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## Selected Behavioural Factors in Client-Initiated Auditor Changes: The Client-Auditor Perspectives

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**Abstract:**

*The objective of the paper is to compare the perspectives of both external audit clients and auditors themselves with respect to the nature and significance of two behavioural factors, the client-auditor working relationship and auditor accessibility, which have been identified in the literature as affecting client-initiated auditor changes.*

*A mixed methodology was employed using both online questionnaires and semi-structured interviews. On the part of audit clients, a questionnaire was sent to a random sample of 350 Malta-based companies, out of which 74 responses were received. Seven of the companies also backed up their responses with an interview. On the part of practitioners, a questionnaire was sent to 668 warranted auditors, out of which 124 responses were received. Four of these practitioners also backed up their responses with an interview.*

*Both auditors and clients recognise the importance of clients establishing sound working relationships with all auditing parties - such relationships to include elements such as mutual trust, auditor objectivity and competence - but particularly with the audit manager (as per clients) and audit partner (as per auditors). Both parties also attached high importance to auditor accessibility, this mostly signifying being ready to offer their clients immediate help whenever necessary. Clearly accessibility is not determined by physical presence as much as auditors think, but by each party being reached and responsive with ease, more so during office hours, and increasingly by e-mail.*

*Auditors seem to be more focused on abiding by professional standards, while allotting less importance to other attributes evidently more appreciated by clients, such as personality ones including communication skills. Auditors have to work more on the non-professional aspects of both behavioural factors if they are to secure a higher probability of being reappointed.*

**Keywords:** Client Auditor, Auditor-client Relationship, Accessibility, Communication

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## **Introduction**

In auditing, as in any other profession, if both parties achieve their goals, then the professional relationship is bound to continue. However, if not, the relationship may terminate due to underlying factors (Calderon and Ofobike, 2007). Arguably, a change in auditor is usually brought about by “a change in the equilibrium driven by those same competitive forces that previously led to the alignment between the auditor and company” (Whisenant, 2003, p.5). Nevertheless, auditor switching is only likely to happen if the benefits of the change exceed the cost of replacement.

Beattie and Fearnley suggest that change decisions are mostly influenced by economic factors such as audit fees (1998b) while behavioural factors are more significant when choosing auditors. Magri and Baldacchino (2004), in a study incorporating behavioural and economic factors’ influence on auditor changes, have established that in Malta behavioural factors override economic ones. This study recognised deterioration in the working relationship with the auditor and lack of auditor accessibility as the main determinants of client-initiated auditor changes.

In another study on factors influencing first time auditor selection in Malta, Baldacchino and Cardona (2011) also found that behavioural factors topped the list. In fact, it was determined that when appointing auditors, “quality of service” is essential to clients. In this regards, the authors suggest that quality is a function of a sound working relationship between auditors and clients, and of auditor availability.

This paper aims at analysing two major behavioural factors affecting client-initiated auditor changes in Malta:

- i. The auditor-client working relationship, as well as barriers leading to a deterioration in such a relationship;
- ii. Auditor accessibility.

In ascertaining the nature and assessing the significance of both factors, the study takes into account and compares the perspectives of both audit clients and practitioners.

The next section includes foreign and local literature on the client-auditor working relationship, including barriers to such a relationship. It also discusses auditor accessibility and approachability. This is followed by the research methodology adopted in the study.

The findings which emerge on the working relationship between auditors and clients and on auditor accessibility are then presented and discussed.

The last section summarises these findings and outlines the conclusions established by the study.

## **Literature Review**

### *The Working Relationship*

Varey suggests that (1990, p. 121) “business enterprise is the collected work of individuals and is conducted in a relationship between persons”. Owing to the high competition in the audit market, audit firms are learning that the way forward is to establish long-term relationships with their clients (de Ruyter & Wetzels, 1999).

Kleinman and Palmon (2001) state that in an auditor-client relationship, past interactions will affect current and future exchanges and are therefore not a onetime experience. Every auditor-client relationship which is formed is unique and evolves independently from the audit firm or client culture to which it relates (Kleinman & Palmon, 2001).

Even though a number of studies support the establishment of long-term auditor-client relationships (Beattie and Fearnley, 1995; Beattie and Fearnley, 1998b; Lal Joshi, *et al.*, 2009; Magri and Baldacchino, 2004; Baldacchino and Cardona, 2011; Fontaine, *et al.*, 2013; Thalassinou and Liapis 2014; Theriou, 2015; Theriou *et al.*, 2014; Rupeika-Apoga and Nedovis, 2015; Budik and Schollossberger 2015; Suryanto, 2016), there is concern that the auditors’ familiarity and identification with their clients may pose a threat to the essential principle of independence (Bamber and Venkataraman, 2005). In response to this, regulators have introduced provisions, such as the Sarbanes-Oxley Act in the United States of America, to improve auditor independence (Public Accounting Oversight Board, 2011).

More recently the European Parliament has decided to implement a new set of legislation which will reform the audit report and require mandatory audit firm rotation in all European Union Member States (Hamilton, 2014; Fetai 2015; Allegret *et al.*, 2016; Grima *et al.*, 2016) as from 2016 (KPMG, 2014). The Public Accounting Oversight Board (PCAOB) and the European Commission (EC) argue that fixing the term of the auditor may help in enhancing auditor independence, thus reducing bias (Cameran *et al.*, 2014) and ultimately improving audit quality. Nonetheless, there is research which suggests that audit quality is a factor of other determinants which are achieved through long term engagements such as auditors’ experience with clients, industry expertise and responsiveness to client needs (Daugherty and Tervo, 2008; Lal Joshi *et al.*, 2009; Boldeanu and Tache, 2016). Thus, while mandatory audit firm rotation may increase independence, audit quality may be affected negatively by the loss of client-specific knowledge which is gained by audit firms over time (Cameran *et al.*, 2014).

The following are elements that could impact the working relationship between auditors and clients.

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**Competence:**

Nearon (2005, p.32) states that competence is one of the foundations of auditing and is described as “an auditor’s technical ability to discover a material misstatement in the financial statements”. To minimise the risk of failing to discover material misstatements, auditors perform a thorough analysis of the business risks faced by their clients (Humphrey *et al.*, 2006). This is facilitated by obtaining an understanding of the clients’ business and by developing skills and expertise which help in exercising professional judgement.

**Confidentiality:**

Richards (2007) states that parties in a relationship trust that none of them will divulge personal information to third parties. Audit firms are obliged to maintain information gathered during the audit as confidential (Lal Joshi *et al.*, 2009). This obligation comes from both ethics and regulations.

**Communication:**

Communication is the basic ingredient for a successful relationship, no matter the setting in which occurs (Marques, 2010). It can happen through verbal expression, incorporating spoken language and sounds; nonverbal expression, including body language and written expression (Fink-Samnack, 2004). Auditing clients regard communication as the first step in human interaction and perceive it to be fundamental in the enhancement of working relationships (Fontaine *et al.*, 2013). Accordingly, adequate oral and written communication skills are essential to deal with clients (Ramsey, 2007) and with other information providers.

**Communication Barriers:**

Golen (1987, p.1) defines a barrier to communication as “any element that may impede or inhibit the free flow of information from the sender to the receiver of a message”. Golen *et al.* (1988 cited in Baldacchino and Higson, 1993) identified hostility, tendencies not to listen by the auditor, lack of trust and credibility, having too many intermediaries and personality differences as communication barriers between Certified Public Accountants and their clients. In another study by Baldacchino and Higson (1993), tendencies not to listen by auditors were also identified as significant barriers. In fact, even though listening is vital in a conversation, studies show that very few people are capable of listening appropriately (Sonnenberg, 1990). Other barriers identified by Golen *et al.* (1988) were resistance to change, lack of understanding of accounting jargon, know-it-all attitude by auditors and lack of feedback (Baldacchino and Higson, 1993). Other factors which could constitute as a barrier are time limitations and environmental factors (Fink-Samnack, 2004).

