

The Impact Of The External Auditor's Low Fees On The Quality Of Professional Performance In Saudi Arabia

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ABSTRACT

This study was conducted to study the impact of low fees of the external auditors on the quality of the professional performance in the Kingdom of Saudi Arabia including the stages of development of the external audit, the standards of quality control, the factors affecting the quality of performance and the matters that affect the fees of the external auditor. The importance of this research stems from the importance of the auditor's work and how the events of economic collapses affect the fees of the auditor. This research raised several questions about the factors affecting improving the quality of audit services, the extent of the impact of the independence of the audit work team and determining their fees on the quality of the review process and determining the relationship between the internal auditor and the external auditor and the extent of approval of the second over first. The study samples were randomly selected to be about 10% of the study community (15 offices). Sixty questionnaires were distributed, of which 45 returned questionnaires, 75% valid for analysis. Data were analyzed using SPSS software for descriptive statistical analysis. The tested hypothesis were as follow: professional performance quality is not affected by the evolution of the audit office; It does not affect low fees and low on quality performance; whenever the level of fees dropped the more professional level of excesses and the higher the quality of the performance of the internal auditor, the less external work references. The assumptions were tested regarding the above group of factors or the effect of the independent variables on the dependent variable. All of them accepted the hypothesis that the quality of professional performance was not affected by the development of the audit offices fees.

INTRODUCTION

At the beginning of the present century a sudden economic collapse of a number of major contributions in some developed countries appeared; especially the United States companies. Among the most famous of these companies are: Enron Corporation and World com. They caused big losses that were incurred by the relevant interests of private corporate parties and the shareholders and borrowers were affected. It led to the lifting of a lot of cases against accounting and auditing because they were sued for assuming a large part of the responsibility by accusing them of not being able to carry out the duties and professional methods approved principles and

accounting standards. The failure to disclose in its report evidence of the financial crises and declines faced by companies caused a shake-up of the image of the reviewers. Some of these companies were being reviewed by the world's leading audit firms, like Arthur Anderson. They have been heavily criticized and questioned on the ability of the external auditor on the protection of stakeholder companies.

From this context, you can conclude that the best is not measured by size and reputation, but which the offer of quality and proficiency in working. The American Institute of Certified Public Accountants (AICPA) established three special centers (quality audit) in order to improve and highlight the importance of external audit (Audit Quality), which aims to progress the audit service quality with all its objectivity and neutrality and independence in addition to professional care. It has many Arab professional bodies to establish a special monitor to omit the quality of performance of accounting firms and auditing operating in the region, including the Accounting and Auditing states the Council of body sections cooperation in the Persian Gulf (GCCAAO), and the Saudi Organization for Certified Accountants (SOCPA).

The three main points of this issues was based on the stages of the evolution of external Audit include: What the quality control standards are, the factors affecting the quality of performance, and what affects the external auditor's fees. Altwaijri, (2011), conducted a research to identify factors affecting the quality of audits from the point of view of auditors, and come up with results and recommendations that contribute to raising and developing the performance of audit offices, while providing some guidance to government agencies and associations organizing the profession to help find effective professional control over auditing. The researcher adopted in the form of the structure of the research to be divided into investigations dealing with the first research presented and the problem and importance and objectives and previous studies and research plan and hypotheses and then deals with the second research on quality and its concept in the audit and addressed the third approach on field studies.

The most important findings of the researcher: that the organization of the audit office, reputation, fame, and its relationships with its clients positively affect the quality of the audit, and the high degree of competition between audit offices negatively affects the quality of audit work, especially competition in estimating audit fees to obtain new clients, that the auditor's independence, factors positively affecting the quality of the audit, confirmed that the reduction of the auditor's professional fees in order to attract clients negatively affects the quality of the audit. The adoption of quality control policies and procedures by auditing offices improves the quality of professional services provided by audit offices. In addition, Altwaijri, (2008), reported the result of research conducted to Identify the opinions of the reviewers about the factors affecting the quality of the audit service provided by the legal accounting offices, in addition to the basic factors of customer preference for a review office over another.

