, previous research finds differences in the quality of auditing offered by Big Four firms in different countries, and the same studies argue that using a Big Four firm does not necessarily advance the AQ in developing countries (Francis and Wang, 2008; Khurana and Raman, 2004; Beisland et al., 2018). Further, Johnson (1972) identifies the concept of the postcolonial profession as including appearances and behaviour as important dimensions. In this respect, a study of auditing behaviour in Jordan (which has cultural and geographical similarities to Saudi Arabia) by Aburous and Kamla (2021) supports the theories of Johnson (1972). In Saudi Arabia, distinctions are made between Big Four auditors and local auditors, based on perceptual associations and appearances.

Many Saudi listed companies nurture interests consistent with the interests of the Big Four auditing firms in order to obtain legitimacy and acceptance by a foreign investor (Judge, 2010; Maroun, 2014). The participants in the current study noted keenness among Saudi listed companies to impress a foreign investor, and to build foreign investor confidence in a company's financial statements. Among these

Saudi firms, there is a perception that AQ is closely related to the international standards that the foreign investor wishes to apply. This trend might have emerged due to the influence of Saudi Arabia's Vision 2030, which aims to increase the rate of foreign direct investment contributions into Saudi GDP by 5%. Previously, in 2015, the CMA announced that foreign investors would be allowed to invest in the Saudi market, and launched the 'Qualified Foreign Investor' programme, which aims to facilitate foreign investment in the Saudi stock market. This project is supervised by Tadawul.

Taira (1980) argues that, "Foreign direct investment means the planting in one country of a package of capital, technology, and management by a company based in another country." Taira (1980) suggests that foreign investment in developing countries controls the markets and the identities of the companies that take part in it, and, therefore, culturally affects the values and norms of the developing country. This may not necessarily be the case in Saudi Arabia, because the Saudi Government plays an important role in market movement and regulation. In this context, Al Khathlan (2014) suggests there is no clear role for foreign investment in Saudi Arabia as yet. However, Al Khathlan's 2014 study was published before the announcement of the Saudi vision 2030 and before the adoption of the international standards IFRS/ISA. Further, criteria alone are not sufficient to attract investment, since foreign investors often want to change the entire environment in a way that suits them (Juma, 2021).

The participants in the current study, specifically the BoDs, paid special attention to justifying the importance of the international standards IFRS/ISA for attracting foreign investors. A study by Quinn published in 2006 concludes that the financial statements issued by developing countries and their auditors are not reliable, and that foreign investments and multi-national companies do not trust anything from outside a developed country. Carruthers (1995) suggests that organisations engage in a justification process to make themselves appear more legitimate. This process is not only about efficiency, but also involves cultural and political factors that influence power dynamics and legitimacy inside of and outside of the organisation. More critical studies on this topic would be valuable to gain a more comprehensive assessment.

8.5 The Interaction of Local Practitioners with Western Perceptions of AQ

In spite of an awareness among the participants of the implications of international standards and their impact on perceptions of AQ, some loyalty to local practices, and a steadfast resistance to current trends emerged from the participants' answers. This was because of local culture and religious background. Most of the participants said that the auditor's religious background and gender played a role in perceptions about AQ.

8.5.1 The Auditor's Religious Background

Many participants noted the importance of the auditor's religious background as a factor relating to AQ. For example, some mentioned the 'Fear of God', while others described attaining perfection by citing the hadiths of the Prophet and Quranic verses. These attitudes derive from the religious and cultural background of the participants, and do not derive from the culture of international standards. For the participants, the Islamic religion permeates their lives, because it is the official religion in Saudi Arabia, and it forms the basis of all legal and social systems. Indeed, many quantitative studies note a relationship between AQ and the culture and ethics of auditors and clients (Svanberg and Öhman, 2013; Albeksh, 2016; Nasrabadi et al., 2015; Anis Chariri, 2017; Marsudi, 2020). The IFRS/ISA international standards derive their ethical values from capitalist societies (Youssef et al., 2015), and these values differ from those of Islamic societies, such as Saudi Arabia, in particular. These differences are classed as among the biggest challenges for the dissemination of capitalist globalisation (Nehme, 1994; Adas, 2006; ICAEW, 2010). For example, ICAEW (2023) noted that Shah (2023) in his book titled *"Inclusive and Sustainable Finance"* argues that there is a need to re-examine tradition, personal culture, and beliefs as the guiding principles for an inclusive and sustainable audit profession, which Western international standards do not pay attention to. This may not fit in the Saudi context, where Islam is the official religion of Saudi Arabia. In addition, the Saudi people are considered to be conservative and committed to religious teachings, and international standards may conflict with some financial transactions such as usury. It may be an opportunity for regulators to reconsider these aspects, but the more complex question may come back to what religious teachings can be considered good for everyone in the world considering the differences and complexities of different religions and cultures.

8.5.2 The Gender of the Auditor

The auditing profession in Saudi Arabia is male dominated. Indeed, the researcher found it difficult to reach female auditors, because of the small number employed in the profession. Alsalloom (2015) notes the male dominance of the auditing profession in Saudi Arabia. Further, the participant's responses revealed differences of opinion about female auditors, who are relatively new to the profession in Saudi Arabia because of prevailing cultural norms. Some male participants preferred female auditors to male auditors, in spite of, they suggested, their lack of experience. This may be because of the desire to prove that society has become more open, modern, and closer to Western culture. However, others felt that female auditors were not on the same footing as male auditors, and cited the demands of the profession, and the traditional role of women in Saudi society, as reasons for this.

Previous studies have explored women's entry into the accounting and auditing profession and the obstacles they face, but most of these studies originate from developed Western countries (Anderson Gough et al., 2005; Haynes et al., 2012). In this respect, Komori (2008) and Kamla (2012) note the importance of filling research gaps by studying female accounting employment trends in different countries and cultures. In Saudi Arabia, the role of women differs greatly from the role of women in Western countries (Al Alhareth et al., 2015). The role of women in Saudi Arabia also differs from the role of women in other Arab and Muslim countries, because Saudi Arabia has never been directly subject to colonialism (Al-Munajjid, 2010). According to the Saudi Organisation of Certified Public Accountants, the percentage of women in the auditing profession in Saudi Arabia does not exceed 2% of the total number of SOCPA membership holders. Alsalloom (2015) suggests that religious, cultural and social practices are the cause of this low number.

Some participants in the current study did not believe that women auditors could provide quality auditing because of their lack of knowledge and experience, the personality of women themselves, the role of women in society, the demands of auditing tasks, and the inadequacy of the current business environment for women from a client's point of view. Some participants said that Saudi clients might still feel that women lack the essential skills for auditing tasks. Indeed, views such as these have meant that women have routinely been refused the chance to engage in auditing, accounting, and tax work in the past (Lehman, 1992). Saudi women are subject to cultural restrictions that prioritise the financial contribution of men more, not just because men are seen as being the more capable workers, but because women are expected to contribute less because of societal norms.

The participants' views varied between those who were doubtful of the AQ carried out by women auditors, and those who supported the changes taking place in Saudi Arabia, including the efforts being made to empower women in the Saudi labour market as part of the Saudi Vision 2030. Some participants said that women are more capable than men in the delivery of quality audits, but this attitude might have had more to do with a desire to support and promote women's participation in the field, and the Saudi Vision 2030, rather than having real-world experience of women working in the field.