**Trust:**

Trust is an essential element to an auditor-client working relationship (Lal Joshi, *et al.*, 2009). Rotter (1967, p.651) defines trust as “an expectancy held by an individual or a group that the word, promise, verbal or written statement of another individual

or group can be relied upon”. Spekman and Davis (2004, p.416) argue that building trust between trading parties is essential to manage risk which they define as “the probability of variance in an expected outcome”.

***Cooperation:***

Varey (1998, p.122) postulates that parties involved in a business relationship will “derive complex, personal, non-economic satisfaction” and will usually identify with one another. He also adds that, through social exchanges they will strive to achieve shared business goals by building a “cooperating orientation”.

***Commitment:***

Moorman *et al.*, (1992, p.316) state that commitment to a relationship is “an enduring desire to maintain a valued relationship”. A number of Big Four audit firms demonstrate their commitment to quality audits in published reports (PWC, 2012, Ernst & Young LLP, 2012, Deloitte, 2014). For example, Cindy Hook (2013), Deloitte’s Chief Executive Officer in Australia, states that the firm’s commitment is articulated in their goals and values.

***Adaptability towards Change:***

Owing to the constant changes which businesses go through, auditors have to adapt to new ways of performing their work. However, sometimes it can prove difficult to apply judgement in financial areas for which there are no established practices (ICAEW, 2009). All these increasing expectations and complexities come at a cost both for audit firms and for their clients (Deloitte, 2014).

***Respect:***

Dillon (1992, p.108) defines respect as “a particular mode of apprehending something, which is the basis of the attitude, conduct, and valuing”. Research suggests that respecting customers is a cost-effective way of retaining them within a business as it creates a perception that the service being offered is of high quality (Shaikh Ali, 2011). Lal Joshi *et al.* (2009) suggest that respect is an essential element to an auditor-client relationship.

***Objectivity and Integrity:***

Auditor independence requires that an audit is performed with objectivity, integrity and lack of bias (Nearon, 2005). Additionally, auditors are required to be independent both in fact and in appearance. Wines (2012) states that auditors are independent when they act with objectivity, integrity and impartiality. The Institute of Chartered Accountants in England and Wales (ICAEW) (2011, p.1.201) define objectivity as “the state of mind which has regard to all considerations relevant to the task in hand but no other”. Objectivity is at the heart of the auditing profession (Nearon, 2005). On the other hand, integrity is defined by the ICAEW (2011) as involving not only honesty, but also fair dealings and truthfulness. Lal Joshi *et al.* (2009) state that independence and integrity aid the formation of the auditor-client relationship.

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***Accessibility:***

*Overview of Auditor Accessibility*

An accessible person is defined by the Oxford Dictionaries (2015) as a person who is “friendly and easy to talk to”.

***Technical Accessibility:***

When choosing an auditor from a list of tender contestants, complete access to audit partners was a factor which all firms stressed (Beattie and Fearnley, 1998a). Clients appear to prefer an auditor who can be easily reached in order to answer to their queries. It is not specified whether accessibility by auditors implicates auditors visiting clients’ premises or simply replying through other communication media such as e-mail. The use of such media seems to have integrated well into business entities as these enable clients and service providers to be reached, irrespective of their location.

Other benefits include the possibility of re-examining and better understanding messages (Nöteberg and Hunton, 2005). On the other hand, face-to-face methods “allow for immediate feedback and include non-verbal cues that improve the chances for a clearly received message” (Marques, 2010, p. 51). Nevertheless, face-to-face interactions seem to slow down the delivery of the service and sometimes even increase its cost (Nöteberg and Hunton, 2005).

***Personal Approachability:***

Albert Mehrabian’s communication model suggests that when communicating feelings and attitudes, 7% of meaning is in the words that are being spoken, 38% is in the way that the words are being said and the remaining 55% is in facial expressions (Mehrabian, 1981). In a discussion on how can managers obtain a better understanding of hidden messages, McCaskey (1979) states that imagery and body movements of persons form part of their communication. Indeed, these carry messages which could support or contradict the words that are being used by that individual. When dealing with people in person, the first thing that is observed is the physical stance of individuals.

Accordingly, non-verbal expressions can play an important role in determining the success or otherwise of social interactions (Fink-Samnack, 2004). As advised by McCaskey (1979), by paying attention to such features, one would become more aware of how s/he communicates with others and with time, it would be even possible to learn how to read and apply these messages.

***Research Methodology:***

*Sample selection and empirical data collection*

The main research instrument used was an online questionnaire. Two sets were prepared and mailed out, one targeting audit clients and the other targeting auditors. A sample of 340 audit clients was extracted from a list of companies which had changed auditors between the years 2009 and 2012, obtained from the Registry of

Companies. The list contained 3,754 companies, 803 of which were excluded as they consisted of auditor resignations. E-mail addresses were individually found through an online search which yielded 339 valid e-mail addresses. Responses were sought from company employees who were usually in contact with auditors. This questionnaire was mailed out in November 2012.

To determine the sample of the auditors' questionnaire, a list of auditors registered with the Accountancy Board was obtained from its website. Up to July 2014 the list contained 1,103 registered auditors. A search for the auditors' e-mail addresses was performed on the Malta Institute of Accountants website, as the Accountancy Board portal contained limited information. This procedure yielded 668 e-mail addresses and these were used as a sampling frame. Questionnaires were e-mailed to a total of 668 warranted auditors in September 2014. Auditors were asked to respond on how they perceived certain attributes exhibited by them to impact on their relationship with clients and on their accessibility.

#### *Research instrument*

The design of both questionnaires was purposely similar to enable a thorough comparison of both groups of respondents. However, while the first questionnaire was addressed to audit clients, the second was redrawn to seek the perspective of statutory auditors. Both questionnaires were composed of three main sections. The first section involved questions on the working relationship between client company management and their auditors. The next section included questions covering auditor accessibility. While the final section covered participant demographics. In addition to the questionnaires, a number of interviews were held, covering the same questions presented in the questionnaires. These consultations were held with 7 client companies in 2012 and with 4 auditors in 2014. This enabled the inclusion of qualitative comments in the findings presented below.

#### *Response rates and participant demographics*

Valid responses from 74 client companies were received by December 2012, which represented 22.6% of the sample. The number of employees employed by the company was used as a proxy for company size and it was found that most of the respondents were micro companies (56%), followed by small companies (27%). Most of the micro companies employed sole practitioners (79%), while the majority of small companies employed medium-sized practitioners (39%) and Small and Medium Sized Enterprises (SMEs) mainly employed Big Four firms (57%). Most of the respondents had an advanced level, first degree or were partly qualified in accounting (40%) or had basic accounting knowledge (33%). The majority of the companies did not form part of a group (57%) and had no government (98%) or non-Maltese share participation (78%).

A total of 124 valid responses were collected from auditors by October 2014, this representing a response rate of 18.99%. The majority of respondents were male (75%) and held positions as partners (30%) or managers (23%) within an audit firm. A small number of participants (11%) stated that they did not practice in the field of

auditing anymore but were now employed as financial managers and accountants. Most respondents were aged between 25 and 34 years (39%) and 35 and 44 years (15%). Furthermore, the majority had 5 to 9 years of experience (34%) working as an auditor.

Responses were downloaded from the online survey program and saved into an excel sheet. Data was analysed and subject to a number of tests with the use of IBM's Statistical Package for the Social Sciences (SPSS) version 22 for Windows. Frequency and other descriptive statistics were extracted from the data to provide further insight.

The results obtained from the clients' and the auditors' questionnaires were combined into a single spread sheet and analysed through IBM's SPSS version 22 for Windows. The amalgamation allowed for the comparison of the same variables, as perceived by clients and auditors.

### ***Research Findings and Discussion - The Working Relationship:***

Findings emanating from both research groups and test statistics (p-values) used to compare their results are presented in separate tables below.