The resolution was divided into three parts, the first part contains 25 factors to discuss factors affecting the quality of the review service, the second part contains 10 factors to discuss the factors affecting the trade-off between the audit offices in the Kingdom, and finally the third part contains 5 questions which includes personal information about the respondent. The results of the analysis of the data showed that the most important factors affecting the quality of the review are: the scientific experience of the members of the bureau, objectivity when examining and evaluating, the

scientific competence of the members of the office, maintaining the confidentiality of the information obtained by the office, independence of the office, the extent of application principles, standards and instructions, amount of effort and time spent on the reviewing process. Algard, (2007), conducted a study to identify the factors affecting the quality of internal audit on the determination of the fees of external references. Chapter 1 includes: Internal Review, Concept and Quality Determinants. It contains four investigations: first topic: the factors that have helped to develop the internal audit; the second topic: the concept of internal auditing; the third topic: pic services offered by the internal audit and the fifth topic: determinants of quality of internal audit. The researcher collected data using a questionnaire distributed to a sample survey data that was analyzed using the SPSS program to reach results and statistics.

The most important results that have been reached were: that the External Auditor in his work depends on the work of the internal auditor and his work can be found on the leaves, but do not entrust the External Auditor Internal Auditor in some of his works. The existence of an internal audit department can reduce the size of the task and the time required to lead the implementation of these tasks the requirement that auditors possess entrants' efficient, objective and abide by the rules and ethics of the profession and the implementation of all business entrusted to them. Furthermore, Halass, (2003), conducted a research to identify factors that affect the level of audit fees and to measure and analyze the relative importance of these factors from the point of view of the reviewers in order to determine the importance of each in determining the level of fees. The most important findings of this study are the following points: the fees charged by the external auditor in Palestine are mainly influenced by the size of the institution under review, the difficulty of the audit process and the degree of complexity associated with it.

There is a limited and limited impact on both the outcome of the audited business, the type of ownership of the audited facility, and the timing of the audit on the value of the fees paid to the external auditor. Alangari and Shatri, (2006), aimed to identify the impact of the low level of external reference fees on the quality of professional performance, in addition to the impact of intense discussion between audit offices on the continuity of professional offices. The researcher adopted the use of a positive approach that depends on the interpretation and explanation of the results. The most important findings: there is no significant impact on the quality of professional performance, the reduction in professional fees leads to the reluctance of professionals to professional and not to attract professional competencies. A recent study conducted by Nagem, (2012), targeting to identify the factors influencing the determination of auditors' fees, and to analyze the relative importance of these factors and the importance of each factor in determining the level of fees. The researcher has followed the descriptive analytical approach by designing the questionnaire and distributing it to the audit offices and companies.

The researcher relied on the division of the research on the basic chapters of the first chapter the general framework of research, and the second chapter organized a profession of auditing. Accounts in Palestine, chapter 3, "What are the factors influencing the determination of the auditor's fees?" External, chapter four: research methodology, Chapter five: data analysis and testing of assignments, and finally chapter six results and recommendations and previous studies. A specific agent of fees, as the researcher concluded, is that the auditor's office is an important factor in determining reference fees. It was found to be the most significant factor associated with office fees,

reputation and fame. The least influential is the location of the office; as the independence factor was considered one of the determining factors for audit fees.

RESEARCH PROBLEM

Audit firms and professional office face economic pressures that have affected how the office formulates the curriculum. The community doubts the performance of external auditors by providing them with financial data that does not indicate the real status of the establishment and expressing an unreserved opinion and the existence of fundamental errors affecting the accounts may cause the establishment to not continue its work. As a result of the auditors failure to adhere to the professional standards accepted the performance of his work. The competition between audit Office and the desire to attract new customers and maintain local customer offices need to reduce fees of the audit offices for all services offered. Also it requires raising the level of performance by the staff of the Office of Balhakhm training courses. It informs them of the developments in the profession. In addition to the continuous modernization of tools, systems, means of professional work, communications, oversight, etc., this research addresses one of the factors affecting the quality of professional performance; namely the low level of fees of external references in order to reveal the relationship between fees and professional quality.

This raises several questions including:

- What are the influencing factors in improving the quality of audit services?
- Does the independence of the audit team and the determination of their fees affect the quality of the audit process?
- What is the relationship between the internal auditor and external auditor? Can the external auditor rely on the work of the internal auditor?
- Will the planning and execution of audit procedures affect the quality of performance in the review process?
- What are the determinants of the external auditor's fees?

So, the main objective of the search is to reach the effect of the low fees of the external auditor on the quality of professional performance. In order to achieve this goal, the following objectives must be achieved:

- Definition of external references and functions assigned to him.
- Definition of the concept of quality of audit work and its importance and its objectives.
- Identify the characteristics or factors that affect the quality of the audit.
- Determinants of the external auditor's fees.
- The relationship between the external and internal auditor.
- Come up with results and recommendations that contribute to the development of the performance of audit offices and auditors.

