



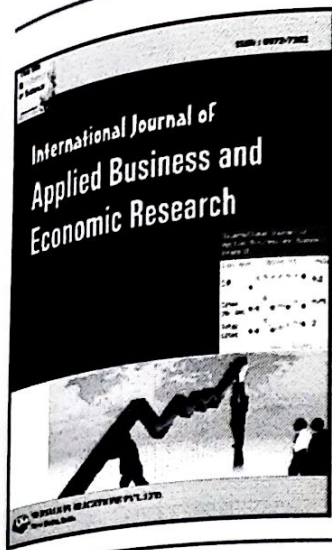
## A TWO DAY NATIONAL CONFERENCE

### *Certificate*

This is to certify that Dr / ~~Mr~~ / Ms **K. SAILATHA**.....  
of **ASAS, MYSURU, Amrita University**... has  
presented / co - authored a paper titled **DO NON AUDIT SERVICES**  
**INFLUENCE ON AUDITOR INDEPENDENCE PERSPECTIVES OF**  
**INDIAN AUDITORS?**.....in  
the **Two Day National Conference on Structural, Institutional and Financial**  
**Sector Changes (both Global and Indian) in the New Millennium and the**  
**Road Ahead** held on **7<sup>th</sup> and 8<sup>th</sup> April 2017**, organized by Department of  
Management & Commerce, Amrita University, Mysuru.

  
Secretary  
Organising Committee

  
Chairperson  
Organising Committee



## “Do Non Audit Services Influence on Auditor Independence Perspectives of Indian Auditors?”

K. Sailatha

Dept. of Management and Commerce, Amrita University, Mysuru, E-mail: [sailatha\\_vishnu20@yahoo.co.in](mailto:sailatha_vishnu20@yahoo.co.in)

**Abstract:** Recent expansion of non-audit services (NAS) by public accounting firms has caused the SOX and SEC to question whether auditors can remain independent of their clients to whom they provide both audit and NAS. Regulators and stakeholders in worldwide capital markets have observed a great concern on the potential threat of joint provisions of audit and non-audit services to audit clients on perceived auditor independence. However, as evidenced by the debate surrounding the Sox recent restrictions on the provisions of the NAS, some disagree, contending that these services strengthen the auditor's independence. The external auditors have been described as persons who hold the responsibility of expressing his / her opinion on the fairness of the client's financial statements. They are expected to be independent, not only in fact but also in appearance in conducting their professional work. Lack of independence has caused concern in the community. In this context, the objectives of this study is identifying the kinds of NAS practiced by Indian auditors and the effect of NAS on auditor's independence and also want to know the opinion of two groups of Indian auditors about the effect of NAS on auditor independence. The findings of the study show Indian auditors practicing NAS do not believe that the practice of NAS by independent auditors impaired auditor independence.

**Keyword:** Non audit services, Auditor independence

### INTRODUCTION

Growing business ties between (CPA) firms and their audit clients ... have raised new questions regarding the nature of the auditor – client relationship (Lowe 1999). The general public, investors and creditors alike have shown serious concern about auditor independence. The non audit is a highly debated issue to some corporate regulators as well. They believe that auditor independence gets hampered if audit and non-audit services are provided to the some client. They claim that fee dependence and conflicts can be damaging. On the other hand, the audit firms say they are not influenced by these factors and that audit and NAS are

handled by different set of people. Their notion is that joint supply enhances from separate services. "Clients pay their auditors for the different services and this leads to economic dependence of the auditors on their clients. (Mautz and Haraf, 1961; DeAngelo, 1981a; Wallman, 1996). Increased economic dependence on clients does not mean compromise of auditor independence if other economic forces are at work (Reynolds and Francis, 2000; AICPA, 1997; Wallman 1996). NAS has the potential to create economic bonding from the fees received by clients (Simunic, 1984; Beck *et al.* 1988)." Theories exist about knowledge "spillovers". This predicts that audit and NAS by a single supplier can be efficient. "The corporate failures of 2001-2002 had associated concerns. The major being customer - auditor relationship. This led to regulatory initiatives about the purchase of NAS from auditors. The regulators in the UK, US and Australia regarded NAS as a threat to auditor independence. (Craswell, 1999, Pg 29)." Audit clients subject to the securities and Exchange act of 1934 can be provided only with certain NAS. A registered public accounting firm is said to be unlawful if it violates this Act. The main functions of the Audit Organization are:

1. Audit and statutory examination (for those corporations whose 50% or more of their equity belongs to government).
2. Financial and management consultancy services (design and implementation of financial systems and rendering management advisory services).
3. Setting accounting and auditing standards 4) training, research and publications.