Alsalloom (2015) finds that the Big Four firms have taken a lead in integrating and introducing women into the profession in Saudi Arabia. This highlights the influence of the Big Four auditing firms in developing countries and implies that the local context is still resistive to novel ideas that do not comport with pre-existing assumptions. Big Four firms frequently advocate for a standardised

worldwide approach that might not always be compatible with the cultural and environmental circumstances of the nations in which they conduct business.

8.6 Conclusion

This chapter has presented a discussion of the key findings of the current research. It has aimed to understand perceptions about AQ offered by the Saudi participants who took part in the research, namely those serving on BoDs of firms listed on the Tadawul and Nomu markets, external auditors, and members of the Performance Quality Control Committee of SOCPA. The discussion explored views about AQIs in Saudi Arabia in relation to the role of Western auditing practices, and how these practices have shaped the perceptions of the participants. The discussion also referred to previous research in the field, the data collected from the semi-structured interviews and questionnaires that formed part of the current research, as well as post-colonial theory, and the Saudi Arabian context.

The next chapter is the conclusion chapter which will provide a summary of the research findings, and it will review the practical implications, recommendations, and limitations of the study. The summary chapter will aim to provide a comprehensive understanding of the significance of the current research, and answer the questions posed in the research. It will also outline implications for the auditing profession in Saudi Arabia.

Chapter 9: Conclusion

9.1 Introduction

The final chapter of this thesis will review the main findings of the research and answer the research questions in summary form. It will also highlight the contribution of the research and its limitations. Finally, recommendations will be made for further study.

9.2 The Main Findings

9.2.1 Research Question R1: How do BoDs, external auditors, and PPQRC members define AQ?

The first question aimed to understand the definition of AQ from the point of view of three main stakeholders in the auditing process in Saudi Arabia, namely: external auditors; members serving on the boards of directors of Saudi listed companies (Tadawul and Nomu) (BoDs), and members of the Professional Quality Control Committee of SOCPA (PPQRC). The findings of the study revealed the difficulties of defining the concept of AQ, mainly because of different views held about AQ among the stakeholders. This finding corroborates earlier research by Francis (2004), Knechel et al. (2013), Hosseiniakani et al. (2014), Octavia et al. (2015), IAASB (2013), Vaicekauskas (2014), and Knechel et al. (2016). However, in Saudi Arabia this might be because the main accountancy legislator (SOCPA) does not provide a definition of AQ that reflects its important legislative status. Indeed, SOCPA translates international standards from their mother tongue, English, into Arabic, and then adopts and applies these standards to the Saudi market.

The findings of the current study isolate the focus of perceptions about AQ among the three parties. Previous studies refer to this as outputs (Venkataraman, 2008; Quadackers et al., 2014; Gimbar et al., 2016; Brasel et al., 2016). Most of the participants referred to AQ as “assurance” or “the highest degree of assurance” that the auditor gives to the stakeholders. In addition, focus was placed on the role of the auditor in terms of audit responsibility. Many perceived AQ as the responsibility of auditors, as the persons performing the audit tasks and the contractual obligations. This could be because of the weak role played by audit committees in Saudi companies. This finding is noted in previous studies, including in Aldosari et al. (2021). Further, significant trust was shown to be placed in the Big Four auditing firms among all participants who took part in the current study.

The findings of the current study revealed a direct and close link between the application of international standards in accounting and auditing, namely IFRS/ISAs (which were fully adopted in Saudi Arabia in 2018) and AQ. The participants who took part in the study linked their definitions and

perceptions of AQ to the application of international standards, which they often referred to as the main guarantor of AQ. The current study noted a direct link between perceptions of the definition of AQ and the adoption of international standards among all three main research participant groups. Indeed, the participants criticised the old Saudi accounting and auditing standards (Saudi GAAP), stating that these had not been updated and developed for many years.

The second main reason cited by the participants for the acceptance of international standards was the desire to keep pace with developed countries. Via the vehicle of the Saudi Vision 2030, Saudi Arabia is currently seeking to keep pace with developed countries. The reasons for this are to attract more foreign investment, to diversify sources of income, and to achieve the goals of the Saudi Vision 2030. The third main reason for accepting international audit standards focused on the accepted reality that the global accounting and auditing profession is dominated by Western accounting practices, standards and firms, and that there is no other option for developing countries but to adopt international standards in accounting and auditing.

9.2.2 Research Question R2: What are Audit Quality Indicators?

The second main research question aimed to explore AQIs from the point of view of three main stakeholders in the auditing profession in Saudi Arabia, namely: external auditors; members of the boards of directors of listed companies (Tadawul and Nomu) (BoDs); and members of the PPQRC of SOCPA. Before discussing the findings relating to AQIs, it is important to mention that this study revealed that AQIs are affected by perceptions and definitions of AQ (see 9.2.1 above). The indicators of AQ as stated by the participants related to the auditor and the auditing firm.

The education, training and professional experience of the auditor, and the professional scepticism exercised by the auditor, were shown to be the most important indicators of AQ among the research participants. In previous studies such as Mansouri (2009), Gul et al. (2013) and Brown et al. (2016), this is often referred to as auditor competence. The findings of the current study revealed a preference for Western international education, training, and experience, specifically that undertaken in developed Western countries, such as in the United States and in the United Kingdom, over local equivalents. For example, a professional certificate gained by an auditor in a Western country is preferred by Saudi Arabian employers over local equivalents. In this respect, it can be argued that colonialism and imperialism have shaped global power dynamics, and have influenced the flow of knowledge, resources, and prestige between countries, between the centre (the West) and the periphery (the rest of the world).

Two other main indicators of AQ as stated by the participants were: the size of the auditing firm, and the culture of the auditing firm. The study participants felt that the Big Four major auditing firms provided better AQ than local auditing firms, for the following main reasons: the global reputation of the Big Four; the ability of the Big Four to communicate with international experts in developed Western countries; the Big Four's understanding of international standards; the certificates and qualifications held by Big Four auditors; and the ability of Big Four auditors to speak English as an important requirement in the era of globalisation. The findings also revealed that these perceptions created an inequality between the Big Four and local auditing firms in Saudi Arabia.

The findings of this current study revealed the culture of the audit firm to be a main indicator of AQ as stated by the research participants. The participants who took part in this study noted that the culture adopted in Big four auditing firms differed from that adopted in local auditing firms. It was noted that the Big Four firms had a Western office culture, which was different from that prevalent in local Saudi firms. This helped to create the sense of an "elite" group in the accounting profession from a Western eye. The study also revealed that in spite of the Big Four auditing firms having been involved in recent major accounting scandals in Saudi Arabia, perceptions of the Big Four among the participants remained positive. Although some Big Four auditing firms had been placed under sanctions, these firms were still seen as providing the best quality auditing services based on their size and culture.

9.2.3 Research Question R3: How are Western applications of auditing implicated in shaping general perceptions of AQ?

The third main research question aimed to understand the implications of adopting Western auditing standards in Saudi Arabia in terms of shaping perceptions of AQ, specifically, after Saudi Arabia adopted the IFRS/ISAs. The findings revealed three levels of implications, namely, those concerning the external auditor, those concerning the regulator, and those at an organisational level in listed companies (on Tadawul and Nomu), the audit clients.

