Perceptions on the Impact of the Joint Provision of Audit and Non-audit Service on Auditor Independence and Audit Quality: Evidence from Bahrain

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Abstract

The main objective of the research is to investigate perceptions of respondents on the impact of providing non-audit services (NAS) to audit clients companies on the auditor independence and audit quality. To achieve the objectives of the research, a questionnaire was prepared and disseminated to a sample of 250 respondents. Descriptive and non-parametric statistics such as the Chi-square Test, Univariate analysis and the Kruskal-Wallis Test were used in the analysis. The study reveals that respondents are supporting the idea that “independence of auditor is impaired with providing NAS”; and they marginally support the idea that audit quality is increased and auditor objectivity is improved if the auditor renders NAS. Chi-square values for all questions were significant (p < 0.05) indicating that respondents’ answers for each question were not consistently distributed among the various levels of agreement. Kruskal-Wallis Test revealed that only respondents’ occupation is associated with their perceptions on the first and the second groups of questions. The study recommended the need to investigate this issue of research in other countries such as the Gulf Cooperation Council (GCC) countries.

Key Words: Non-Audit Services, Auditor Independence, Bahrain, Audit Client, Audit Fees, Bahrain Bourse.
1. Introduction

The last two decades have witnessed a wide expansion in services rendered by auditing firms to include various non-audit services (NAS) and this was due to the expansion and complication of business environment, the globalization, the spreading of multinational companies and the improvements of information technology. Companies nowadays receive NAS such as computer hardware and software installation, human resources planning, bookkeeping, tax return preparation, investment banking, internal audit out-sourcing, and finally management advisory services (Jenkins and Krawczyk, 2001).

The globalization in accounting and other services such as assurance service has formed ‘the multidisciplinary nature of big audit firms’ (Brierely and Gwillian, 2003), which would present audit and NAS to audit clients and this became one of the major issues concerning the possible auditor independence dilemma (Craswell, 1999; Quick and Warming-Rasmussen, 2005). Jenkins and Krawczyk (2001), pointed out that histrionic changes in the accounting profession, brought about factors such as globalization and information technology, have formed the need to rethink independence standards, and therefore explore the influence of NAS on auditor independence. The global financial crisis experienced in the last decade has formed a lot of doubts regarding the usefulness of auditor’s report and therefore, NAS fees has been a challenge for further investigation.

The US regulators adopted nine types of NAS that inconsistent with auditor independence. According to (Sori, et al. 2010), examples of these services include bookkeeping, the design and implementation of financial information systems and valuation services or fairness opinions, internal auditing services, planning of human resources, actuarial services, and legal services. Beattie et al., (1999) provided evidence from the UK and concluded that most of NAS provided by auditors is accounting services that enable client companies to conform to the legal and regulatory requirements rather than management consultancy. Evidence was provided from Germany by Dykxhoorn and Sinning (1981). They concluded that the majority of German auditors believed that auditor independence would be abused when auditors offer widespread accounting consultancy or services.

Lindsay et al., (1987) investigated the influence of providing a number of services (namely, preparation of accounts, executive search and accounting systems design) on auditor independence in the Canadian environment. They concluded that accounting systems design was seen as the smallest threat on auditor independence. However, they found that about a third of the respondents considered the other two services, preparation of accounts and executive search, makes auditor dependent on client. This expansion is expected to improve the firm’s competitiveness, to maintain continuous growth, and to satisfy customers.
However, the extension of services has upraised inquiries about whether auditing firms can sustain their independence while offering NAS to audit clients. Without independence, audit cannot achieve its goals, which is the basic requirement for an auditor to be able to perform an audit. The auditor in public practices must be free of bias with respect to client and must be recognized as independent by users of the audit report.

More than fifty years ago, auditor independence has been of great importance. For example, Mautz and Sharaf (1961) stated that auditor independence is a keystone of the auditing profession, a critical element in the statutory financial reporting process and a crucial prerequisite for adding value to audited financial reports. Robert Mednick (1997), Chair of the Board of Directors at American Institute of Certified Public Accountants (AICPA), stated that auditor independence is the cornerstone of the accounting and auditing profession and one of its most valuable assets. The auditor is expected to be objective, impartial and impendent (Osei-afokwa, 2013). In addition to be independent in fact, auditors should be seen to be independent in investigating and attesting clients’ financial reports (Stevenson, 2002). Specifically, auditors are likely to be able to decide independently on reporting strategies starved of any effect from their client companies’ management (Chandler and Edwards, 1996; Cullinan, 2004).