RESEARCH IMPORTANCE

The importance of this research stems from the importance of the work of the reviewers. The reviewer works to express a neutral technical opinion on the extent of honesty and the fairness of financial statements, development and upgrading of the profession of review and awareness about the real role played and the continuous improvement of the image of references and how the events of economic collapses affect the fees of references.

Hypothesis

- Professional performance quality is not affected by the evolution of the audit office.
- It does not affect low fees and low on quality performance.
- Whenever the level of fees dropped the more professional level of excesses.
- The higher the quality of the performance of the internal auditor, the less external work references.

Material and Methods

The researcher was rely on both primary and secondary sources information to collect the appropriate data. The first source is the Saudi Authority of Legal Accountants website. The second source was relied on books and previous studies in addition to the Internet and the website of the Saudi Commission of Legal Accountants.

The researcher was used a sample using the simple probability preview by randomly selecting the samples of the study. The researcher in data analysis is based on the descriptive analytical method, because of its appropriateness to the nature of the research using SPSS software.

The field studies

society and the study sample

The study population consisted of all the audit offices in Kingdom of Saudi Arabia and 149 office numbering distributed throughout the Kingdom. The researcher was used a sample using the simple probability preview by randomly selecting the samples of the study. The researcher in data analysis is based on the descriptive analytical method, because of its appropriateness to the nature of the research using SPSS software.

Study Tool

The researcher used the questionnaire as a tool for collecting basic data, through which type of office, the educational qualification of the references and the impact of some factors on the quality of the performance of the references were known.

Sample distribution by office type

office type were considered to be representative and giving a reliable and representative data as shown in table (1). It is evident from the table that (27) of the study individuals, representing 60% of the total sample individuals who work in the office individually, while (18) of them, representing 40% of the total respondents who work in the company.

Table 1. The office types distribution in this study

Office type	Number	Percentage	Standard Deviation
Single Desk	27	60%	
Company	18	40%	
Total	45	100%	1.5

Professional qualification

The professional qualification was a very important factors that considered in this study for high reliability which presented in table 2. It is evident from the table that (21) of the study individuals,

representing 46.66% of total individuals respondents who classified the professional qualification as a chartered accountant and are the most individual sample category, while (12) of them account for 26.67% of the total respondents classified vocational rehabilitation on that in scopas member, in addition to (12) of them account for 26.67% of the total respondents were not classified qualifications.

Table 2. Professional qualifications of the study.

Certificate	Number	Percentage	Standard Deviation
Chartered Accountant	21	46.66%	
Member SOCPA	12	26.67%	
A member of the CPA	0	0	
None	12	26.67%	
Total	45	100 %	2.49

Source: Results of the statistical analysis of the study data.

Educational Qualification

The educational qualification that used in this study as presented in table 3. It is evident from the table that the 36 members of the study, representing 80% of the total sample individuals Bachelor degree and they are most of the individuals' category, while (9) of them, representing 20% of total respondents have bachelor education Master.

Table 3. The educational qualification that used in this study.

Qualifications	Number	Percentage %	Standard Deviation
Diploma	0	0	
Bachelors	36	80%	
Master	9	20%	
PhD	0	0	
Total	45	100 %	4.92

Source: Results of the statistical analysis of the study data

Years of experience

Table 4. Presented the data regarding the years of experience of the study personals. It is evident from the table that (18) of the study individuals, representing 40% of the total respondents who range from their years of experience between 20-16 years old, while (15) representing the proportion of 33.33% of the total respondents who range from their years of experience between 5-10 years, and two members of the study account for 13.33% of the total sample are an individual aged between 11-15 years of experience. In addition two members of the study who account for 13.33% of the total sample are an individual who range from their years of experience more than 30 years.

Table 4. The years of experience of the study personals.

Experience	number	Percentage	standard deviation
Less than 5 years	0	0	
5-10	15	33.33%	
11-15	6	13.33%	
16-20	18	40%	
More than 20 years	6	13.33%	
Total	45	100%	1.79

Source: Results of the statistical analysis of the study data

Nationality

Table 5. Shows the nationality of the study personals their questionnaires' considered as a reliable source of data and well representatives. It is evident from the table that the 42 members of the study account for 93.33% of the total sample individuals carrying Saudi nationality, while (3) only accounts for 6.67% of the total foreign nationality respondents.