The current study revealed that the introduction of Western international standards in Saudi Arabia has led to the dominance of the Big Four major auditing firms over local auditing firms in the Saudi market. There are only 14 auditing firms licensed to audit listed companies in Saudi Arabia, and this number offers only a limited choice for companies looking for auditors. Further, SAMA requires the joint audit of financial companies and banks in Saudi Arabia. This dominance of only 14 companies has led to inequality in opportunities for auditors, especially local audit firms competing against the Big Four. This is because of public and professional perceptions about AQ which are usually linked to the application of Western international standards in Saudi Arabia. The participants justified their positive

views of the Big Four by stating that auditors working in the Big Four companies have a greater understanding and knowledge of the international standards IFRS/ISAs, over auditors working in local auditing firms. Further, in the current study, the participants identified two classifications of auditors in the Saudi market, namely, an elite group associated with the Big Four firms, and locals. This situation might have occurred due to the influence and power that international standards have brought into local accountancy practices, and the influence of an elite global group which supports such classifications.

The participants in the current study revealed that high audit fees are charged by the Big Four audit firms, but that listed companies in Saudi Arabia still prefer to select one of the Big Four auditors and pay these fees. This decision is often made to avoid potential regulatory issues, to gain the trust of foreign investors, and to enhance legitimacy and acceptance, all of which were perceived to be associated with AQ. In this respect, perceptions of AQ are linked to the application of the IFRS/ISA standards, which were perceived to be fully understood and mastered only by the Big Four auditing firms. The findings of the study also noted keenness among Saudi listed companies to impress a foreign investor, and to build foreign investor confidence in a company's financial statements. Among these Saudi firms, there is a perception that AQ is closely linked to the international standards that the foreign investor wishes to apply.

The findings revealed mismanagement in regulating the profession between SOCPA, the CMA, and SAMA. SOCPA issues licenses for the auditing profession, and it authorises the work of auditing firms, while the CMA issues a list of licensed auditing firms that can audit listed companies. This CMA certified list includes 14 audit firms, led by the Big Four. In addition, SAMA issues instructions that oblige financial companies listed on Tadawul and Nomu to jointly audit. These rules often lead to mismanagement in regulating the profession between SOCPA, CMA, and SAMA, especially in the drive to pursue AQ after adopting the international standards IFRS/ISA.

The participants drew attention to the interaction of local practitioners with Western auditing standards and applications in the local environment. As noted in previous chapters, the importance of the auditor's religious background is perceived as a factor relating to AQ in Saudi Arabia. The findings of the current study revealed that the Islamic religion plays a part in organising the work environment in Saudi Arabia, which differs from that adopted in Western societies. In this respect, the findings of the current study revealed the male dominance of the auditing profession in Saudi Arabia. However, the adoption of international standards and the goals of the Saudi Vision 2030 have enhanced the empowerment of women and their participation in the auditing profession in Saudi Arabia. This

interaction between the dominance of men in the auditing profession and the empowerment of women, has led to differences of opinion about the quality of auditing provided by women, as revealed in the answers given during the semi-structured interviews.

9.3 The Contributions of the Research

This research has made contributions in its academic field on four main levels: on a theoretical level; on a methodological level; on an empirical level; and on a practical level.

9.3.1 Theoretical Contributions

On a theoretical level, this thesis has made progress towards filling a knowledge gap about AQ and how it is viewed from another part of the world. It has used the lens of postcolonial theory to understand the perceptions of three key players in the Saudi Arabian auditing profession, in relation to AQ and AQIs. These three players are: external auditors, members of the BoDs of companies listed on the Tadawul and Nomu stock markets; and members of the PPQRC of SOCPA. The research has also contributed towards exploring AQIs in the Saudi context. In addition, it has explored the involvement of Western auditing practices in forming perceptions about AQ and AQIs, mainly via the application of international standards in accounting and auditing in Saudi Arabia. According to the researcher's best knowledge, this study is the first of its kind which tries to understand AQ and AQIs in the Saudi context, using a mixed methods approach and a postcolonial theory lens.

The use of postcolonial theory adds another dimension to research in the field of AQ and AQIs in non-Western contexts. Many studies about AQ and AQIs have originated from developed countries, more specifically from the United States and the United Kingdom. The current study chooses to focus on Saudi Arabia as an emerging economy. Saudi Arabia has different cultural, social, political, organisational, and legal norms than countries in the Western world.

The current study has looked at the viewpoints of three main parties involved in the auditing profession in Saudi Arabia, namely: external auditors, members of BoDs of companies listed on the Tadawul and Nomu stock markets, as well as members of the PPQRC of SOCPA. This has offered a comprehensive understanding of AQ and AQIs from a Saudi perspective, and the involvement of Western accounting in shaping perceptions. According to the researcher's best knowledge, these three points of view have never been combined in any one study of AQ and AQIs in relation to perceptions of Western auditing practices in a developing country, and in Saudi Arabia in particular.

The use of the postcolonial lens to frame the Saudi context has revealed the presence of a Western axis of globalisation, which affects the accounting and auditing profession in Saudi Arabia. This is done by

engineering the full adoption of international standards. Using postcolonial theory has helped the researcher comprehend the lasting effects of neo-colonialism in the Saudi context. It has also helped the researcher understand the resistance, assimilation, and intersection of local auditing practices and perceptions with external influences, and the dominance of Western accounting practices. Postcolonial theory helped to shape a framework which was used to critically explore local practices in auditing, especially in relation to AQ and AQIs, and the impact of the Vision 2030 initiative in Saudi Arabia. This approach was able to offer a comprehensive understanding of the nature of the profession locally and show how Saudi Arabia is changing in light of the Saudi Vision 2030. The Vision 2030 is often wrongly seen as making Saudi Arabia more compatible with Western ideals. Its main goals are to diversify the Saudi economy, strengthen national identity, and rely on Saudi power to build the country's future.

9.3.2 Methodological Contributions

Many previous studies in the field have studied AQ and AQIs using the quantitative method, such as those by Knechel et al. (2013), DeFond and Zhang (2014), Christensen et al. (2016), and Knechel et al. (2016). This current study has answered the call of others for more diversity of research methods to gain a deeper understanding and exploration of the audit profession, audit quality, and globalisation in developing countries, as noted by Sikka et al. (2009), Poullaos et al. (2012), Hopper et al. (2017), and Blay et al. (2019). The current study used a mixed methods approach, in the form of a questionnaire and semi-structured interviews. Using mixed methods helps to facilitate a comprehensive understanding of the research topic. Semi-structured interviews (the qualitative method) helped the researcher gain in-depth perceptions about AQ and AQIs, while the questionnaire (the quantitative method) provided insights into the research topic and its objectives. For example, the questionnaire revealed a focus on the competence of the auditor, as well as on the auditing firm as indicators of audit quality. The education, training and experience of the auditor, as well as the size of the auditing firm, and the culture of the auditing firm were all revealed as AQIs. Further, the semi-structured interviews offered an understanding of the deeper meaning of the participants' perceptions about AQ and AQIs, and the involvement of Western accounting practices, firms and standards in shaping perceptions.

9.3.3 Empirical Contributions

The current study has contributed at the empirical level by providing a comprehensive understanding of AQ and AQIs, and the implication of Western auditing practices, firms, and standards in shaping perceptions among three key stakeholders in the auditing profession in Saudi Arabia. The study listened to the voices of people practicing the profession (external auditors), and to other stakeholders

(BoDs and SOCPA legislators). Voices have already been raised in Saudi Arabia about the quality of auditing and the need for reform after a series of accounting scandals involving the Big Four accountancy firms. Further, Saudi Arabia is currently trying to diversify its sources of income and attract foreign investment. The researcher sought to raise awareness about the importance of AQ by presenting and understanding perceptions of AQ and AQIs among the Saudi participants. The researcher also looked at the implications of Western auditing practices in shaping the perceptions of stakeholders chosen for this study. The current research also sought, by answering the research questions, to present critical thoughts about the development of professional auditing services in Saudi Arabia. Understanding was achieved about the nature of the local audit profession and how it differs from the global profession.