## REVIEW LITERATURE

According to research, the impact of NAS on auditor independence is uncertain. "These services establish a strong working relation with the client (Goldwasser 1999, Sutton 1997). If the services escalate the economic bond between clients and auditors it may affect auditor independence (Wallman 1996)." The proponents of joint provision of audit and NAS contended that NAS enhances the auditors' knowledge of the client, leading to a more efficient and effective audit, thus increasing the auditor's objectivity and independence (e.g. Goldwasser, 1999, Beck *et al.* 1988a). "Auditors generate higher revenue from NAS. This leads to greater reputation capital. With a desire to maintain the reputation capital their willingness to cater to the clients decreases (Haynes, Jenkins, and Nutt 1998). But Goldman and Goldman and Barlev, 1974, discovered that auditors gain more knowledge about the client company and this increased independence. Imposing restrictions on NAS hinders procurement of task specific knowledge capital by the auditors." Therefore auditor competence witnesses a down fall and also lower audit quality. "Lennox (1999) collected empirical data from UK firms which show a positive relationship between NAS fees and auditors. NAS is a surrogate for audit quality. According to their analysis, NAS increases auditors' knowledge about clients and also probabilities of discovering problems. Arrunada (1999) expressed that the joint provision of audit and NAS creates "economics of Scope". Hence it reduced overall costs, increase competition, improve quality of audit. All this ultimately increases auditor independence (Goldman and Barlev, 1974; Wallman 1996)." Arrunada (1999) showed that cost savings gained from the joint provision of audit and NAS will be transferred to customers as a decrease in price in both markets, and also that the provision of NAS would 'result in an increase in client- and firm-specific assets'. "The purpose of doing an audit is to identify problems. Knowledge of client's information system and fax accounting can improve the audit quality and increase the probability of identifying problems – Kinney *et al.* (2004). During the period 2000-2002,

Ghosh et al studied around 8940 firms and discovered that the NAS fees ratio to Earning Response coefficients (ERC) was negligible." Sharama (2006) did a research on "the impact of audit providing NAS and tenure of audit in a firm on audit efficiency. He was against restricting regulations on the joint provision of audit and NAS. He gathered evidence of increase in the provision of NAS. As a result the audit lag reduced. He also provides evidence that demonstrates extended audit-firm tenure, reduces audit lag, while shorter audit-firm tenure increases audit lag. Opponents to the joint provision of audit and NAS claimed that the value of NAS by auditors depends upon the cost/benefit tradeoff with compromises in auditor independence and they believe NAS creates an economic bond between the auditor and client, which some counter can cause the auditor to lose objectivity, (e.g. Ashbaugh et al., 2003)." Also when an auditor is hired and paid by a company's management, and thus there is a temptation for an auditor to please the management by acquiescing to the management's accounting choices. Providing NAS to the audit client will only increase this economic dependence. Shockley (1981) conducted a study on whether MAS (Management advisory services) influenced perceptions about auditor independence. He concluded that "it was perceived that CPA firms providing MAS had greater risk of losing independence than those which did not. An auditor's freedom from management's clutches is described as auditor independence by Antle (1984)." Since the management has control over the remuneration of the auditor, there are chances that he may ignore auditor independence in favour of the management. However, it can be avoided by introducing and also implementing a control mechanism. The purchase of MAS from the auditing firm influences the management's ability to affect a dispute. This perception was examined by Knapp (1985). He realized that the management was more likely to obtain resolution when the firm provided MAS. Wines carried out a survey in 1994, which suggested that auditors receiving NAS fees voiced their opinions less often in comparison to those didn't receive such fees. This was based on his analysis of audit report between 1980 and 1989. 76 companies listed on the Australian stock exchange were involved in this survey. Hackenbrack and Elms (2002) found that there was no positive association between stock returns and non-audit fees. These sample companies had the highest ratio of non-audit fees. This conclusion was arrived at after revisiting the ASR 250 fee disclosures. On the contrary Brandon et al (2004) who opposed the NAS announced that auditors don't do justice to their work as they would not do the audits objectively and independence is impaired. Beeler and Hunton (2002) declared that the contingent rents such as non-audit revenue, increase the bias in the judgment of auditors. It was a collective conclusion by (Brandon et al 2004; Frankel et al, 2002; Glezen and Miller, 1985; Jenkins and Krawczyk, 2001; Dopuch et al 2003), that auditors worked with more dedication. Larcker and Richardson, (2004); found some evidence of potential links between NAS and earnings management measures. Argument by Beck et al (1988) is that auditor client bond is strengthened by non-audit fees since it increases the portion of the audit firm that is derived by serving a client. Further research however has failed to prove that a non-audit fee impairs independence of the auditors.