Table 5. The nationality of the study personals

Nationality	Number	Percentage	Standard deviation
Saudi	42	93.33%	
gulf	0	0	
Others	3	6.67%	
Total	45	100%	6.38

Source: Results of the statistical analysis of the study data

RESULTS AND DISCUSSION

Professional performance quality is not affected by the evolution of the audit office

Table 6. Shows factors affecting the quality of professional performance, the audit office's correlation factor with a global audit office that has an average impact of 3.07/5 on the quality of professional performance. The highest response to the sample members indicated that the effect was significant (33.33%) and factor editing the number of team members. The review participants in the facility review had an average impact of 3.2/5 on the quality of professional performance, while the highest response of sample members indicated that the effect was significant (33.33%). The audit planning factor had an average effect of 3.2/5 on the quality of professional performance, while the highest response of sample members indicated that the effect was average (46.67%).

In the review file and the extent of application the principles and standards that were issued by the Saudi Authority of Legal Accountants and the independence of the audit office from the client's facility that the degree of impact was low 2.6 /5 on the quality of professional performance, while the highest response of the members of the sample indicated that the effect was average (40%) and between a large and medium effect of (33.33%) and between a very large and large effect (26.67%) straight. We will reject this hypothesis because of the high sample response to these factors and a clear correlation between the quality of performance and the development of the audit office.

Table 6. Factors affecting the quality of professional performance, the audit offices

The degree of response	mean	standard deviation	Absolutely not effective	low effect	average effect	High effect	very high effect
factors							
Audit Office correlation with global review of the Office	3.07 / 5	1.26	12 (26.67%)	6 (13.33%)	6 (13.33%)	15 (33.33%)	6 (13.33%)
Number of members of the audit team involved in the review of facility	3.2 / 5	1.79	6 (13.33%)	12 (26.67%)	12 (26.67%)	15 (33.33%)	0
Planning for the audit	3.2 / 5	2.9	0	18 (40%)	21 (46.67%)	3 (6.67%)	3 (6.67%)
The accuracy and completeness of documentation in the audit file	2.6 / 5	2	0	9 (20%)	18 (40%)	12 (26.67%)	6 (13.33%)
Over the application of the principles and issued by the S O CPA	2.6 / 5	1.9	0	9 (20%)	15 (33.33%)	15 (33.33%)	6 (13.33%)
The independence of the audit office of the client	2.6 / 5	0.89	6 (13.33%)	6 (13.33%)	9 (20%)	12 (26.67%)	12 (26.67%)

Source: Results of the statistical analysis of the study data

It does not affect low fees and is low on quality performance

Table 7. shows factors affecting the decrease of fees for external references, that the volume factor of the audit office has a low effect of 2.27/5 on reference fees, the highest response to the sample members which the indication that the effect was very large (33.33%).The table also shows that while the competition factor between audit offices has a very low impact on the average of 1.93/5 on reference fees, the highest response to sample members indicates that the effect was very significant (53.33%). The hypothesis will be accepted on the basis of the highest response rate of sample members. There are signs of a relationship between the two variables

Table 7. Factors affecting the Auditors fees for external references

The degree of response	mean	standard deviation	Absolutely not effective	low effect	Average effect	high effect	very high effect
Property							
The size of the audit office	2.27 / 5	1.67	3 (6.67%)	3 (6.67%)	12 (26.67%)	12 (26.67%)	15 (33.33%)
Competition between audit firms	1.93 / 5	2.76	0 (0%)	9 (20%)	3 (6.67%)	9 (20%)	24 (53.33%)

Source: Results of the statistical analysis of the study data

Effect low fees on auditing quality and general performance

Table 8. Shows factors influencing professional abuses, the attempt to reduce the work of the reference to reduce costs that have a low impact of 1.93/5 on professional excesses, while the highest response to the members of the sample indicated that the effect was very large by (53.33%). Low fees that attract customers has an impact of 2.33/5 on professional excesses, while the highest response to the sample members was indicative of a significant impact of (46.6%). Obtaining other

services from the client in exchange for a low fee review had a low impact of 2.6/5 on professional abuses, while the highest response to sample members indicated that the effect between large and medium was 40%), They opinion wasn't revealed to maintain that the office client had a low impact of 2.27/5 on professional abuses. The highest response of the sample members indicated that the effect was very significant (46.6%).The hypothesis will be accepted because the highest level of responses for individuals was between the medium and very large effect.