9.3.4 Practical Contributions

This current study contributes at a practical level to the progress of the goals of the Saudi Vision 2030, and to preserving and enhancing Saudi identity, namely the cultural, religious and political specificity of Saudi Arabia. The participants of the current study were able to share their daily experiences and perceptions about AQ and AQIs by completing a questionnaire, and by taking part in semi-structured interviews. The current study will help decision makers working in the auditing profession, specifically by offering an understanding of AQ in the local environment and the differences between perceptions of local and Western accounting practices, firms and standards. It will also assist with the work being undertaken by SOCPA in preparation for its programmes relating to education, training, and AQ within the accountancy profession. External auditors and international and local auditing firms can also benefit from this study.

Indeed, at the level of local external auditors and local audit firms, mergers can be achieved between medium and small audit firms in order to form a force in confronting the dominance of the Big Four firms in the market. Raising awareness also puts pressure on decision-makers to take into consideration and amend regulations and requirements that are unfair to local auditors. On the other hand, the Big Four firms may benefit from this study by understanding the nature of the profession in Saudi Arabia and AQ from different perspectives. As for the international organisations concerned with international standards, this study helps them to understand the role of other cultures and the nature of other countries which differ from those countries issuing the standards, in terms of organisational, social and cultural elements.

Related parties such as the Capital Market Authority (CMA) and the Saudi Arabian Monetary Authority (SAMA) can also benefit from this study, because these parties play an important role in the

way companies listed on Tadawul and Nomu choose external auditors. This study can also benefit all boards of directors of listed companies, because these boards are responsible for selecting appropriate external auditors for their company. This study may also help other stakeholders in neighbouring countries to Saudi Arabia which share similar aspects of the cultural, religious, political, and social norms of Saudi Arabia, including the Gulf Cooperation Council countries Kuwait, Oman, Bahrain, the Emirates, and Qatar, and at a more regional level, Egypt, Jordan, and others. This study can also benefit future and current investors in Saudi Arabia. In addition, this study seeks to inform future research on AQ and AQIs and the involvement of Western auditing practices and firms, especially relating to local perceptions in Arab countries in particular.

9.4 The Limitations of the Study and Recommendations for Future Research

The findings highlighted the important role of other parties that did not form part of this study (such as the CMA and SAMA) in preparing the Saudi accounting and auditing environment, and its regulations, guidelines, and requirements. Although the study focused on the Saudi context for understanding perceptions of AQ and AQIs, it focused on only three main stakeholder groups (external auditors, the BoDs of listed companies, and members of SOCPA's PPQRC committee). However, other stakeholders have perceptions about AQ and AQIs in Saudi Arabia, such as the CMA and SAMA. Also, this study focused only on listed companies in Saudi Arabia. In this respect, further research in the field relating to non-listed companies would prove valuable, even though these firms are not strictly obligated to contract with external auditors.

Despite the importance of Saudi Arabia, and its pioneering and dominant role in the Arab Gulf region and in the Middle East in general, being able to access similar studies about other countries in the Arab world would have offered a deeper understanding of the Middle Eastern situation, in relation to the adoption of the international standards IFRS/ISAs. The lens of post-colonialism would be relevant here, because neighbouring countries to Saudi Arabia have been affected differently by previous European colonisation and imperialism. The effects of post-colonialism may vary according to the context and place of research. For example, Egypt's experience of colonialism is not similar to that of Kuwait, Qatar, or other Gulf countries, for many reasons, including differences in the nature of the indigenous peoples, and the different tribal and cultural norms at play in different Gulf countries. In general, postcolonial theory focuses heavily on Western hegemony as a power dynamic, but it often overlooks other power dynamics in some contexts. This calls for further research, specifically in Arab countries and in the Middle East in general.

The full adoption of international standards in accounting and auditing in Saudi Arabia only happened in 2018, that is, only shortly before the preparation of this current study. There is a paucity of research that deals with this shift in standards, specifically about the relationship of international standards to perceptions of AQ, and the delay in the emergence of some of the effects of this shift. This situation constitutes a limitation to the current study. Even before the adoption of international standards in Saudi Arabia, there was a lack of research about accountancy standards in the Saudi context. Further, there has always been a paucity of qualitative research in this field, to enable a deep understanding of people's voices and perceptions.

One of the limitations of the current study was the lack of female participants. This situation is directly related to the Saudi context and the development of the auditing profession in Saudi Arabia. The number of female participants in this study was limited because of their limited presence in the professional auditing environment, in comparison to males who dominate the profession in general. This may change in the near future as a result of the goals of the Saudi Vision 2030, which seek to increase female admissions into business colleges and on accounting courses at Saudi universities, and to increase in the number of women undertaking scholarships outside of Saudi Arabia. Recently, SOCPA have introduced a number of initiatives for the auditing profession, with a view to increasing the number of women who can obtain a professional certificate and a license to practice the profession in Saudi Arabia.

The current study was keen to gather local Saudi perceptions, and its participants were Saudi nationals. However, recent amendments have been made in Saudi Arabia to regulations for foreign investments, and foreign ownership quotas in Saudi companies. The goals of the Saudi Vision 2030 mean that more foreign investment is coming to Saudi Arabia, and, therefore, it would be interesting to gather the opinions of current and potential investors in Saudi financial markets about AQ and AQIs. Finally, AQ can be studied using other critical theories, in addition to or separately from postcolonial theory, such as institutional theory, and critical social theory, in order to explore power dynamics, social inequalities, and broader social implications.

Regarding the mixed methods approach taken towards collecting data for the current study (the questionnaire and the semi-structured interviews), some participants filled in the questionnaire but did not take it seriously. This may have happened because the questionnaire did not ask the name of the participant or request personal data, or it might be because the questionnaire started with the demographic information. The researcher tried to overcome problems encountered issuing a questionnaire by applying his understanding of the nature of Saudi society first, and then by using the

exception criteria, which was reviewed in Chapter 5. With regard to the semi-structured interviews, the researcher took into account the sensitivity of the topic and the job status of the participants who took part in the current study. The researcher was also sensitive to the language used, when questions were asked, as well as making sure that the participants were able to tell what they perceived, and not what they thought the researcher wanted to hear. Nevertheless, due to the nature of the research, absolute certainty cannot be guaranteed in this case, but the researcher took the above measures to facilitate this process.

The current study calls for more qualitative and quantitative studies about the Saudi context and, specifically, the Saudi auditing profession in order to keep pace with the phases of economic and social change that Saudi Arabia is currently witnessing. Specifically, research is needed relating to women who have recently entered the auditing profession or who intend to enter into the profession via programmes included in the Saudi Vision 2030. Indeed, the empowerment of women and female employment in Saudi Arabia is an emerging subject of interest. More qualitative studies could provide an in-depth understanding of the auditing profession and its nature locally, taking into account the unique cultural, religious, political, and economic aspects of Saudi Arabia which affect the perceptions of its people and their daily lives.

9.6 Conclusion

This research has contributed to understanding AQ and AQIs and the implications of Western auditing practices in shaping perceptions of auditing in the Saudi context. Using the lens of postcolonial theory, the research has provided critical insights into perceptions of AQ, AQIs and Saudi and international accounting practices. Although there are some limitations to this study, the researcher is optimistic that the recommendations made will enhance future research in this specific field in Saudi Arabia. The researcher was keen to understand AQ and AQIs in a comprehensive manner, in order to highlight the importance of auditing considerations in the Saudi context on the one hand, and the global accounting environment on the other.