Performing audit and NAS for the same client might cause a lack on independence for the auditor, because this may create a working relationship that is too close between the auditor and the client. Consistent with this view, Jordan Companies Law (1997) stated in its rule No. 235: An auditor is not allowed to participate in the foundation of the corporation that is being audited by him, nor to be a member of administrative or advisory position, also he is not allowed to be a partner or an employee for any member of that corporations' board of directors.

The current study is expected to provide additional empirical evidence on auditors’ independence in Bahrain, which considered as an important subject for both auditing firms and auditing profession itself. Independence is viewed as a strong shield that may protect auditors form any threats or pressures from the board of directors of the audit clients' side.

The current study is likely to contribute to the accounting and auditing literature in the following grounds: (1) to fill the gap in the existing auditing literature because there is little published studies directly investigating NAS models in developing countries in general and Bahrain in particular; (2) to the best knowledge of the researchers, there was only one study conducted in Bahrain by Joshi et al., (2007) to investigate the effect of providing NAS upon auditor independence in Bahrain and by now about 9 years passed and became old and needs to be updated. Also, the current investigation comes after issuing and applying the Bahrain Code of Corporate Governance in 2011. Other features that distinguish the current study from Joshi et al., study (2007) is that the current study takes into consideration the impact of
demographic variables upon auditor independence and financial reporting quality whereas, Joshi’s et al. (2007), study did not. Furthermore, the current study investigated the impact of providing NAS upon quality of financial reporting whereas Joshi’s et al., study did not.

The rest of the current paper is organized as follows: Section 2 describes the audit environment in Bahrain. Section 3 provides the relevant literature review. Section 4 presents the research methodology. Section 5 presents data analysis and results of the study. Section 6 provides the conclusions.

1.1 Motivation of the Study

Bahrain was selected for this study since it enjoys a significant location among Gulf countries, with stable political and economic environment and runs a free market economy. The motivation of this study is the rising concern for providing NAS because of very few studies regarding auditor fees in Bahrain which may result in lack of evidence on the influence of providing NAS upon auditor independence in developing countries, whereas the cases of NAS fees increased in the changing audit environment such as developed economies. Thus, the current study is expected to fill the gap in the accounting and auditing literature about the issue of NAS.

In emerging stock markets, the role of auditors as a mean of decreasing conflicts of interest in financial reporting decisions is possibly more significant than in the case of developed stock markets (Chadegani et al., 2011). Consequently investigating that providing NAS by auditors to audit client companies may weaken auditor independence and eventually audit quality, become very important in developing countries such as Bahrain.

The main contribution of the current study lies in the fact that it has been accomplished in a unique environment (i.e., the Middle East and in particular a Gulf country of Bahrain). Bahrain has a little number of large companies with audit services being concentrated in the hands of only a few audit firms. Providing empirical evidence on the impact of providing NAS upon auditor independence within the environment may add a new dimension to the accounting and auditing literature. However, most companies in Bahrain do not disclose audit fees in their annual reports. The findings of the current study offer an important insight into the impact of NAS fees upon auditor independence in developing countries like Bahrain. Moreover, the findings of the study may assist audit firms in determining audit fees. Further, management can also use the findings of the current study to expect audit fees that will pay. In addition, the findings of the current study might help regulators of financial reporting and auditing services in Bahrain, other countries with similar environmental characteristics such as some the Gulf Cooperation Council (GCC) countries in particular and other developing countries in general.
1.2 Objectives of the Study

A limited number of studies have been accomplished in GCC countries in general and in Bahrain in particular where the local stock market is not greatly advanced. This could be due to insufficiency of infrastructures, shortage of transparency and a more conservative approach for revealing and analyzing data relating to auditor independence (Joshi, et al., 2007). Studies to investigate the influence of providing NAS to audit client upon auditor independence are likely to add value, particularly in Bahrain which is considered as a financial center of the Middle East region. Accordingly, the current study focuses on investigating the perceptions of auditors, accountants and managers working in listed companies in Bahrain Bourse on the issue of joint provision of audit and NAS to audit client companies and its influence upon auditor independence. More specifically, the objectives of this study are twofold:

1. To investigate respondents’ perceptions upon the influence of the joint provision of audit and NAS to audit clients on their independence, audit quality and objectivity.

2. To explore whether respondents’ background (such as occupation, education, and experience) affects their perceptions upon the influence of the joint provision of audit and NAS to audit clients on their independence.