#### ***Working Relationship with Audit-Related Parties:***

##### *Finding*

Respondents were questioned on how important they considered the working relationship of their company management with audit related parties.

***Table 1: Comparison of Ratings Attributed by Auditors and by Clients to the Importance of Working Relationship of Company Management with Audit-Related Parties***

Variable	Group	Descriptive Statistics				Md	R	Test Statistics			
		N	MR	(M	SD)			U	z	p*	
<b>Working relationship with audit partner</b>	Auditors	124	111.75	<b>6.36</b>	0.859	6.50	5.00	3069.00	-	4.226	<b>.000</b>
	Clients	74	78.97	<b>5.55</b>	1.597	6.00	6.00				
<b>Working relationship with audit manager</b>	Auditors	124	108.79	<b>6.30</b>	0.775	6.00	5.00	3312.50	-	3.416	<b>.001</b>
	Clients	73	82.38	<b>5.58</b>	1.589	6.00	6.00				
<b>Working relationship with audit firm</b>	Auditors	124	111.27	<b>6.19</b>	0.823	6.00	4.00	3128.00	-	4.084	<b>.000</b>
	Clients	74	79.77	<b>5.49</b>	1.445	6.00	6.00				
<b>Working relationship with audit</b>	Auditors	124	107.8	<b>5.99</b>	1.016	6.00	5.00	3435.00	-	2.975	<b>.003</b>
	Clients	73	84.05	<b>5.26</b>	1.347	6.00	6.00				



<b>staff</b>				
<i>1 = Extremely Unimportant; 7 = Extremely Important</i>				
<i>*Significance set at p = 0.05</i>				

Clients indicated that all such relationships were important but especially that with the audit manager (M=5.58). Auditors also deem all working relationships to be important, but for them the most important one is that with the audit partner (M=6.36) as he mostly “apprehends the relationship” and has most “knowledge on the job.

*Comment*

Both auditors and clients consider it important to establish good working relationships with all audit-related parties. However, in Table 1 above, it can be noted that these working relationships bear a higher significance for auditors than for clients. Perhaps clients are more concerned with the quality and cost of the service. On the other hand, auditors seem to be more focused on the technicalities of the profession, especially because they attribute most importance to the person in the highest position and holding the ultimate responsibility. Clients see the manager as the salient participant in the relationship, maybe because they primarily seek his/her advice before going to the partner.

Interestingly, both respondent groups regard audit staff to be the least important party, despite the fact that they are the ones who usually spend most time on the job. Could it be that audit staff is discounted by clients as they are junior and inexperienced? Or is it rather a question of these being rotated too frequently for clients to build a relationship?

***Important Factors in a Working Relationship:***

*Finding*

To determine the most important elements in a working relationship with clients, the next question asked respondents to rank the factors indicated in Table 2 below, in order of importance.

***Table 2: Comparison of the Rankings Attributed by Auditors and Clients to the below Factors in a Client-Auditor Working Relationship***

Variable	Group	Order <sup>1</sup>	Descriptive Statistics				Test Statistics					
			N	MR	(M <sup>2</sup> SD)	Md	R	U	z	p <sup>*</sup>		
Objectivity	Auditors	<b>1</b>	123	115.59	6.59	2.997	7.00	9.00	2019.00	-	6.173	<b>.000</b>
	Clients	<b>10</b>	70	64.34	3.61	2.830	2.50	9.00				
Trust	Auditors	<b>2</b>	123	96.63	6.34	2.831	7.00	9.00	4260.00	-	0.122	.903
	Clients	<b>4</b>	70	97.64	6.26	3.344	6.50	9.00				

Competence	Auditors	<b>3</b>	123	93.21	6.19	2.454	7.00	8.00	3839.00	-	1.258	.208
	Clients	<b>1</b>	70	103.66	6.61	2.572	7.00	9.00				
Cooperation	Auditors	<b>4</b>	123	97.88	5.92	3.101	6.00	9.00	4196.00	-	0.293	.770
	Clients	<b>6</b>	70	95.45	5.83	2.803	6.00	9.00				
Integrity	Auditors	<b>5</b>	123	94.08	5.67	2.694	5.00	9.00	3946.00	-	0.968	.333
	Clients	<b>5</b>	70	102.31	6.06	2.346	6.00	9.00				
Confidentiality	Auditors	<b>6</b>	123	91.68	5.67	2.394	6.00	9.00	3650.50	-	1.766	.077
	Clients	<b>2</b>	70	106.35	6.34	2.542	6.00	8.00				
<b>Respect</b>	Auditors	<b>7</b>	123	108.97	5.50	2.650	5.00	9.00	2833.00	-	3.976	<b>.000</b>
	Clients	<b>9</b>	70	75.97	3.94	2.321	4.00	9.00				
<b>Communication</b>	Auditors	<b>8</b>	123	89.01	5.26	2.740	5.00	9.00	3322.50	-	2.649	<b>.008</b>
	Clients	<b>3</b>	70	111.04	6.30	2.446	7.00	9.00				
<b>Commitment</b>	Auditors	<b>9</b>	123	86.83	4.20	2.679	4.00	9.00	3053.50	-	3.377	<b>.001</b>
	Clients	<b>7</b>	70	114.88	5.63	2.819	6.00	9.00				
<b>Adaptability towards change</b>	Auditors	<b>10</b>	123	90.53	3.65	2.831	3.00	9.00	3509.00	-	2.165	<b>.030</b>
	Clients	<b>8</b>	70	108.37	4.41	2.769	4.00	9.00				
<sup>1</sup> Factors are being presented in order of importance with 1 being the factor which placed as the most essential element and 10 being the factor which placed as the least essential element <sup>2</sup> Mean ranking scale: 1 = Least Important, 10 = Most Important *Significance set at p = 0.05												

For clients, competence (M=6.65) ranked highest while the lowest ranking was auditor objectivity (M=3.61). This may be due to the latter factor being taken for granted. Other comments from interviewees were that competence was paramount particularly with respect to the “understanding of operations”; trust was essential on a mutual basis and proper communication needed to be continually exercised on both sides.

For auditors auditor objectivity (M=6.62) topped the list as for a successful client-auditor working relationship, an auditor should not have any “ulterior motive” other than that of a good audit. Adaptability towards change (M=3.67) and commitment (M=4.17) were deemed as the least important factors while the remaining elements were all seen as important and slightly important by the respondents. From the interviews with auditors it emerged that auditor-client cooperation is important as clients usually have other commitments beyond the audit. Albeit competence was ranked highly, some auditors thought that this element is sometimes taken for

granted by clients as these expect their auditors to be competent at their job. Even more clearly, this attitude could be applicable with respect to the auditors' adaptability towards change. Since rules and regulations change frequently, auditors are expected to be informed and prepared for such changes as otherwise clients might suffer. Even though communication did not top the list, interviewees affirmed that it is a crucial factor in a working relationship and that, most importantly, it has to be "two-way and honest". As regards confidentiality clients usually disclose all information to their auditor and if there is a breach of confidentiality, it usually means the end of the relationship as trust would be broken. Respect usually grows over time as the persons involved learn more to communicate and approach each other.

#### *Comment*

As indicated in Table 2 above, statistical significances for certain elements were found between the auditors' rankings and those of clients. The most noticeable result was that while clients regard auditor objectivity as the least essential element in the working relationship, auditors view this aspect as being the dominant factor. On the other hand, both respondent groups ranked auditor integrity as a medial factor. As explained in the literature (Nearon, 2005), these two elements are the basic requirements of an independent auditor and thus one would assume that they rank together. The fact that the majority of client respondents were small businesses could explain the low rating given to objectivity as there might be more concerned with performing an audit to comply with the Companies Act than to use it for decision making. On the contrary, integrity is an element which is not necessarily tied to a specific scenario but includes attributes such as honesty and fairness, which are esteemed by everyone.