This last chapter of the thesis has reviewed the main findings of the research, and has summarised answers to the main research questions. It also looked at the contributions made by the research, the research limitations, and it has presented important recommendations future study.

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Appendix 1: Ethical Approval



Downloaded: 13/09/2023

Approved: 02/11/2020

Ali Alobaid

Registration number: 190209203

Management School

Programme: Postgraduate research

Dear Ali

PROJECT TITLE: Audit quality and Audit Quality Indicators from the Auditors' level and the Influence of IT on them

APPLICATION: Reference Number 036477

On behalf of the University ethics reviewers who reviewed your project, I am pleased to inform you that on 02/11/2020 the above-named project was **approved** on ethics grounds, on the basis that you will adhere to the following documentation that you submitted for ethics review:

- University research ethics application form 036477 (form submission date: 30/10/2020); (expected project end date: 01/10/2023).
- Participant information sheet 1082734 version 4 (28/09/2020).
- Participant information sheet 1083613 version 1 (26/10/2020).
- Participant information sheet 1083612 version 1 (26/10/2020).
- Participant information sheet 1083816 version 2 (30/10/2020).
- Participant consent form 1082736 version 2 (28/09/2020).
- Participant consent form 1082735 version 2 (28/09/2020).
- Participant consent form 1083615 version 1 (26/10/2020).
- Participant consent form 1083614 version 1 (26/10/2020).
- Participant consent form 1083817 version 2 (30/10/2020).

If during the course of the project you need to [deviate significantly from the above-approved documentation](#) please inform me since written approval will be required.

Your responsibilities in delivering this research project are set out at the end of this letter.

Yours sincerely

Sophie May

Ethics Administrator

Management School

Please note the following responsibilities of the researcher in delivering the research project:

- The project must abide by the University's Research Ethics Policy: <https://www.sheffield.ac.uk/research-services/ethics-integrity/policy>
- The project must abide by the University's Good Research & Innovation Practices Policy: https://www.sheffield.ac.uk/polopoly_fs/1.671066!/file/GRIPPpolicy.pdf
- The researcher must inform their supervisor (in the case of a student) or Ethics Administrator (in the case of a member of staff) of any significant changes to the project or the approved documentation.
- The researcher must comply with the requirements of the law and relevant guidelines relating to security and confidentiality of personal data.
- The researcher is responsible for effectively managing the data collected both during and after the end of the project in line with best practice, and any relevant legislative, regulatory or contractual requirements.

Appendix 2: Participant Information Sheet

1



Participant Information Sheet

Dear Participant,

My name is Ali A. Alobaid, and I am a doctoral researcher in the management school at the University of Sheffield located in Sheffield, UK. As part of my PhD thesis, I am conducting a study and I would like to request your participation. This study has received ethical approval through the University of Sheffield.

Study Details: This study is designed to gain a deeper understanding of Audit quality and Audit Quality Indicators at the Auditors' level and the Influence of IT on them. The study involves one on one interviews between the researcher and participants. During the interview, the researcher will ask questions relating to your experience and thoughts about Audit quality and Audit Quality Indicators at the Auditors' level and the Influence of IT on them. Your responses to the interview questions will be used to understand External Auditors, board of directors in Saudi listed companies and SOCPA's AQ Committee member thoughts and perceptions of Audit quality and Audit Quality Indicators at the Auditors' level and the Influence of IT on them. The interviews will be audio recorded.

What will happen during the study: Should you choose to participate in the study, you will be interviewed in person by the researcher and asked questions about your understanding of Audit quality and Audit Quality Indicators from the Auditors' level and the Influence of IT on them and your thoughts regarding this. You will **not** be asked questions regarding your personal life or private information.

Time Commitment: Interview will take around 60 min on average. Only one interview per participant will be needed.

Participants' Rights: Your participation in this study is voluntary. You are free to withdraw from the study at any time during the interview process and no questions will be asked. Should you choose to withdraw from the study; your data will not be used in any way. You have the right to ask questions about the study at any time. You have the right not to answer any questions you do not wish to answer during the interview. You also have the right to end the interview at any time.

Benefits and Risks: There is minimal risk associated with your participation in this study. However, if any of the questions asked during the interview cause your distress or make you feel uncomfortable, you are encouraged to ask the interviewer to move on to the next topic. You have the right to withdraw from

the study at any time, with no questions asked. Participating in this study will give you the opportunity to contribute to the existing research taking place at the University of Sheffield.

Confidentiality / Anonymity: If you give permission the interview will be audio recorded. The recording and any notes made by the researcher during the interview will be kept strictly confidential. The interviews will not be heard by anyone other than members of the research team and will not be used for any other purpose other than for academic research. Furthermore, should you wish for your interview to remain anonymous, please let the researcher know and he will be happy to accommodate this.

The legal basis for processing my personal data: ‘According to data protection legislation, we are required to inform you that the legal basis we are applying in order to process your personal data is that ‘processing is necessary for the performance of a task carried out in the public interest’ (Article 6(1)(e)). Further information can be found in the University’s Privacy Notice <https://www.sheffield.ac.uk/govern/data-protection/privacy/general>.’

Data Controller: in this Project the University of Sheffield will be ‘Data Controller’ for the personal data that will be collected and used as part of the research.

If you would like to contact the researcher regarding this study, you may email me at aaalobaid1@sheffield.ac.uk.

If you have any questions or concerns regarding how this study was conducted, please feel free to contact my PhD supervisory team:

Professor. Prem Sikka p.n.sikka@sheffield.ac.uk

Dr. Andrew T Brint a.brint@sheffield.ac.uk

Dr. Martina McGuinness m.mcguinness@sheffield.ac.uk

Appendix 3: Participant Consent Form



Participant Consent Form

Audit quality and Audit Quality Indicators from the Auditors' level and the Influence of IT on them

Ali A. Alobaid

<i>Please tick the appropriate boxes</i>	Yes	No
Taking Part in the Project		
I have read and understood the project information sheet dated <u>DD/MM/YYYY</u> or the project has been fully explained to me. (If you will answer No to this question please do not proceed with this consent form until you are fully aware of what your participation in the project will mean.)	<input type="checkbox"/>	<input type="checkbox"/>
I have been given the opportunity to ask questions about the project.	<input type="checkbox"/>	<input type="checkbox"/>
I agree to take part in the project. I understand that taking part in the project will include being interviewed and being audio recordings of me.	<input type="checkbox"/>	<input type="checkbox"/>
I understand that my taking part is voluntary and that I can withdraw from the study at any time during the study and before 01/10/2021; I do not have to give any reasons for why I no longer want to take part and there will be no adverse consequences if I choose to withdraw.	<input type="checkbox"/>	<input type="checkbox"/>
How my information will be used during and after the project		
I understand my personal details such as name, phone number, address and email address etc. will not be revealed to people outside the project.	<input type="checkbox"/>	<input type="checkbox"/>
I understand and agree that my words may be quoted in publications, reports, web pages, and other research outputs. I understand that I will not be named in these outputs unless I specifically request this.	<input type="checkbox"/>	<input type="checkbox"/>
I understand and agree that other authorised researchers (supervisory team) will have access to this data only if they agree to preserve the confidentiality of the information as requested in this form.	<input type="checkbox"/>	<input type="checkbox"/>
I understand and agree that other authorised researchers (supervisory team) may use my data in publications, reports, web pages, and other research outputs, only if they agree to preserve the confidentiality of the information as requested in this form.	<input type="checkbox"/>	<input type="checkbox"/>
I give permission for my interview data that I provide to be deposited in University of Sheffield so it can be used for future research and learning	<input type="checkbox"/>	<input type="checkbox"/>
So that the information you provide can be used legally by the researchers		
I agree to assign the copyright I hold in any materials generated as part of this project to The University of Sheffield.	<input type="checkbox"/>	<input type="checkbox"/>

Name of participant [] Signature Date

Name of Researcher [Ali A. Alobaid] Signature Date

Project contact details for further information:

If you would like to contact the researcher regarding this study, you may email him at aaalobaid1@sheffield.ac.uk.
If you have any questions or concerns regarding how this study was conducted, please feel free to contact my supervisory team
Professor. Prem Sikka p.n.sikka@sheffield.ac.uk Dr. Andrew T Brint a.brint@sheffield.ac.uk,
Dr.Martina McGuinness m.mcguinness@sheffield.ac.uk

Sheffield University Management School
The University of Sheffield, Conduit Road, Sheffield, S10 1FL.