## RESEARCH METHODOLOGY

To achieve the research objective, this study uses a postal questionnaire to seek a broad picture on the issues of the impact of joint provision of audit and non-audit services to auditor independence from the Indian auditors. The postal questionnaire is the main research tool utilized in this study, and the selection of this tool was based on the appropriateness of the technique to the research question. It is used as a tool and a very effective one to request for opinions, check attitudes and make descriptions about audit and

non-audit services. The questionnaire was comprehensively tested with the intent to improve and enrich its quality, and hence to make sure that it was applicable to the current level of practices in India, in order to generate maximum response rate. As mentioned earlier, the population selected for the current study consists of auditors of Indian Organizations which audit government companies and the second are Chartered Accountants which audit government and public companies. The sample size consist of 50 Chartered Accountants and 22 Government Auditors.

Humphrey (1997) stated that auditors were considered as the best choice since they are the main subjects of the issue which provides certification or credibility assessment to the stakeholders. The present study aims to examine the effects of the joint provision of audit and non-audit services on perceived auditor independence held by the Indian auditors and also wants to know which of the NAS practice by Indian auditors.

### RESEARCH QUESTIONS

1. Do Indian auditors practice Non audit services?
2. Which Non audit services are in fashion in Indian?
3. Do Non audit services Impair auditor independence?

### ANALYSIS AND DISCUSSION

**Table 1**  
Frequency and percentage of response for practicing various statements by

Statements	Chartered Accountants	Government Auditors	Cc	Chi-sq	Total	
					Frequency	P
1)Book keeping or other services related to accounting records or financial statements	17(35.4%)	1(4.5%)	.312	.006	26%(18)	.000
2)Financial information systems design and implementation	40(83.3%)	8(36.4%)	.425	.000	69%(48)	.002
3)Fairness opinions or contribution-in-kind reports	23(47.9%)	1(4.5%)	.391	.000	34%(24)	.009
Actuarial service	10(20.8%)	2(9.1%)	.143	.226	17%(12)	.000
5)Human resources (recruitment of executive manager)	21(43.8%)	0	.405	.000	30%(21)	.001

Internal audit outsourcing services	37(77.1%)	3(13.6%)	.511	.000	57%(40)	.232
7)Management function	1(2.1%)	1(4.5%)	.068	.566	3%(2)	.000
8)Broker or dealer, investment adviser or investment banking services	15(31.3%)	0	.333	.003	21%(15)	.000
9)Legal services and expert services unrelated to the audit (merger, acquisition)	25(52.1%)	1(4.5%)	.415	.000	37%(26)	.031
10)Tax adviser	36(75%)	1(4.5%)	.548	.000	53%(37)	.633
11)Tax audit	44(91.7%)	19(86.4%)	.082	.492	90%(63)	.000
12)Tax returns	38(79.2%)	0	.594	.000	54%(38)	.473
Do Indian auditors practice NAS	96%(46)	91%(20)	.410	.098	94%(66)	.000

The objective of this research is to know whether Indian auditors practice NAS or not. Table 1 represents these questions from the perspective of two groups of auditors who are working in Indian. Table 1 reveals 96% of the respondents emphasize on the practice of NAS and just 4% of them do not. We know, in 2002, the Sox prohibited auditors to the provisions of NAS, because it believed that NAS has the potential to impair or appear to impair the independence of the audit role. After the first question, while the response was yes, we asked to determine which of the NAS is practiced by auditors. In the case of statement (1) Book keeping or other services related to accounting records or financial statements. The results in table 1 shows that in total 74% of the respondents do not practice and 26% practice, hence 35% of Chartered Accountants practice and only 4.5% of government auditors also practice. Therefore, a significant association was observed between groups, categories of responses ( $CC=.312$ ;  $P<.006$ ) and in total  $<.000$ .