Maltese auditors recognise that independence is fundamental to the profession and seem to agree with Lal Joshi *et al.* (2009) that it helps to form the relationship between clients and auditors. However, the disparity in the rankings provided to auditor objectivity could indicate that there is more to the working relationship than the standards and procedures which are used to perform an audit.

In the services industry, what differentiates one provider from another is the quality of their offering. As an example, client respondents placed significantly more emphasis on communication, a quality which may be more innate than learned. Such different perspective also explains why in the study of Magri and Baldacchino (2004) clients had indicated auditor availability as a predominant factor for changing their auditors, whilst in that of Baldacchino and Cardona (2011) they had indicated this factor as essential when choosing their auditors for the first time. How can clients perceive their auditors as being present, if auditors do not dedicate enough time to communicate with them?

Although both respondent groups gave little importance to auditor commitment and adaptability towards change, clients attributed more significance to these factors

than their counterparts. Such low rating given to commitment by auditors contradicts certain statements made by audit firms, in which they pride themselves of continuous commitment to the profession and to their clients. Could it be that auditors have become so busy that dedication to the individual client has diminished? Furthermore, auditors are increasingly facing new challenges and have to make use of their judgment in new financial areas (ICAEW, 2009). All of this comes at a cost for both the auditors and clients (Deloitte, 2014). Are auditors finding it difficult to use their resources to develop new and innovative ways to handle changes? Or is it a question of clients expecting more than what was agreed upon contract?

The last contentious element was respect, to which factor auditors gave significantly more importance than clients. Respect has a wide meaning and it can include aspects which are tied to the job, such as punctuality for meetings, and others which are more dependent on the values of the individual, such as trust and honest communication (Dillon, 1992). The latter aspects were given much importance by clients and thus it can be deduced that the problem lies within the former ones. Most client respondents had basic accounting knowledge or were partly qualified possibly indicating that they might not be fully aware of the time and effort invested in an audit. As a consequence, these take the auditors' job for granted. If this is the case, then there might be a mismatch between clients' and auditors' expectations and it could explain why clients ended the relationship in the first place and why auditors seek more respect.

Finally, both auditors and clients recognised the importance of auditor competence. Owing to the nature of the profession, auditors have to be very attentive to assess the business risks inherent in the engagement (Humphrey *et al.*, 2006) and to identify material misstatements (Nearon, 2005). However, because of the importance assigned by both groups to this factor, one could attribute further meaning to this. Perhaps competence is not simply understood as being the ability of auditors to detect material misstatements but also about doing so in the most efficient and effective manner.

### ***Auditor Personal Characteristics:***

#### *Finding*

Respondents were asked whether they thought that personal characteristics of auditors could impact the working relationship with clients.

**Table 3:** Comparison of Ratings Attributed by Auditors and by Clients to whether Personal Characteristics affect the Client-Auditor Working Relationship

Variable	Group	Descriptive Statistics						Test Statistics		
		N	MR	(M)	SD)	Md	R	U	z	p*
Personal	Auditors	124	105.46	<b>6.20</b>	0.754	6.00	6.00	3848.50	-	<b>.034</b>

<b>characteristics of the auditor</b>	Clients	74	89.51	<b>5.70</b>	1.382	6.00	6.00	2.119
<i>1 = Extremely Unaffecting; 7 = Extremely Affecting</i>								
<i>*Significance set at p = 0.05</i>								

On average clients found such characteristics as affecting (M=5.70). In their opinion, patience and listening abilities are essential elements. Auditors responded that these characteristics were indeed affect (M=6.20). For a working relationship to be successful, auditors have to be “well-mannered” and observe “etiquette”.

*Comment*

In Table 3 above, it can be noted that auditors, not only consider their personal characteristics to have an effect on the working relationship, but also rate them significantly higher than clients. Hence, they seem to agree with Ramsey (2007) that auditors need to have, amongst other characteristics, adequate written and oral communication skills. On the other hand, the lower rating attributed by clients could be due to them viewing the relationship as more goal-oriented and therefore existing primarily to perform the audit.

***Change in the Working Relationship over the Years:***

*Finding*

Participants were asked how the working relationship with an auditor changes over the years.

***Table 4: Comparison of Ratings Given by Auditors and by Clients to How the Working Relationship Changes Over the Years***

Variable	Group	Descriptive Statistics						Test Statistics			
		N	MR	(M	SD)	Md	R	U	z	p*	
<b>Change in working relationship p</b>	Auditors	12	110.4	<b>5.8</b>	0.84	6.0	4.0	3103.00	-	4.125	<b>.000</b>
		4	8	<b>5</b>	3	0	0				
	Clients	73	79.51	<b>4.96</b>	1.54	6.0	6.0				
<i>1 = Extremely Deteriorates; 7 = Considerably Improves</i>											
<i>*Significance set at p = 0.05</i>											

Most clients (M=4.97) stated that such relationship slightly improved. Improvement was due to there being a “track record”. Auditors thought that the working relationship with clients improves over the years (M=5.85) also because one comes to know the other party better.

*Comment*

Table 4 above shows that auditors view the client-auditor working relationship to improve more significantly than clients. One has to keep in mind that client respondents had opted to change their auditors as they were not fully satisfied with

the service. Hence, it is understandable that these clients commonly saw little improvement in the relationship. Kleinman and Palmon (2001)<sup>2</sup> point out that every auditor-client relationship is unique and evolves over time independently from the firm or client culture. Thus, the fact that auditors have various clients means that they can relate to more than one situation and have more solid criteria against which to measure improvement.

### ***Maintaining an Auditor-Client Relationship Indefinitely:***

#### *Finding*

The next question asked respondents whether the auditor-client relationship could be maintained indefinitely if allowed by the regulatory framework.

**Table 5:** Comparison of Ratings Attributed by Auditors and by Clients as to whether the Auditor-client Working Relationship may be Maintained Indefinitely

Variable	Group	N	Percentage		Test Statistics	
			No	Yes	$\chi^2$	p*
Maintain client-auditor relationship indefinitely	Auditors	124	29.03	70.97	2.356	.125
	Clients	73	19.18	80.82		
<i>*Significance set at p = 0.05</i>						

Clients consider it possible for such relationship to be indefinite. Since changing auditors involves considerable effort and costs, interviewees emphasized that no change was normally carried out as long as all parties were satisfied. However it was claimed that, in the case of limited liability companies, especially in the case of public companies, change was seen as a method to reduce collusion or over-familiarity. Similarly, most auditors thought that the relationship can be maintained indefinitely. From the interviews it emerged that auditors regard the working relationship to be mostly between the audit firm and clients and that by applying the right safeguards, this working relationship can be retained for an unlimited period of time. Nevertheless, they were strongly in favour of rotation of partners and managers to reduce over-familiarity risks. Since the industry is constantly developing, auditors have to keep abreast of changes and provide value-adding services.

#### *Comment*

In Table 5 above, it can be noted that there would be no changes if the matter is left to most auditors and clients. Most client respondents were micro enterprises, thus their desire to retain the same auditor is not surprising. For the latter, it might be more cumbersome to go through the process of finding an alternative supplier if the current working relationship is satisfactory. Additionally, these businesses are usually owner-managed and face little risk of fraud and misstatements by third

<sup>2</sup> Vide Section 2.2.1

parties. On the other hand, auditors provide services to different types of clients including public interest entities which, as from 2016, will be subject to mandatory audit firm rotation.

The main argument behind this debate is that auditor objectivity may be impaired if the clients and the auditors have been working together for a long time (Bamber & Venkataraman, 2005). Nevertheless, this study established that auditors regard objectivity as the most essential element in their relationship with their clients. Thus, if auditors place so much value on their objectivity, then why did regulators feel the need to limit their term of appointment in an attempt to reduce bias?

***Barriers to Communication:***

*Finding*

The following question asked respondents to rank the factors indicated in Table 6 below, as constituting a barrier to communication with clients.