The template of this consent form has been approved by the University of Sheffield Research Ethics Committee and is available to view here: <https://www.sheffield.ac.uk/rs/ethicsandintegrity/ethicspolicy/further-guidance/homepage>

Appendix 4: Copy of the Online Questionnaire



English ▼

Default Question Block

The aim of this research to understand and explore the audit quality and audit quality Indicators at the auditors' level and the influence of IT on the perception of audit quality and its Indicators. You are invited because you are an external auditor, a board of director, or a regulator. You will be asked to complete a 10-minute online questionnaire. Your participation is voluntary, and you are free to withdraw without negative consequences at any point during the study. The project is being conducted by Ali A. Alobaid and has been ethically approved by the Management School's ethics review procedure. For more details about the project please read the [Participants Information Sheet](#) Would you like to participate in this study?

Yes
No

What is your sex?

Male
Female

Which age group are you in?

25 - 35 36
- 45 46 -
55
Over 56

What is your level of education?

Bachelor degree
Master's degree
Doctoral degree
Other

What group are you in?

External Auditor (A holder of CPA, SOCPA or ACCA etc...)
Board of Director in a Saudi listed Company
Member of Professional Quality Monitoring Committee (Member/examiner)

What professional qualification do you hold?

SOCPA
CPA
ACCA
ICAS
Other, please specify

Are you a Full member practitioner?

Yes
No

What Stock Exchange your Company listed in?

Tadawul
Nomu

What is your overall experience?

Less than 5 years
6 to 10 years
More than 11 years

What audit firm do you work in?

Big 4 (KPMG,PwC,Deloitte,E&Y)
None Big 4

Below are some Audit Quality Indicators , rate them based on your perceptions towards Audit Quality Indicators at the auditor's level. The term "at the auditor's level" will be used onwards, which refers to the Audit Quality Indicators that related to the auditor work and performance. There are no wrong or right answers; I am interested in your general impressions. Please answer as honestly as possible. In your opinion, What are the Audit Quality Indicators at the auditor's level? (please select the top 5).

Auditor education
The training the auditor receives
The work experience of the auditor
The level of professional skepticism that the auditor exercises
The gender of the auditor
The size of the firm that the auditor work at (Big 4 / non Big 4)
The fees the auditor gets
The auditor rotation
The audit tenure
Time budget pressure on the auditor
The auditor reliance on the internal audit work
The culture of the audit firm Other,
please specify:

Below are some questions about your perceptions towards the relationship between the IT and Audit Quality in the auditing profession. There are no wrong or right answers; I am interested in your general impressions. Please answer as honestly as possible as you indicate your level of agreement with the items.
How much do you agree with these statements:

	Strongly agree	Somewhat agree	Neither agree nor disagree	Somewhat disagree	Strongly disagree
The IT tools that used in auditing practices help the auditor to provide higher audit quality	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The auditor who get trained in IT will delivers higher audit quality	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The auditor who has work experience in IT would be able deliver higher audit quality	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The IT tools help the auditor to exercises professional skepticism	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
A male would use the IT tools better than a female	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The IT tools in Big 4 firms help the auditors to deliver higher audit quality than in non-big four	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The use of IT increases the audit fees because its costly	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The use of IT in auditing reduce the need for the auditor rotation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The use of IT in auditing reduce the need for audit tenure	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The use of IT in auditing reduce the need for specialist tenure	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	Strongly agree	Somewhat agree	Neither agree nor disagree	Somewhat disagree	Strongly disagree
The use of IT in auditing reduce the time budget pressure on auditors	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

The audit team needs an IT professional (Technology specialist) to be joining the team	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The external auditor's reliance on the internal audit work depends on the IT used by the internal audit	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Below are some questions about your perceptions towards the relationship between the local and global perception of audit quality the local and global in the auditing profession. There are no wrong or right answers; I am interested in your general impressions. Please answer as honestly as possible as you indicate your level of agreement with the items. How much do you agree with these statements:

	Strongly agree	Somewhat agree	Neither agree nor disagree	Somewhat disagree	Strongly disagree
The auditor who holds international professional certification in auditing would be able provide higher audit quality higher (for Example: CPA)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The auditor who trained internationally delivers audit quality	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The auditor who has international work experience would be able delivers better audit quality	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The adoption of the IFRS and IAS enhance audit quality	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Large companies trust the big four firms because they are well known internationally	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The big 4 gets well fees because they able to delivers higher audit quality	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The auditor rotation should be lower in the big 4 than non-big	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The audit tenure should be different between the big 4 and non-big 4	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	Strongly agree	Somewhat agree	Neither agree nor disagree	Somewhat disagree	Strongly disagree

The external auditor's reliance on the internal audit work depends on the reputation of the company	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The firms' culture in the big4 firms help the auditor to provide audit quality more than the local firms	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Would you like to be considered for the interview phase of this study?

Yes
No

To be considered for the interview phase of this study, please provide us with contact information

Name

Phone Number

Email

Do you want to add a comment before completing the survey?

Yes

No

Powered by Qualtrics

Appendix 5 to 27: The participants' responses to the Questionnaire items in detail

Appendix 5: The participants' responses to item number (1) of the Questionnaire

The participants' responses to "the IT tools used in auditing help the auditor provide a higher audit quality"						
	1	2	3	4	5	Total
External Auditors	42	19	4	2	0	67
BoDs	29	9	0	0	0	38
PPQRCs	8	5	0	1	0	14
						119
External Auditors	63%	28%	6%	3%	0%	100%
BoDs	76%	24%	0%	0%	0%	100%
PPQRCs	57%	36%	0%	7%	0%	100%
Combined	66%	28%	3%	3%	0%	100%

1= Strongly agree, 2=Somewhat agree, 3=Neither agree nor disagree, 4=Somewhat disagree, 5=Strongly disagree.

Appendix 6: The participants' responses to item number (2) of the Questionnaire

The participants' responses to "the auditor who gets trained in IT will deliver higher audit quality"						
	1	2	3	4	5	Total
External Auditors	45	16	5	1	0	67
BoDs	24	13	0	0	1	38
PPQRCs	8	5	1	0	0	14
						119
External Auditors	67%	24%	7%	1%	0%	100%
BoDs	63%	34%	0%	0%	3%	100%
PPQRCs	57%	36%	7%	0%	0%	100%
Combined	65%	29%	5%	1%	1%	100%

1= Strongly agree, 2=Somewhat agree, 3=Neither agree nor disagree, 4=Somewhat disagree, 5=Strongly disagree.