1.3 Problem Statement

Although most previous research on the influence of providing NAS to audit client companies upon auditor independence and audit quality have been conducted in developed countries and very few were done in developing countries, this study is to address this imbalance by having a closer look on this issue in Bahrain. Thus, the problem statement of the current study might be indicated through answering the following questions:

1. From the perspective of auditors, accountants, and managers does providing NAS to audit client influence auditor independence and audit quality?

2. Does respondents’ background (such as occupation, education, and experience) affect their perceptions upon the influence of the joint provision of audit and NAS to audit clients on auditor independence and audit quality?

2. Auditing Environment of Bahrain

Bahrain which is a member of GCC has a long established and well-defined framework of commercial law. Since its independence in 1971, Bahrain has witnessed remarkable economic progress and has converted from a principally agricultural base, where the key products were pearls and dates, to a modern industrial, business and service center and is nowadays recognized as being the banking center of the region (MOIC, 2015).

Bahrain is characterized as a tax-free country and is a member of the International federation of Accountants (IFAC) since 2004 and also applies International Financial Reporting Standards (IFRS). As a private organization, the Bahrain Accountants Association
(BAA), which is one of the oldest associations in Bahrain and the region, was established in 1971 with no regulatory or supervisory powers over the accounting and auditing profession in the country (Joshi and Al-Bastaki, 2000; MOIC, 2015). According to BAA, its members are required to comply with a number of laws and regulations among them Bahrain Commercial Companies Law (CCL) of 2001, Bahrain Audit Law of No. 26 of 1996, Rule Books/Disclosure Standards as issued by the Central Banks of Bahrain (CBB), Bahrain Stock Exchange Law of 1987 and the Bankruptcy & Composition Law No. 11 of 1987 (IFAC, 2015). This compliance is monitored by Ministry of Industry, Commerce and Tourism (MOIC) and CBB.

According to the Bahraini Audit Law (No. 26 of 1996), an audit firm could be registered as a partnership company, a branch of a foreign company (i.e. one of the big four audit firms) or an individual establishment (sole proprietorship). Furthermore, individuals or companies wishing to be registered at the Auditors Registrar at MOIC must fulfill a number of specific conditions (MOIC, 2015). Article 14 of the above law, No. 26 of 1996, states that auditors shall comply with and adhere to the internationally recognized auditing practices, standards and principles.

Audit services in Bahrain are delivered by variety auditing firms. Some firms are local; others are working as foreign branches; and the residual are interrelated with international audit firms. The Big Four; i.e., Ernst & Young (E&Y), Deloitte & Touche (D&T), KPMG, and Price water house Coopers (PWC) have a strong presence in Bahrain. Companies in Bahrain are legally requested to have their financial reports audited at reasonable fee without compromising on audit quality. Furthermore, auditors expect to perceive adequate fees for their services to maintain satisfactory level (Khasharmeh, 2015).

The Bahrain CCL of 1975 (amended 2001) emphasis that limited liability companies are required to get their financial reports audited by an external auditor, however, it does not stipulate any guidelines for accounting standards. Later after its amendment, it has been made compulsory for all limited liabilities companies to apply IAS/IFRS in the preparation of their financial reports and get their books of accounts audited.

The CBB is authorized with statutory power in affecting its requests on audit guidelines. For instance, it necessitates banking and insurance companies to be audited by one of the big four audit firms. Audit Law No. 26 of 1996 which regulates audit services in Bahrain requires auditors to attain a license to practice and set the minimum requirements for such a license. Practically, audit firms may need to have two licenses, first for practicing auditing profession and second for providing auditing services to companies of the banking and insurance sector. Appointments of auditors, as per According to article (205) of the Bahrain CCL No. 21 of 2001, appointment of auditors.
should be done on an annual basis during the course of the firm’s annual general meeting (Said and Khasharmeh, 2014).

Concerning auditor’s independence, Article 61 of the CBB and Financial Institutions law No. 64 of 2006 presents some conditions for the auditor to be regarded as independent. Before a particular licensee assigns an auditor, it must take accountable steps to make sure that the auditor has the required skills, resources and experience to perform the audit task appropriately, and is independent of the licensee (CBB, 2015).