In the case of statement (2) financial information systems design and implementation, the consequence reveals 68% of respondents practice in total, 83% Chartered Accountants and 36% government auditors, and a significant association was observed between groups and categories of responses ( $CC=.425$ ;  $P<.000$ ) also in total  $p<.002$ . We know in the constitution of auditor organization of Indian lets the auditors to practice this activity.

Table 2  
Frequency and percentage response for various statements by chartered accountants and governments and test statistics

Statements	Groups											
	Chartered Accountants						Government Auditors					
	SD	D	N	A	SA	SD	D	N	A	SA	CC	P
1) Book keeping or other services related to accounting records or financial statements	48.3%	612.5%	12.1%	3062.5%	714.6%	14.5%	14.5%	00	731.8%	1359.1%	.418	.005
2) Financial information systems design and implementation	12.1%	2654.2%	510.4%	816.7%	816.7%	418.2%	29.1%	14.5%	731.8%	836.4%	.451	.001
3) Fairness opinions or contribution-in-kind reports	816.7%	1020.8%	1939.6%	918.8%	24.2%	627.3%	29.1%	522.7%	313.6%	627.3%	.362	.032
4) Actuarial service	816.7%	1633.3%	2245.8%	24.2%	00	940.9%	29.1%	29.1%	418.2%	522.7%	.530	.000
5) Human resources (recruitment of executive manager).	48.3%	2654.2%	612.5%	918.8%	36.3%	522.7%	29.1%	14.5%	418.2%	1045.5%	.502	.000
6) Internal audit outsourcing services	36.3%	2858.3%	36.3%	714.6%	714.6%	29.2%	29.2%	0	522.7%	1359.1%	.481	.000
7) Management function	24.2%	1225%	510.4%	2552.1%	48.3%	627.3%	14.5%	0	418.2%	1150%	.542	.000
8) Broker or dealer, investment adviser or investment banking services	612.5%	612.5%	2245.8%	714.6%	714.6%	940.9%	313.6%	14.5%	14.5%	836.4%	.454	.001
9) Legal services and expert services unrelated to the audit (merger, acquisition)	510.4%	2756.3%	510.4%	714.6%	48.3%	1045.5%	313.6%	14.5%	14.5%	731.8%	.491	.000
10) Tax adviser	510.4%	3164.6%	0	918.8%	36.3%	29.1%	29.1%	0	522.7%	1359.1%	.537	.000
11) Tax audit	2756.3%	1429.2%	0	510.4%	24.2%	1359.1%	29.2%	0	29.2%	522.7%	.319	.048
12) Tax returns	510.4%	3266.7%	510.4%	36.3%	36.3%	419%	14.8%	0	628.6%	1047.6%	.572	.000

Note: CC-Contingency coefficient; P-probability

To our question about the practice of internal audit outsourcing services, in statement (6), the result shows 57% of respondents practice this activity in detail, 77% of Chartered Accountants and 14% of government auditors. Hence, a significant association was observed between groups and in total of responses ( $CC=.511$ ;  $P<.000$ ,  $P<.232$ ).

In the case of (7) - management function- the answer shows that just 3% of respondents practice management function, 2% of chartered accountants and 4% of government auditors practice it. Therefore, there is no significant difference between the groups and categories of responses ( $CC=.068$ ;  $P<.566$ ).

90% of the respondents' declare that they are practicing tax audit 92% of Chartered Accountants and 87% of government auditors practice tax audit. Therefore, there is no significant difference between the groups and categories of responses ( $CC=.082$ ;  $P<.492$ ).

In the case of statement(1) Book keeping or other services related to accounting records or financial statements, significant association was observed between groups and categories of responses ( $CC=.418$ ;  $P<.005$ ). The frequency and percentage analysis revealed that government auditors strongly agreed (59.1%) with the statement more than the Chartered Accountants (14.6%). On the whole the disagreement was more against Chartered Accountants than government auditors.