Appendix 7: The participants' responses to item number (3) of the Questionnaire

The participants' responses to "The auditor who has work experience in IT would be able deliver higher audit quality"						
	1	2	3	4	5	Total
External Auditors	32	25	6	4	0	67
BoDs	24	11	3	0	0	38
PPQRC	6	6	2	0	0	14
						119
External Auditors	48%	37%	9%	6%	0%	100%
BoDs	63%	29%	8%	0%	0%	100%
PPQRC	43%	43%	14%	0%	0%	100%
Combined	52%	35%	9%	3%	0%	100%

1= Strongly agree, 2=Somewhat agree, 3=Neither agree nor disagree, 4=Somewhat disagree, 5=Strongly disagree.

Appendix 8: The participants' responses to item number (4) of the Questionnaire

The participants' responses to "IT tools help the auditor exercise professional scepticism"						
	1	2	3	4	5	Total
External Auditors	27	18	14	7	1	67
BoDs	20	12	3	3	0	38

PPQRCs	2	8	4	0	0	14
						119
External Auditors	40%	27%	21%	10%	1%	100%
BoDs	53%	32%	8%	8%	0%	100%
PPQRCs	14%	57%	29%	0%	0%	100%
Combined	41%	32%	18%	8%	1%	100%

1= Strongly agree, 2=Somewhat agree, 3=Neither agree nor disagree, 4=Somewhat disagree, 5=Strongly disagree.

Appendix 9: The participants' responses to item number (5) of the Questionnaire

The participants' responses to "A male would use the IT tools better than a female"						
	1	2	3	4	5	Total
External Auditors	2	5	11	20	29	67
BoDs	4	4	8	9	13	38
PPQRCs	2	1	2	5	4	14
						119
External Auditors	3%	7%	16%	30%	43%	100%
BoDs	11%	11%	21%	24%	34%	100%
PPQRCs	14%	7%	14%	36%	29%	100%
Combined	7%	8%	18%	29%	39%	100%

1= Strongly agree, 2=Somewhat agree, 3=Neither agree nor disagree, 4=Somewhat disagree, 5=Strongly disagree.

Appendix 10: The participants' responses to item number (6) of the Questionnaire

The participants' responses "The IT tools in Big Four firms help the auditors to deliver higher audit quality than in non-Big Four firms"						
	1	2	3	4	5	Total
External Auditors	20	19	19	6	3	67
BoDs	13	14	10	0	1	38
PPQRCs	5	7	1	1	0	14
						119
External Auditors	30%	28%	28%	9%	4%	100%
BoDs	34%	37%	26%	0%	3%	100%
PPQRCs	36%	50%	7%	7%	0%	100%
Combined	32%	34%	25%	6%	3%	100%

1= Strongly agree, 2=Somewhat agree, 3=Neither agree nor disagree, 4=Somewhat disagree, 5=Strongly disagree.

Appendix 11: The participants' responses to item number (7) of the Questionnaire

The participants' responses to "The use of IT increases the audit fees because its costly"						
	1	2	3	4	5	Total
External Auditors	21	29	12	5	0	67
BoDs	5	18	9	6	0	38
PPQRCs	5	4	3	2	0	14
						119
External	31%	43%	18%	7%	0%	100%
BoDs	13%	47%	24%	16%	0%	100%
PPQRCs	36%	29%	21%	14%	0%	100%
Combined	26%	43%	20%	11%	0%	100%

1= Strongly agree, 2=Somewhat agree, 3=Neither agree nor disagree, 4=Somewhat disagree, 5=Strongly disagree.

Appendix 12: The participants' responses to item number (8) of the Questionnaire

The participants' responses to "The use of IT in auditing reduce the need for the auditor rotation"						
	1	2	3	4	5	Total
External Auditors	4	17	23	17	6	67
BoDs	4	7	13	10	4	38
PPQRC	1	5	3	2	3	14
						119
External Auditors	6%	25%	34%	25%	9%	100%
BoDs	11%	18%	34%	26%	11%	100%
PPQRC	7%	36%	21%	14%	21%	100%
Combined	8%	24%	33%	24%	11%	100%

1= Strongly agree, 2=Somewhat agree, 3=Neither agree nor disagree, 4=Somewhat disagree, 5=Strongly disagree.

Appendix 13: The participants' responses to item number (9) of the Questionnaire

The participants' responses to "The use of IT in auditing reduce the need for audit tenure"						
	1	2	3	4	5	Total
External Auditors	9	18	20	16	4	67
BoDs	5	9	10	9	5	38
PPQRCs	2	5	5	1	1	14
						119
External Auditors	13%	27%	30%	24%	6%	100%
BoDs	13%	24%	26%	24%	13%	100%
PPQRCs	14%	36%	36%	7%	7%	100%
Combined	13%	27%	29%	22%	8%	100%
1= Strongly agree, 2=Somewhat agree, 3=Neither agree nor disagree, 4=Somewhat disagree, 5=Strongly disagree.						

Appendix 14: The participants' responses to item number (10) of the Questionnaire

The participants' responses to "The use of IT in auditing reduce the need for specialist tenure"						
	1	2	3	4	5	Total
External Auditors	4	13	22	19	9	67
BoDs	4	5	12	9	8	38
PPQRCs	2	5	4	2	1	14
						119
External Auditors	6%	19%	33%	28%	13%	100%
BoDs	11%	13%	32%	24%	21%	100%
PPQRCs	14%	36%	29%	14%	7%	100%
Combined	8%	19%	32%	25%	15%	100%
1= Strongly agree, 2=Somewhat agree, 3=Neither agree nor disagree, 4=Somewhat disagree, 5=Strongly disagree.						

Appendix 15: The participants' responses to item number (11) of the Questionnaire

The participants' responses to "The use of IT in auditing reduce the time budget pressure on auditors"						
	1	2	3	4	5	Total
External Auditors	20	30	11	4	2	67
BoDs	12	19	6	1	0	38
PPQRC	6	7	1	0	0	14
						119
External Auditors	30%	45%	16%	6%	3%	100%
BoDs	32%	50%	16%	3%	0%	100%
PPQRC	43%	50%	7%	0%	0%	100%
Combined	32%	47%	15%	4%	2%	100%
1= Strongly agree, 2=Somewhat agree, 3=Neither agree nor disagree, 4=Somewhat disagree, 5=Strongly disagree.						

Appendix 16: The participants' responses to item number (12) of the Questionnaire

The participants' responses to "The audit team needs an IT professional (Technology specialist) to be joining the team"						
	1	2	3	4	5	Total
External Auditors	20	22	18	7	0	67
BoDs	14	16	7	1	0	38
PPQRC	6	7	0	1	0	14
						119
External Auditors	30%	33%	27%	10%	0%	100%
BoDs	37%	42%	18%	3%	0%	100%
PPQRC	43%	50%	0%	7%	0%	100%
Combined	34%	38%	21%	8%	0%	100%
1= Strongly agree, 2=Somewhat agree, 3=Neither agree nor disagree, 4=Somewhat disagree, 5=Strongly disagree.						

Appendix 17: The participants' responses to item number (13) of the Questionnaire

The participants responses to "The external auditor's reliance on the internal audit work depends on the IT used by the internal audit"						
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	1	2	3	4	5	Total
External Auditors	9	19	22	12	5	67
BoDs	6	14	10	5	3	38
PPQRCs	3	6	4	1	0	14
						119
External Auditors	13%	28%	33%	18%	7%	100%
BoDs	16%	37%	26%	13%	8%	100%
PPQRCs	21%	43%	29%	7%	0%	100%
Combined	15%	33%	30%	15%	7%	100%

1= Strongly agree, 2=Somewhat agree, 3=Neither agree nor disagree, 4=Somewhat disagree, 5=Strongly disagree.