Table 8. Effect low fees on auditing quality and general performance

The degree of response	mean	standard deviation	Absolutely not effective	low effect	average	high effect	very high effect
Property							
Attempt to reduce the work returned to reduce the costs	1.93 / 5	2.76	0	9 (20%)	3effect (6.6%)	9 (20%)	24 (53.3%)
Accepting low fees to attract customers whatever the cost of the work	2.33 / 5	2.19	3 (6.6%)	3 (6.6%)	9 (20%)	21 (46.6%)	9 (20%)
Access other services from the customer in exchange for a review of the process of low fees	2.6 / 5	1.41	6 (13.3%)	3 (6.6%)	15 (33.3%)	9 (20%)	12 (26.6%)
Lack between the office ability and the company's need for efficient	2.67 / 5	2.45	3 (6.6%)	3 (6.6%)	18 (40%)	18 (40%)	3 (6.67%)
Avoid express an unqualified opinion or refrain from expressing an opinion to keep the desktop client	2.27 / 5	2.61	6 (13.3%)	0	15 (33.3%)	3 (6.6%)	21 (46.6%)

Source: Results of the statistical analysis of the study data

The higher the quality of the performance of the internal auditor, the less external work references:

Table 9. Reports factors influencing the reduction of the work of references, the effectiveness of the examination and evaluation of the internal control system had a low effect of 2.33 / 5 on the quantity of the work of the references, while the highest response of the members of the sample was indicative that the effect is significant by (46.67%). The effect of the reduction of the work of internal references from the work of external references has a low effect of 2.4 / 5 on the quantity of the work of the references, while the highest response of the individuals of the sample was indicated that the effect is very large (40%).The hypothesis will be accepted on the basis of the higher response ratio of individuals.

Table 9. Effect of the quality of the Internal Auditor performance and the External Auditor

The degree of response factor	Mean	Standard deviation	Absolutely not effective	low effect	average	large effect	very large effect
The effectiveness of the examination and evaluation of internal control system	2.33 / 5	2.19	3 6.6%	3 6.6%	9 20%	21 46.6%	9 20%
It reduces the work of the internal auditor of the work of the External Auditor	2.4 / 5	1.9	9 20%	0	9 20%	9 20%	18 40%

Source: Results of the statistical analysis of the study data

According to the data statistical analysis and hypothesis testing, the survey results have been reached by previous studies in order to determine the effect of the low fees of the External Auditor on the quality of professional performance in order to contribute to the improvement of the current situation in the UK and to bring it to the highest quality ratio in the professional performance. It reached the following results:

1. It considers both: link Audit Office with a global audit office and the number of members of the audit team involved in a review of the property and the accuracy. The documentation is completed in the audit file and the extent of application of the principles is issued by the Saudi Organization for Certified Public Accountants standards. The independence of the audit office of the client of factors facility mission is affecting the quality of professional performance.
2. The size of the audit office and the competition between the audit offices affect the fees of the auditor. The larger the size of the office, the higher the quality and therefore the higher the burden. While high competition between offices adversely affects the auditor's work, reducing reference fees may lead him to waive certain matters that may affect the quality of the review in order to retain the client, especially if it is considered to be of relative importance to the audit office's revenues.
3. Both accepting low fees to attract customers at all costs and trying to reduce the return work to reduce costs and obtaining other services from the client in exchange for a low fee review process and inappropriateness between the office's ability and the company's need for efficiency and avoiding expressing a conservative opinion or refraining from expressing an opinion to maintain the office client are all factors that help to increase the professional excesses of the reviewer.
4. Considers the effectiveness of examination and evaluation of the internal control system and the size of the work of the internal auditor of the factors affecting the size of the work of the external auditor, where the higher the quality of the internal control system it will reduce the work that will be their performance size while the less the work of the internal auditor will lead to an increase in the external business references.
5. The adoption of the revision of policies and procedures on the quality of audit work performed to improve the quality of professional services provided by audit firms controlled offices, and lead to the lifting of the audit profession and advancement.

RECOMMENDATIONS

Based on the search results, the most important recommendation are as follow:

- Necessary and no minimum fees for the auditor to reduce the intensity of competition between the offices, which will affect the quality of professional performance.
- You must make sure that there is no direct or indirect relationship between the Audit Office and the facility, which will be reviewed for the failure to reach the results are misleading and incorrect.
- Separation between the work of the external auditor and the internal auditor to exclude the possibility of manipulation by the internal auditor.
- Necessary to activate the professional performance quality control program, and to develop appropriate measures to ensure the commitment of all office requirements of quality control mechanisms for references.
- Necessary watching and evaluating the performance of the Auditor Office through legal obligation to attach the reports about the property that have been reviewed.

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