About the Financial information systems, design and implementation, a significant association was observed between groups and categories of responses ( $CC=.451$ ;  $P<.001$ ). The frequency and percentage analysis revealed that government auditors strongly agreed (36.4%) with the statement more than the Chartered Accountants (16.7%). On the whole the disagreement was more for Chartered Accountants than government auditors and in total 44% believed this activity affects auditor independence.

In the third question (Fairness opinions or contribution-in-kind reports), significant association was observed between groups and categories of responses ( $CC=.362$ ;  $P<.032$ ). The frequency and percentage analysis revealed that government auditors strongly agreed (27.3%) with the statement more than Chartered Accountants (4.2%). On the whole the disagreement was more against Chartered Accountants than government auditors and in total, 28% believed this case affects auditor independence.

15% of the respondents believe that Actuarial services have effect on auditor independence, and a significant association was observed between groups and categories of responses ( $CC=.530$ ;  $P<.000$ ). The frequency and percentage analysis revealed that government auditors strongly agreed (22.7%) with the statement more than Chartered Accountants (0%). On the whole the disagreement was the more against chartered accountants and government auditors.

In the case of statement (5) Human resources (recruitment of executive manager), a significant association was observed between groups and categories of responses ( $CC=.502$ ;  $P<.000$ ). The frequency and percentage analysis revealed that government auditors strongly agreed (45.5%) with the statement more than Chartered Accountants (6.3%). On the whole the disagreement was more against Chartered Accountants than government auditors. In this activity 37% believe it affects auditor independence in total.

On the question about the effect of Internal audit outsourcing services on auditor independence, a significant association was observed between groups and categories of responses ( $CC=.481$ ;  $P<.000$ ). The frequency and percentage analysis revealed that 40% of respondents said it affects auditor independence.



To our question about the practice of internal audit outsourcing services, in statement (6), the result shows 57% of respondents practice this activity in detail, 77% of Chartered Accountants and 14% of government auditors. Hence, a significant association was observed between groups and in total of responses ( $CC=.511$ ;  $P<.000$ ,  $P<.232$ ).

In the case of (7) - management function- the answer shows that just 3% of respondents practice management function, 2% of chartered accountants and 4% of government auditors practice it. Therefore, there is no significant difference between the groups and categories of responses ( $CC=.068$ ;  $P<.566$ ).

90% of the respondents' declare that they are practicing tax audit 92% of Chartered Accountants and 87% of government auditors practice tax audit. Therefore, there is no significant difference between the groups and categories of responses ( $CC=.082$ ;  $P<.492$ ).

In the case of statement(1) Book keeping or other services related to accounting records or financial statements, significant association was observed between groups and categories of responses ( $CC=.418$ ;  $P<.005$ ). The frequency and percentage analysis revealed that government auditors strongly agreed (59.1%) with the statement more than the Chartered Accountants (14.6%). On the whole the disagreement was more against Chartered Accountants than government auditors.

About the Financial information systems, design and implementation, a significant association was observed between groups and categories of responses ( $CC=.451$ ;  $P<.001$ ). The frequency and percentage analysis revealed that government auditors strongly agreed (36.4%) with the statement more than the Chartered Accountants (16.7%). On the whole the disagreement was more for Chartered Accountants than government auditors and in total 44% believed this activity affects auditor independence.

In the third question (Fairness opinions or contribution-in-kind reports), significant association was observed between groups and categories of responses ( $CC=.362$ ;  $P<.032$ ). The frequency and percentage analysis revealed that government auditors strongly agreed (27.3%) with the statement more than Chartered Accountants (4.2%). On the whole the disagreement was more against Chartered Accountants than government auditors and in total, 28% believed this case affects auditor independence.

15% of the respondents believe that Actuarial services have effect on auditor independence, and a significant association was observed between groups and categories of responses ( $CC=.530$ ;  $P<.000$ ). The frequency and percentage analysis revealed that government auditors strongly agreed (22.7%) with the statement more than Chartered Accountants (0%). On the whole the disagreement was the more against chartered accountants and government auditors.

In the case of statement (5) Human resources (recruitment of executive manager), a significant association was observed between groups and categories of responses ( $CC=.502$ ;  $P<.000$ ). The frequency and percentage analysis revealed that government auditors strongly agreed (45.5%) with the statement more than Chartered Accountants (6.3%). On the whole the disagreement was more against Chartered Accountants than government auditors. In this activity 37% believe it affects auditor independence in total.