**Table 6:** Comparison of the Rankings Provided by Auditors and by Clients to Factors Constituting a Barrier to Communication

Variable	Group	Rank <sup>1</sup>	Descriptive Statistics				Md		Test Statistics		
			N	MR	(M <sup>2</sup> )	SD)		R	U	z	p*
<b>Know-it-all attitude by auditor</b>	Auditors	<b>1</b>	123	109.80	6.85	2.416	7.00	9.00	2731.00	-4.248	<b>.000</b>
	Clients	<b>6</b>	70	74.51	5.19	2.572	5.00	9.00			
Hostile attitude by auditor	Auditors	<b>2</b>	123	99.13	6.59	3.326	8.00	9.00	4043.00	-0.710	.478
	Clients	<b>4</b>	70	93.26	6.29	3.358	8.00	9.00			
<b>Time constraints</b>	Auditors	<b>3</b>	123	103.60	6.07	2.677	6.00	9.00	3493.50	-2.190	<b>.029</b>
	Clients	<b>7</b>	70	85.41	5.13	3.074	4.00	9.00			
Lack of trust & credibility	Auditors	<b>4</b>	123	92.84	6.02	3.118	6.00	9.00	3793.00	-1.383	.167
	Clients	<b>2</b>	70	104.31	6.73	2.593	7.00	9.00			
Lack of feedback by auditor	Auditors	<b>5</b>	123	91.52	5.63	1.951	6.00	9.00	3631.50	-1.822	.068
	Clients	<b>3</b>	70	106.63	6.31	2.596	6.00	9.00			
Personality differences	Auditors	<b>6</b>	123	96.07	5.02	2.730	5.00	9.00	4190.00	-0.310	.756
	Clients	<b>9</b>	70	98.64	5.07	2.492	5.00	9.00			
Lack of understanding of accounting jargon by client	Auditors	<b>7</b>	123	95.94	4.98	2.499	5.00	9.00	4174.50	-0.352	.724
	Clients	<b>8</b>	70	98.86	5.09	2.477	5.00	9.00			
<b>Tendency not to listen by auditor</b>	Auditors	<b>8</b>	123	83.74	4.98	2.779	5.00	9.00	2674.50	-4.397	<b>.000</b>
	Clients	<b>1</b>	70	120.29	6.83	2.697	8.00	9.00			

<b>Environmental factors e.g. distractions</b>	Auditors	<b>9</b>	123	104.33	4.55	3.535	3.00	9.00	3404.00	-2.485	<b>.013</b>
	Clients	<b>10</b>	70	84.13	2.99	2.711	2.00	9.00			
<b>Resistance to change by auditor</b>	Auditors	<b>10</b>	123	86.20	4.30	2.217	4.00	9.00	2977.00	-3.597	<b>.000</b>
	Clients	<b>5</b>	70	115.97	5.39	2.066	6.00	9.00			
<sup>1</sup> Factors are being presented in order of importance with 1 being the factor which placed as the most affecting barrier and 10 being the factor which placed as the least affecting barrier <sup>2</sup> Mean ranking scale: 1 = Least Important, 10 = Most Important *Significance set at p = 0.05											

It was noted that while clients ranked “personality differences” almost as the least affecting barrier (M=5.07), a number of specific personality related factors were ranked relatively higher. In fact as shown above, tendency not to listen by auditors was ranked as the most affecting barrier (M=6.83), followed by lack of trust (M=6.73) and feedback (M=6.31). Interviewees emphasized that, the same factors ranked as highest barriers, would quickly lead to the disintegration of the relationship: “unfriendliness will breed unfriendliness” and “hostility will mean the end”. Setting definite time limits to a meeting could also act as a barrier, particularly if accompanied by other personality deficiencies such as that of not being client-centered.

For auditors, their know-it-all attitude (M=6.87) was established as the strongest barrier because it make clients feel “uncomfortable”, thus hindering communication. Another major concern is their time limits as having so much work to do, leave little time for proper communication with clients. Although certain factors could be managed, auditors stated that others, such as a lack of trust and credibility, are so critical that they can completely break down communication. Respondents also commented on how easily communication could be impeded by incompatible personalities such as one being too nervous and the other being too calm. Likewise, individuals may have such similar traits - for instance both having dominant personalities - that they still fail to get along together. According to the auditors, it is in their best interest to flex their style to accommodate clients, as the latter are the engaging parties who can exercise an option for change.

*Comment*

The statistical significance found between the auditors’ primarily ranked barrier and that of clients could indicate that a “perception gap” exists between what clients really desire and what auditors think they do. In fact, clients were not as concerned with auditors displaying a “know-it-all attitude”, as were the auditors themselves. Instead, they thought of tendencies not to listen by auditors as their leading barrier.

Here, clients seemed to agree with Sonnenberg’s (1990) argument that few people are capable of “actually” listening. While clients can manage or control barriers created by other factors, they have no power over the auditors’ listening abilities,



hence the elimination of this barrier rests in the hands of auditors. Could this lack of control element, be the reason that clients perceive a tendency not to listen by auditors as a significantly more affecting barrier?

Another barrier which may be discussed is the auditor’s resistance to change which was ranked more highly by clients. Individuals become used to their routine and usually perceive change as uncomfortable and stressful which in turn may negatively affect communication. However, auditors regard this to be the least influential barrier when communicating with clients. Perhaps auditors are unaware of the negative influence that their potential resistance to change could have on communication with clients. Alternatively, clients may be misinterpreting their auditors’ response to change.

Interestingly, auditors gave a significantly higher ranking to time constrictions. If, auditors think that such constrictions could prove to be a barrier to communication, then do they have reasonable safeguards in place to minimise their potential effects? It is evident that clients attribute more importance to the core elements of communication and less to trivial factors such as environmental distractions. Although certain actions can be considered as inappropriate, clients are ready to put them aside and focus on what is really essential in a conversation. On the other hand, auditors seem to be more concerned with personality related barriers.

***Current Working Relationship with Clients:***

*Finding*

Auditors and clients were then asked to rate their current client-auditor working relationship.

***Table 7: Comparison of the Ratings Provided by Auditors and by Clients to their Current Client-Auditor Working Relationships***

Variable	Group	Descriptive Statistics				Md	R	Test Statistics		
		N	MR	(M	SD)			U	z	p
Current working relationship between the Auditor and the Clients	Auditors	124	104.73	5.84	0.679	6.00	3.00	3816.00	-1.986	<b>.047</b>
	Clients	73	89.27	5.40	1.331	6.00	6.00			
<i>1 = Very Poor; 7 = Excellent</i>										
<i>*Significance set at p = 0.05</i>										

*Comment*

The significant difference notes in Table 7 above could imply that auditors are not fully aware of clients’ needs, thus while putting considerable effort in the working relationship, they might not be doing their best towards further improvement.

**Concluding Remarks**

It is clear that both auditors and clients recognise the importance of collaborating and of establishing good working relationships. Nevertheless, the significant differences in their responses cannot be ignored. In fact, results indicate that auditors attribute considerably more importance to these working relationships than their clients. One reason for this could be that, while for auditors the profession is their bread and butter, an audit only constitutes one small piece of a bigger puzzle for their clients. Interestingly, when questioned on elements that make up a sound working relationship, both auditors and clients agreed that auditor *competence* is vital. Possibly respondents associate this element to auditors being good at their job and to having the ability to provide assistance with important matters. Auditors seem to be placing most importance to operating within the realms of the profession and to abiding by the rules of conduct.

On the other hand, clients appear to be more concerned about the service being performed in the most efficient and effective manner. This was evident in the rankings provided to *auditor objectivity* which auditors regard as the most important element, as opposed to their clients. In addition, the fact that auditors give significantly less importance to other elements such as *communication* could be another indicator that they are too focused on their practices while overlooking attributes evidently required more by clients. Indeed, clients chose a *tendency not to listen* by auditors as their primary barrier to communication while the latter were more concerned with not displaying improper attitudes. Perhaps, auditors consider their traits to have a stronger effect on clients than they actually do. On the other hand, clients seem to be putting more professional factors aside while focusing on the indispensable elements of communication.