Appendix 18: The participants' responses to item number (14) of the Questionnaire

The participants' responses to "The auditor who holds international professional certification in auditing would be able to provide higher audit quality (for Example: CPA)"						
	1	2	3	4	5	Total
External Auditors	22	20	11	8	2	63
BoDs	12	21	5	0	0	38
PPQRCs	6	6	0	1	0	13
						114
External Auditors	35%	32%	17%	13%	3%	100%
BoDs	32%	55%	13%	0%	0%	100%
PPQRCs	46%	46%	0%	8%	0%	100%
Combined	35%	41%	14%	8%	2%	100%

1= Strongly agree, 2=Somewhat agree, 3=Neither agree nor disagree, 4=Somewhat disagree, 5=Strongly disagree.

Appendix 19: The participants' responses to item number (15) of the Questionnaire

The participants' responses to "The auditor who trained internationally delivers audit quality"						
	1	2	3	4	5	Total
External Auditors	20	26	12	4	1	63
BoDs	11	21	6	0	0	38
PPQRCs	6	7	0	0	0	13
						114
External Auditors	32%	41%	19%	6%	2%	100%
BoDs	29%	55%	16%	0%	0%	100%
PPQRCs	46%	54%	0%	0%	0%	100%
Combined	32%	47%	16%	4%	1%	100%

1= Strongly agree, 2=Somewhat agree, 3=Neither agree nor disagree, 4=Somewhat disagree, 5=Strongly disagree.

Appendix 20: The participants' responses to item number (16) of the Questionnaire

The participants' responses to "The auditor who has international work experience would be able delivers better audit quality"						
	1	2	3	4	5	Total
External Auditors	21	23	11	6	2	63
BoDs	11	19	8	0	0	38
PPQRCs	7	5	1	0	0	13
						114
External Auditors	33%	37%	17%	10%	3%	100%
BoDs	29%	50%	21%	0%	0%	100%
PPQRCs	54%	38%	8%	0%	0%	100%
Combined	34%	41%	18%	5%	2%	100%

1= Strongly agree, 2=Somewhat agree, 3=Neither agree nor disagree, 4=Somewhat disagree, 5=Strongly disagree.

Appendix 21: The participants' responses to item number (17) of the Questionnaire

The participants' responses to "The adoption of the IFRS and IAS enhance audit quality"						
	1	2	3	4	5	Total
External Auditors	39	16	7	1	0	63
BoDs	23	12	3	0	0	38
PPQRCs	8	5	0	0	0	13
						114
External Auditors	62%	25%	11%	2%	0%	100%

BoDs	61%	32%	8%	0%	0%	100%
PPQRCs	62%	38%	0%	0%	0%	100%
Combined	61%	29%	9%	1%	0%	100%
1= Strongly agree, 2=Somewhat agree, 3=Neither agree nor disagree, 4=Somewhat disagree, 5=Strongly disagree.						

Appendix 22: The participants' responses to item number (18) of the Questionnaire

The participants' responses to "Large companies trust Big Four firms because they are well known internationally"						
	1	2	3	4	5	Total
External Auditors	21	24	14	3	1	63
BoDs	16	18	4	0	0	38
PPQRCs	3	6	4	0	0	13
						114
External Auditors	33%	38%	22%	5%	2%	100%
BoDs	42%	47%	11%	0%	0%	100%
PPQRCs	23%	46%	31%	0%	0%	100%
Combined	35%	42%	19%	3%	1%	100%
1= Strongly agree, 2=Somewhat agree, 3=Neither agree nor disagree, 4=Somewhat disagree, 5=Strongly disagree.						

Appendix 23: The participants' responses to item number (19) of the Questionnaire

The participants' responses to "Big Four firms get good fees because they are able to deliver higher quality audits"						
	1	2	3	4	5	Total
External Auditors	15	16	15	12	5	63
BoDs	13	12	10	2	1	38
PPQRCs	3	5	2	1	2	13
						114
External Auditors	24%	25%	24%	19%	8%	100%
BoDs	34%	32%	26%	5%	3%	100%
PPQRCs	23%	38%	15%	8%	15%	100%
Combined	27%	29%	24%	13%	7%	100%
1= Strongly agree, 2=Somewhat agree, 3=Neither agree nor disagree, 4=Somewhat disagree, 5=Strongly disagree.						

Appendix 24: The participants' responses to item number (20) of the Questionnaire

The participants responses to "Auditor rotation should be lower in the Big Four than it is in non-Big Four firms"						
	1	2	3	4	5	Total
External Auditors	7	17	14	10	15	63
BoDs	3	12	12	6	5	38
PPQRCs	3	6	3	1	0	13
						114
External Auditors	11%	27%	22%	16%	24%	100%
BoDs	8%	32%	32%	16%	13%	100%
PPQRCs	23%	46%	23%	8%	0%	100%
Combined	11%	31%	25%	15%	18%	100%
1= Strongly agree, 2=Somewhat agree, 3=Neither agree nor disagree, 4=Somewhat disagree, 5=Strongly disagree.						

Appendix 25: The participants' responses to item number (21) of the Questionnaire

The participants' responses to "The auditor rotation should be lower in the Big Four than it is in non-Big Four firms"						
	1	2	3	4	5	Total
External Auditors	6	14	16	11	16	63
BoDs	3	7	10	11	7	38
PPQRCs	1	7	2	1	2	13
						114
External Auditors	10%	22%	25%	17%	25%	100%
BoDs	8%	18%	26%	29%	18%	100%
PPQRCs	8%	54%	15%	8%	15%	100%
Combined	9%	25%	25%	20%	22%	100%
1= Strongly agree, 2=Somewhat agree, 3=Neither agree nor disagree, 4=Somewhat disagree, 5=Strongly disagree.						

Appendix 26: The participants' responses to item number (22) of the Questionnaire

The participants' responses to "The external auditor's reliance on the internal audit work depends on the reputation of the company"						
	1	2	3	4	5	Total
External Auditors	4	22	22	12	3	63
BoDs	6	17	11	3	1	38
PPQRCs	3	6	2	2	0	13
						114
External Auditors	6%	35%	35%	19%	5%	100%
BoDs	16%	45%	29%	8%	3%	100%
PPQRCs	23%	46%	15%	15%	0%	100%
Combined	11%	39%	31%	15%	4%	100%
1= Strongly agree, 2=Somewhat agree, 3=Neither agree nor disagree, 4=Somewhat disagree, 5=Strongly disagree.						

Appendix 27: The participants' responses to item number (23) of the Questionnaire

The participants' responses to "The firms' culture in the big-4 firms help the auditor to provide audit quality more than the local firms"						
	1	2	3	4	5	Total
External Auditors	18	26	14	5	0	63
BoDs	15	18	4	1	0	38
PPQRCs	3	8	1	1	0	13
						114
External Auditors	29%	41%	22%	8%	0%	100%
BoDs	39%	47%	11%	3%	0%	100%
PPQRCs	23%	62%	8%	8%	0%	100%
Combined	32%	46%	17%	6%	0%	100%
1= Strongly agree, 2=Somewhat agree, 3=Neither agree nor disagree, 4=Somewhat disagree, 5=Strongly disagree.						