On the question about the effect of Internal audit outsourcing services on auditor independence, a significant association was observed between groups and categories of responses ( $CC=.481$ ;  $P<.000$ ). The frequency and percentage analysis revealed that 40% of respondents said it affects auditor independence.

Government auditors strongly agreed (59.1%) with the statement more than Chartered Accountants (14.6%). On the whole the disagreement was more against Chartered Accountants than government auditors.

In the case of statement (7) Management function, a significant association was observed between groups and categories of responses ( $CC=.542$ ;  $P<.000$ ). The frequency and percentage analysis revealed that government auditors strongly agreed (50%) with the statement more than chartered accountants (8.3%). On the whole the disagreement was more for Chartered Accountants than government auditors- 30% disagreed to our question.

32% believe that Broker or dealer, investment adviser or investment banking services, have effect on auditor independence and a significant association was observed between groups and categories of responses ( $CC=.454$ ;  $P<.001$ ). The frequency and percentage analysis revealed that government auditors strongly agreed (36.4%) with the statement more than Chartered Accountants (14.6%). On the whole the disagreement was more against Chartered Accountants than government auditors.

In the case of statement (9) Legal services and expert services unrelated to the audit (merger, acquisition,) a significant association was observed between groups and categories of responses ( $CC=.491$ ;  $P<.000$ ). The frequency and percentage analysis revealed that government auditors strongly agreed (31.8%) with the statement more than Chartered Accountants (8.3%). On the whole the disagreements were more against Chartered Accountants than government auditors in total 65% were in disagreement.

In the case of statement (10) Tax adviser, a significant association was observed between groups and categories of responses ( $CC=.537$ ;  $P<.000$ ). The frequency and percentage analysis revealed that government auditors strongly agreed (59.1%) with the statement more than Chartered Accountants (6.3%). On the whole the disagreement was more against Chartered Accountants than government auditors.

In the case of statement (11) Tax audit, a significant association was observed between groups and categories of responses ( $CC=.319$ ;  $P<.048$ ). The frequency and percentage analysis revealed that government auditors strongly agreed (22.7%) with the statement more than chartered accountants (4.2%). On the whole the disagreement was more against Chartered Accountants than government auditors.

In the case of statement (12) Tax returns, a significant association was observed between groups and categories of responses ( $CC=.572$ ;  $P<.000$ ). The frequency and percentage analysis revealed that government auditors strongly agreed (47.6%) with the statement more than Chartered Accountants (6.3%). On the whole the disagreement was more against Chartered Accountants than government auditors.

## CONCLUSION

This study has addressed the general query – how the NAS provisions affect the auditor – independence perceptions. The results of the previous studies are equivocal and the debate continues till date (Schroeder 2000). These kinds of findings are consistent with the strong belief that NAS enhances auditor independence (Goldwasser 1999, Wallman 1996 and Goldman and Barlev 1974).

To conclude, this study reveals that Indian auditors believe provisions of the NAS by independent auditors do not threaten auditor independence, and the majority of the respondents decelerated Indian auditors practicing NAS.