**Research Findings and Discussion: Accessibility**

***Accessibility to Audit-Related Parties***

*Finding*

Respondents were asked how essential it is for the audit-related parties mentioned below to be accessible to clients.

**Table 8: Comparison of the Ratings Given by Auditors and by Clients to Importance of Having Accessible Audit-Related Parties**

Variable	Group	Descriptive Statistics		Test Statistics
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		N	MR	(M	SD)	Md	R	U	z	p*
<b>Accessible audit manager</b>	Auditors	11	96.14	<b>6.4</b>	0.65	6.0	4.0	2696.50	-	<b>.003</b>
	Clients	63	74.80	<b>5.8</b>	1.42	6.0	6.0		2.93	
<b>Accessible audit partner</b>	Auditors	11	101.40	<b>6.3</b>	0.79	6.0	5.0	2101.50	-	<b>.000</b>
	Clients	63	65.36	<b>5.6</b>	1.22	6.0	6.0		4.88	
<b>Accessible audit firm in general</b>	Auditors	11	95.00	<b>5.9</b>	1.11	6.0	5.0	2825.00	-	<b>.015</b>
	Clients	63	76.84	<b>5.3</b>	1.65	6.0	6.0		2.43	
Accessible audit staff	Auditors	11	92.51	<b>5.9</b>	0.74	6.0	3.0	3106.50	-	.13
	Clients	63	81.31	<b>5.5</b>	1.37	6.0	6.0		1.50	

*1 = Extremely Unimportant; 7 = Extremely Important*

*\*Significance set at p = 0.05*

Clients consider accessibility to all audit parties as important but the most important one is that to the audit manager. Some interviewees stated that company employees relate more with audit staff, whilst directors and managers seek more the audit manager and/or partner. When important matters arise, clients seek audit partners or managers. Similarly, auditors think that accessibility to all audit parties is important, but especially to the audit manager (M=6.42) as with time they learnt that clients mostly rely on him/her.

*Comment*

Both auditors and clients recognise the importance of having accessible audit-related parties. However, in Table 8 above it can be noted that auditors gave a statistically higher rating to an accessible audit manager, partner and firm than clients did. Thus, it appears that clients' expectations are lower than what auditors believe they should offer in relation to accessibility. One would perhaps expect the opposite, that is, a scenario in which clients demand for more than what auditors are ready to deliver. This phenomenon could be due to auditors wanting to provide a better service to increase their competitiveness in the market. Albeit all auditing parties were deemed as important, it is worth noting that both auditors and clients perceived the audit manager to be the first point of reference. Thus, both respondent groups seem to agree that the audit manager is the representative of the organisation and has the responsibility of establishing contact with clients.

**Factors Indicating Auditor Accessibility:***Finding*

Auditors and clients were asked to rate a number of factors which could denote auditor accessibility.

**Table 9:** Comparison of Ratings Given to Accessibility Factors by Auditors and Clients

Variable	Group	Descriptive Statistics						Test Statistics			
		N	MR	(M	SD)	Md	R	U	z	p*	
Immediate access for urgent matters	Auditors	113	85.81	<b>6.53</b>	0.855	6.00	5.00	3256.00	-	1.049	.294
	Clients	63	93.32	<b>6.37</b>	1.168	7.00	6.00				
Auditor helpful with queries	Auditors	113	84.71	<b>6.27</b>	0.793	6.00	5.00	3131.00	-	1.482	.138
	Clients	63	95.30	<b>6.38</b>	0.941	7.00	6.00				
Face to face interaction	Auditors	113	93.09	<b>6.19</b>	0.833	6.00	4.00	3041.00	-	1.746	.081
	Clients	63	80.27	<b>5.79</b>	1.381	6.00	6.00				
Easy communication via media	Auditors	113	84.56	<b>6.19</b>	0.693	6.00	3.00	3114.00	-	1.523	.128
	Clients	63	95.57	<b>6.29</b>	0.958	6.00	6.00				
<b>Audit staff available on client-company premises</b>	Auditors	113	95.92	<b>5.63</b>	1.128	6.00	6.00	2721.50	-	2.786	<b>.005</b>
	Clients	63	75.20	<b>5.03</b>	1.470	6.00	6.00				
Consulting with other members of audit firm	Auditors	113	88.77	<b>5.35</b>	1.287	6.00	6.00	3529.00	-	0.100	.920
	Clients	63	88.02	<b>5.30</b>	1.328	6.00	6.00				
Auditor representative at auditor's office	Auditors	113	87.54	<b>5.32</b>	1.159	6.00	6.00	3451.00	-	0.362	.717
	Clients	63	90.22	<b>5.30</b>	1.375	6.00	6.00				
<i>1 = Extremely Unimportant; 7 = Extremely Important</i>											
<i>*Significance set at p = 0.05</i>											

Client attribute most importance to auditors being helpful with queries (M=6.38) and to immediate access in case of urgent matters (M=6.37). There is little need for auditors to be available on their premises as long as they are accessible via other means. Face to face communication is mostly needed when issues are rather complex. Similarly, auditors attribute most importance to clients having immediate access for urgent matters (M=6.35) and to auditor assistance with queries (M=6.27).

These are followed by an equal rating to face-to-face interaction (M=6.19) and communication via telephone, mobile or e-mail (M=6.19). From the interviews it

also emerged that, whether the audit is done on or off site usually depends on the “nature” and “preferences” of clients. However, they recognise that going to the clients’ offices has its benefits as here auditors have better access to company data and find it easier to respond to client queries in person.

*Comment*

For both auditors and clients accessibility denotes having immediate access to auditors and auditors being helpful with queries. Additionally, accessibility for these parties includes the possibility of face-to-face interaction and easy communication via media. Here respondents seem to agree with Marques (2010) that face-to-face interaction has its benefits, while at other times communication via media might be more efficient (Nöteberg and Hunton, 2005).

As seen in Table 9 above, statistical significance between the auditors’ and the clients’ replies were only noted on the possibility of having audit staff on client-company premises. Clients attributed less importance to this factor than their counterparts probably because auditors have more to gain than their clients by this. Presence on clients’ premises could provide auditors with an opportunity to get immediate answers from their clients. On the other hand, this could disrupt the clients’ everyday routine by having to provide assistance to auditors. It seems that clients do not feel the need to supervise their auditors while possibly trusting that the job will be done well irrespective of location. However, this could also be owing to firms usually sending junior auditors on client company premises, thus not being particularly sought after by clients.

***Auditor Availability:***

*Finding*

Respondents were asked to rate the hours in which auditors should be available.

***Table 10: Comparison of the Ratings Provided by Auditors and by Clients to the Hours in which Auditors Need to be Available***

Variable	Group	Descriptive Statistics						Test Statistics		
		N	MR	(M	SD)	Md	R	U	z	p*
Available during office hours	Auditors	113	89.72	<b>6.39</b>	0.749	6.00	6.00	3421.50	-0.481	.631
	Clients	63	86.31	<b>6.30</b>	0.909	6.00	6.00			
Available after office hours	Auditors	113	91.21	<b>4.67</b>	1.454	5.00	6.00	3253.00	-0.975	.329
	Clients	63	83.63	<b>4.35</b>	1.761	5.00	6.00			
Constantly available	Auditors	113	89.37	<b>4.43</b>	1.787	5.00	6.00	3461.00	-0.312	.755
	Clients	63	86.94	<b>4.30</b>	1.872	5.00	6.00			

*1 = Extremely Unimportant; 7 = Extremely Important*

*\*Significance set at p = 0.05*

For clients, availability is clearly required during office hours. However, the need for availability after office hours or on a constant basis seems to vary with clients and with whether such clients work office hours and whether they were owners or employees. Auditors think that availability during office hours is the most important while less importance is attributed to the other two possibilities. Interviewees stated that constant availability usually depended on clients and in most cases would be “agreed upon”. In case of tight deadlines, constant availability would be important.