## REFERENCE

- American Institute of Certified Public Accountants. (1997). "Serving the Public Interest: A New Conceptual Framework for Auditor Independence". Commerce Clearing House, New York (or website).
- Ande, R (1984). "Auditor Independence". *Journal of Accounting Research* vol.22 No, (1), spring, pp: 1-20.
- Arruanda, B. (1999). "The Provision of Non-Audit Services by Auditors: Let the Market Evolve and Decide International". *Review of Law and Economics*, Volume 19, pp: 513-531.
- Ashbaugh, H., R. LaFond, and B. W. Mayhew. "Do nonaudit services compromise auditor independence? Further evidence." *The Accounting Review* 78, pp. 611 – 639.
- Beck, P. J., Frecka, T. J., & Solomon, I. (1988a). "A Model of the Market for MAS and Audit Services: Knowledge Spillovers and Auditor–Auditee Bonding". *Journal of Accounting Literature*, Volume 7, pp: 50–64.
- Beeler, J. and Hunton, J. (2002). "Contingent Economic Rents: Insidious Threats to Auditor Independence". *Advances in Accounting Behavioral Research*, Volume 5, pp: 21-50.
- Brandon, D. M., Crabtree, A. D. and Maher, J. J. (2004), "Non-Audit Fees, Auditor Independence and Bond Ratings". *Auditing: A Journal of Theory & Practice*, Volume. 23, No. 2, pp: 89-103.
- Craswell, A., D.Stokes and Laughton (2002). "Auditor Independence and Fee Dependence," *Journal of Accounting and Economics*, Vol. 33, pp. 253-275.
- DeAngelo, L. E. (1981a)." Auditor Size and Audit Quality". *Journal of Accounting and Economics*, Volume 3, PP: 183-199.
- Dopuch N. King R, Schwartz R (2001). "An Experimental Investigation of Retention and Rotation Requirements," *Journal of Accounting Research*, Vol.39 June, pp. 93-118.
- Frankel R.M, Johnson and K Nelson (2002). "The Relationship Between Auditor Fee and Non-Audit Service and Earnings Management," *The Accounting Review*, Vol.77, pp. 71-105.
- Glezen G. W. and Miller J. A (1985). "An Empirical Investigation of Stakeholders Reaction to Disclosures Required by ASR No. 250," *Journal of Accounting Research*, Vol.23 autumn, pp. 859-870.
- Goldman A and Barlev B. (1974). "The Auditor Firm Conflicts of Interests: Its Implications for Independence," *The Accounting Review*, Vol. 49 October, pp. 707-718.
- Goldwasser. D.L. (1999). "The Tasks Awqiting the ISB," *Accounting Today*, June-7 to June-20, 7,52,54.
- Hackenbrack K and H. Elms (2002). "Mandatory Disclosure and the Joint Sourcing of Audit and Non-Audit Service," *Journal of Accounting Research*, September, pp. 1224-1233.
- Haynes, C.M., J.G. Jenkins, and S.R. Nutt. 1998. "The Relationship Between Client Advocacy and Audit Experience: An Exploratory Analysis." *Auditing: A Journal of Practice & Theory* 17 (Fall): 88 - 104.
- Jenkins J.G. and K. Krawczyk (2000). "The relationship Between Non-Audit Service and Perceived Auditor Independence," *The Journal of Applied Business Research*, Vol. 50 Spring, pp. 73-78.
- Knapp M.C. (1985). "Audit Conflict: An Empirical Study of the Perceived Ability of Auditors to Resist Management Pressure," *The Accounting Review*, Vol.60 April, pp. 202-211.
- Larcker D. F and S.A. Richardson (2004). "Fees Paid to Audit Firms, Accrual Choices and Corporate Governance," *Journal of Accounting Research*, 42 (3), pp. 625-658.
- Lennox C. S (1999). "Non Auditing Fees, Disclosure and Audit Quality," *The European Accounting Review*, 8(2), pp. 239-252.
- Lowe, D.J. Geiger M.A and Pany K (1999). "The Effects of Internal Audit Outsourcing on Perceived External Auditor Independence," *Auditing: A Journal of Practice and Theory*, Vol. 18, supplement, pp.7-26.
- Mautz R. K. and Sharaf H.A (1961). "Philosophy of Auditing", Monograph/American Accounting Association.

- Reynolds J.K and Francis J R, (2001). "Client Size and Auditor Reporting Decisions: An Office Level Analysis," *Journal of Accounting and Economics*, Vol. 30, pp-375-400.
- Shockley R (1981). "Perceptions of Auditor Independence: An Empirical Analysis," *The Accounting Review*, 54 (4), pp. 785-800.
- Simunic, Dan (1984). "Auditing, Consulting and Auditor Independence," *Journal of Accounting Research*, Vol, 22, pp. 679-702.
- Sharma, V.D. (2006). *The Effects of Independence Audit Committee Member Characteristics and Auditor Independence on Financial Restatement*. Unpublished PhD Thesis Griffith University, Australia.
- SUTTON, JOHN. *Sunk costs and market structure*. Cambridge, MA: MIT Press, 1991.
- Wallman, S. M. H. (1996). The Future of Accounting, part III: Reliability and Auditor Independence. *Accounting Horizons*, 10(4), 76-97.