*Comment*

Both auditors and clients agree that auditors need to be most available during office hours. However, as stated by auditors, their profession at times requires them to be flexible especially in the face of tight deadlines. Thus, even though not usually required, being available after office hours could be appreciated by clients.

**Timing of Communication with Clients:**

*Finding*

The next question asked respondents how important they perceived the four communication levels presented below.

**Table 11: Comparison of Ratings Given to Different Timings of Communication by Auditors and by Clients**

Variable	Group	Descriptive Statistics						Test Statistics			
		N	MR	(M	SD)	Md	R	U	z	p*	
Communication throughout the actual audit	Auditors	112	95.08	6.55	0.708	7.00	5.00	2399.00	-	3.495	<b>.000</b>
	Clients	60	70.48	6.20	0.777	6.00	4.00				
Communication at the end of the audit	Auditors	112	89.33	6.47	0.816	7.00	5.00	3042.50	-	1.163	.245
	Clients	60	81.21	6.37	0.901	6.00	6.00				
Communication before starting the audit	Auditors	112	92.78	6.30	0.909	6.00	5.00	2657.00	-	2.483	.013
	Clients	60	74.78	6.07	0.800	6.00	4.00				
Communication throughout the financial year	Auditors	112	83.70	5.39	1.134	6.00	5.00	3046.00	-	1.091	.275
	Clients	60	91.73	5.57	1.031	6.00	5.00				

*I = Extremely Unimportant; 7 = Extremely Important*

*\*Significance set at p = 0.05*

Clients deem all timings of communication as important; however less importance is given to communication throughout the year (M=5.57). This implies that such communication is seasonal. Communication during the actual audit process emerged as extremely important (M=6.55) for auditors, while communications before and at

the end of the audit were both considered important. Interviewees remarked that communication before, during and after the audit cannot be seen in isolation as it is essential all throughout the engagement. Here, one would also have to consider the type of client that is being audited. At times it is important to keep in touch with clients even when not performing the audit, in order to maintain a strong working relationship.

*Comment*

For auditors and clients, communication is important at all stages of an audit. However, as seen in Table 11 above, statistical significance was noted for communication throughout the actual audit process. One must note that, most client respondents were micro companies, possibly not requiring the level of communication required by bigger clients. As a matter of fact, clients deem communication at the end of the audit, therefore the stage in which matters are settled and the audit opinion is communicated, as most important. On the other hand, auditors work with several types of clients, thus requiring constant communication.

***Communication Media:***

*Finding*

Respondents were asked on the importance of the different communication media presented below.

**Table 12:** Comparison of Ratings of Communication Media as given by Auditors and by Clients

Variable	Group	Descriptive Statistics				Md R		Test Statistics		
		N	MR	(M SD)			U	z	p*	
E-mail	Auditors	113	87.75	<b>6.46</b> 0.744	7.00	5.00	3475.00	-	0.298	.766
	Clients	63	89.84	<b>6.46</b> 0.895	7.00	6.00				
Telephone	Auditors	113	85.21	<b>5.96</b> 1.043	6.00	6.00	3187.50	-	1.280	.201
	Clients	63	94.40	<b>6.14</b> 0.981	6.00	6.00				
Mobile phone	Auditors	113	84.08	<b>5.84</b> 1.082	6.00	5.00	3060.00	-	1.660	.097
	Clients	63	96.43	<b>5.90</b> 1.478	6.00	6.00				
Teleconferencing	Auditors	113	104.97	<b>5.24</b> 1.284	6.00	6.00	1698.00	-	5.924	<b>.000</b>
	Clients	63	58.95	<b>3.63</b> 1.744	4.00	6.00				
Postal Mail	Auditors	113	92.37	<b>3.96</b> 1.690	5.00	6.00	3122.50	-	1.391	.164
	Clients	63	81.56	<b>3.60</b> 1.737	3.00	6.00				

*1 = Extremely Unimportant; 7 = Extremely Important*

**\*Significance set at p = 0.05**

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E-mail, telephone and mobile phone were deemed as the most important communication media by clients. E-mail has the advantage of combining economy, convenience and evidence facilities while postal mail is in long term decline even with respect to important documentation which is being hand delivered. For auditors e-mail was considered as the most important media (M=6.46), followed by the use of telephone (M=5.96) and mobile phone (5.84). Interviewees stated that e-mail has a number of advantages such as record keeping and document transfers.

However, since this medium of communication precludes the human element, it is not the best instrument to enhance the working relationship with clients. The use of telephones and mobile phones is important as these allow for instant interaction between auditors and clients. Other media are now being used to communicate with clients, examples of which are video conferencing and social media.

*Comment*

Interestingly, both auditors and clients regard the use of e-mail, telephone and mobile phone as the most important communication media. The importance attributed to e-mail by both groups indicates that, in line with the findings of Nöteberg and Hunton (2005), its use has integrated well into business entities.

As can be seen in Table 12 above, the only statistical significance was found in the ratings attributed to the use of teleconferencing, to which auditors attributed more importance than clients. This could be due to the nature of their work which at times requires simultaneous communication with a number of different parties.

***Auditor Personality Issues Resulting in Lack of Auditor Accessibility:***

*Finding*

The next question asked clients whether there had been any particular auditor personality issues which resulted in lack of auditor accessibility. For most clients (82.54%), no such issues had arisen. Clients seem to attach little importance to general “personality” issues as they claimed that a distinction needed to be maintained between personality and work-related issues.

On the other hand, auditors were asked whether they thought that auditor personality issues could result in lack of auditor accessibility and most auditors (84.07%) considered such issues to be influential. Interviewees commented that, these issues could result in lack of accessibility as they hinder communication between the parties. Accordingly, the bigger the disparity between the auditors’ and the clients’ personalities, the more difficult it is for them to communicate. For a number of clients an audit is considered as a statutory burden and thus if the auditor’s personality is unwelcoming, most probably the audit will be perceived as less value adding.



*Comment*

One can see that while most auditors (84.07%) think that having negative personality traits has an effect on their accessibility, in reality few respondent clients (17.46%) had ever experienced it. This indicates that auditors might be more concerned with possible consequences originating from their personalities than clients actually are.

***Auditor Personality Issues Resulting in Lack of Auditor Approachability:***

*Finding*

The next question assessed whether in the respondents' opinion, the factors shown below could affect auditor approachability.

***Table 13: Comparison of the Ratings Provided by Auditors and by Clients to Factors Which Could Impact Auditor Approachability***

Variable	Group	Descriptive Statistics						Test Statistics			
		N	MR	(M)	SD)	Md	R	U	z	p*	
Unfriendly attitude	Auditors	113	98.53	<b>6.27</b>	0.897	6.00	5.00	2200.00	-	4.187	<b>.000</b>
	Clients	61	67.07	<b>5.11</b>	1.881	6.00	6.00				
Detached manner	Auditors	113	95.08	<b>5.85</b>	1.002	6.00	5.00	2589.50	-	2.893	<b>.004</b>
	Clients	61	73.45	<b>5.07</b>	1.721	6.00	6.00				
Tone of voice	Auditors	113	97.69	<b>5.84</b>	1.090	6.00	5.00	2294.50	-	3.805	<b>.000</b>
	Clients	61	68.61	<b>4.67</b>	1.921	5.00	6.00				
Mood	Auditors	113	94.42	<b>5.47</b>	1.233	6.00	5.00	2664.00	-	2.572	<b>.010</b>
	Clients	61	74.67	<b>4.47</b>	1.731	5.00	6.00				
Facial expression	Auditors	113	97.88	<b>5.46</b>	1.218	6.00	5.00	2273.50	-	3.852	<b>.000</b>
	Clients	61	68.27	<b>4.34</b>	1.879	5.00	6.00				
Posture	Auditors	113	97.73	<b>5.15</b>	1.409	6.00	6.00	2290.50	-	3.740	<b>.000</b>
	Clients	61	68.55	<b>4.03</b>	1.888	4.00	6.00				

*I = Extremely Unlikely; 7 = Extremely Likely*

**\*Significance set at p = 0.05**

Client respondents were either undecided about the impact of such factors or placed them as slightly likely to influence auditor approachability. One interviewee commented that body language could send important messages about approachability which were taken even more seriously by foreign clients.

According to auditors, it is likely that if auditors display an unfriendly attitude (M=6.27) and detachment (M=5.85), it will impact their approachability. Additionally the auditors' tone of voice (M=5.84) is also likely to bear an influence.

Interviewees stated that individuals are often judged by their actions and behaviour, therefore certain emotions need to be controlled. Additionally, if clients are not at ease with any members of the audit team, then it is more important that they feel comfortable with some others. This is essential to ensure that clients communicate openly with their auditors (Table 13).

*Comment*

Non-verbal communication is given much prominence in the literature. However, it appears that clients are relatively unaffected by its potential impact. On the other hand, auditors seem to agree with Fink-Samnick (2004) that people tend to observe the physical stance of individuals. Additionally, auditors appear to support McCaskey’s (1979) argument that these features can impact communication. As portrayed above, all answers differed between the two sets of respondents. Again auditors seem to be attributing more importance to their personal traits than clients do. On their part, clients appear to be somewhat more affected by more evident factors such as unfriendliness.

**Auditor Accessibility to Clients:**

*Finding*

Most clients deemed their auditors as accessible (M=5.39) while most auditors thought that they were very accessible to their clients (M=5.93).

**Table 14:** Comparison of Auditor Accessibility as Perceived by Auditors and by Clients

Variable	Group	Descriptive Statistics						Test Statistics		
		N	MR	(M	SD)	Md	R	U	z	p*
Auditor accessibility to clients	Auditors	11	92.1	<b>5.9</b>	0.59	6.0	2.0			
		1	4	<b>3</b>	7	0	0	2759.5	-	
	Clients	61	76.2	<b>5.3</b>	1.40	6.0	6.0	0	2.23	<b>.025</b>
			4	<b>9</b>	6	0	0		6	
1 = Very Poor; 7 = Excellent										
*Significance set at p = 0.05										

*Comment*

As can be seen in Table 14 above, auditors perceive themselves to be more accessible than what clients think they are. Again, this is another example of auditors over shooting.

**Concluding Remarks**

Both auditors and clients recognise the importance of having accessible audit-related parties, especially audit managers. For both groups, accessibility refers to auditors being helpful with queries and being available for discussion when urgent matters arise. Most respondents recognise the importance of communicating with auditors

and, in effect, think that this is needed at all stages of an audit. Some auditors even suggest that communication is a continuous process that should take place all throughout the audit, in order for it to be successful.

Although face-to-face communication is appreciated by both auditors and clients, communicating via media is equally important. This is even substantiated by the fact that both respondent groups opt for e-mails as their preferred communication media. This medium offers several benefits which are important in today's business world, an example of which is record keeping. Physical meetings do not seem to be particularly required by clients. In fact, auditors attributed more importance to their presence at the clients' offices than clients. Yet again, this is possibly owing to clients having busy schedules or to them not attributing enough value to an audit.

Another point of contention is the personality issues of auditors. While most clients never encountered lack of accessibility because of such issues, the majority of auditors think that these might influence their accessibility. This is also affirmed by different ratings attributed by both groups to nonverbal communication. Whereas auditors are of the opinion that these cues might affect their approachability, their clients feel relatively uninfluenced by them. Thus, auditors appear to be more concerned about their negative personality traits and paralanguage than clients.

Auditors seem to be attributing more importance to their accessibility than clients. However, while they perceive themselves to be very accessible to clients, the result in Table 1.14 above ( $p=0.025$ ) shows that clients do not entirely agree. As previously discussed, both auditors and clients appear to attach the same meaning to accessibility. However, while auditors do want to be accessible to clients, in practice their availability appears to remain limited.

### **Final Conclusions**

Both clients and auditors recognise the importance of establishing good working relationships with all auditing parties and of being accessible to clients. Furthermore, both respondent groups regard the audit manager as the person who needs to be most available. However, while clients also regard the audit manager as the most important party with whom to establish a good working relationship, auditors deem such party to be the audit partner.

Competence emerges as the most important element in the working relationship for both clients and auditors. Nonetheless, significant differences noted on other factors show that the respondent groups have a different idea of what constitutes a good client-auditor working relationship. While clients attribute more importance to intrinsic relationship factors such as confidentiality and communication, auditors seem to be focused on professional ones, such as objectivity. Although it is important to abide by professional standards, auditors should assess client priorities,

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as for a number of clients, the delivery of an efficient and effective service is equally important.

Interestingly, while clients attribute more importance than auditors to communication in a working relationship, the latter attribute more importance to accessibility than their clients. As one may appreciate, accessibility denotes the possibility of communication. Thus, whilst auditors recognise the importance that communication can have as a factor when seen in isolation, to them, that importance diminishes once seen in conjunction with other determining factors. On the other hand, the importance attributed by clients to communication is more consistent. In effect, they perceive tendencies not to listen by their auditors as their primary barrier to communication, whereas auditors are more concerned with other factors such as their personality traits.

The auditors' focus on personality characteristics is also evident in their responses to accessibility questions. In their opinion, personality issues and paralanguage are likely to influence their approachability with clients. In contrast, clients appear to be relatively uninfluenced by both these factors. On the other hand, both groups seem to denote the same meaning to accessibility and agree on the timing as to when auditors should be available. Thus, the problem does not lie in these groups having different perceptions but in the actual accessibility of auditors. This is also substantiated by the fact that while auditors perceive themselves to be very accessible to their clients, clients merely regard them as accessible.

Indeed, while auditors want to be accessible to their clients, they consider time constrictions as a communication barrier, this indicating that they may be limited by excessive workloads. Another factor could be that auditors seem to attribute more importance to physical meeting than their clients. Possibly auditors could increase their availability, not by being more physically present for their clients, but by improved communication via media. This method of communication is more efficient and is indeed considered as equally important by both groups. It is even supported by the high ratings attributed by both auditors and clients, to the use of e-mails and telephones as communication media. Perhaps by responding earlier and more frequently to clients, auditors would be perceived as more accessible.

Although both parties agree on the importance of establishing a good working relationship with all auditing parties and of having auditor accessibility, auditors seem to attribute more importance to these factors than their clients. This could be derived from the fact that, whilst auditors deal with clients on a daily basis, clients only face their auditors for short intervals during the year. Ultimately, auditors have to accommodate their clients as the engaging party and show them that auditing adds value to their business. If auditors were to attribute the same importance to other relationships factors, including communication ones as they do to professional ones, they would not only secure reappointment more solidly, but also establish long term mutually beneficial relationships.

This research is subject to the following limitations. The auditors' perspective was studied two years after that of the clients and therefore certain results may have been affected by this time difference. The auditors' questionnaire was sent to a list of registered auditors. However, no distinction could be made in the first instance between those who were currently in practice and those who were not. Response rate for both questionnaires was low even though several attempts were made to increase it. It is recommended that large audit firms reconsider the extent of relative importance being given to small companies. Auditors need to be more client-centred by dedicating more attention to clients' basic needs. This would enable an audit firm to be distinguishable from others and to increase its competitiveness. To ease some of the pressure from the audit manager, audit fieldwork staff could be given more training prior to performing an audit at the clients' premises.

Thus, clients would primarily turn to them for help, thereby reducing the need to be assisted by audit managers. It is important for auditors to dedicate more time and attention to communicate with their clients and to learn how to listen adequately to them. This enables the parties to get to know each other better, helping in fostering long-term relationships and to providing better access to information. Ultimately it is recommended that auditors strive to be consistently competent at their job. This is because competence guarantees mutual satisfaction in the working relationship.

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