The results of the current study are expected to raise knowledge on how listed companies and audit firms in Bahrain reflect auditors’ fees via their reporting practices. As a member of GCC, Bahrain and other members share a number of particular structural economic characteristics. Among these characteristics are: a high reliance on oil as expressed in the share of oil and gas revenues in total fiscal and export revenues; young and rapidly growing national labor forces; and the substantial reliance on expatriate especially in the private sector. Furthermore, listed companies in the GCC members countries are subject to nearly similar financial reporting requirements. Thus, GCC are expected to benefit from the results of the current study.

3. Literature Review

The literature in accounting and auditing provides many previous studies that have been conducted in the area of audit and NAS (Gul and Yap, 1984; Teoh and Lim, 1996; Arrunada, 1999; Beattie et al., 1999; Canning and Gwillian, 1999; Jenkins and Krawczyk, 2001; Ezzamel et al., 2002; Frantel et al., 2002; Chung and Kallapur, 2003; Felix et al., 2005; Quick and Warming-Rasmussen, 2005; Chukwunedu and Okafor, 2014).

It has been concluded that the association between joint provision of audit and NAS and auditor independence is a controversial, ambiguous, conflicting issue (Kleinman et al., 1998; Defond et al., 2002; Frankel et al., 2002; Chung and Kallapur, 2003; Giger and Rama, 2003; Ashbaugh, 2004; Kinney et al., 2004; Reynolds et al., 2004), thus, three views regarding joint provision of audit and NAS were indicated in the literature.

3.1 Independence of Auditor is Impaired by Providing NAS

The concern about NAS is established on the supposition that auditors may be willing, at least intensely tempted, to sacrifice their independence in exchange for retaining their audit client companies from which they might accumulate big NAS revenues (Defond et al., 2002). Because of the provision of NAS, the auditor practice and independence are debatable and third party may think that accounting and auditing practices will be with lower value. However, some authors argued that the auditor provision of NAS creates close working relationship amongst the auditor and the client companies (Wallace, 1995; Sutton 1997).
Chukwunedu and Okafor (2014) concluded that the NAS impair audit independence and audit objectivity. The impairment or absence of auditor independence is a key reason for a lot of corporate collapses and corporate scandals around the world, including the US Case of Enron where the existence of high NAS fees paid to the auditor of Enron was the major instigator to blame for the audit failure. Even though auditors are requested to retain their neutrality and independence, there are some motivations that may induce auditors to compromise their independence. The provision of NAS by auditors to their audit client companies has been seen as a threat to auditor independence (Craswell, 1999).

The provision of NAS has the possibility to make economic bonding from the substantial amount of fees which received from clients (Simunic, 1984; Beck et al., 1988). This bond might weaken both definite and perceived independence of auditor because of the reluctance of audit firm to criticize the consultancy work provided by one or more of its divisions, and the audit firm may not want to miss lucrative and may, therefore, more unwilling to disagree with management’s interpretations of accounting matters (Ping, et al., 2006).

It is pointed out that the provision of audit and NAS to audit client companies might cause biased competition because of the use of audit services to retail NAS, and believed that auditors should be banned from providing both types of services to the same client company (Terry, 1996; Mitchell et al., 1993).

Frankel et al., (2002) reported that auditors may permit further discretion to their clients that pay high payment for NAS compared with total audit fees. Krishnan et al., (2005) provided empirical evidence that the non-audit fee-ratio and the level of non-audit fees were negatively correlated with Earning Response Coefficient (ERCs) and investors perceive NAS as weakening auditor independence.

According to Quick and Rasmussen (2005), providing of NAS impairs independence in appearance in Denmark. Johnson (2002) pointed out that three reasons are behind the auditor credibility crisis, they are greater pressures for earnings management; a highly complex business environment; and a highly competitive audit market. Joshi et al., (2007) clearly indicated that auditor independence is impaired when the auditor provides NAS for the audit client.

Moreover, others researchers (Shockley, 1981; Wines, 1994; Lowe and Pany, 1995; Frankel et al., 2002; Gendron et al., 2004, Alleyne et al. 2006; Richard, 2006) claimed that with the joint provision of audit and NAS, auditors could not be able to deliver the audit services objectively and that joint provision could impair perceived auditor independence because ultimately they could be responsible for auditing their own work and/or acting as management (SEC, 2001), and management’s power over the auditor may be inflated as a result of auditors’ reliance of fees received (Canning and Gwilliams, 1999). Thus, it may
impact “their mental attitude, impartiality and objectivity, and independence of thought and action” (Flint, 1988).

A study conducted by Sori and Karbhari (2006) revealed that auditor independence would considerably threaten when an audit engagement team jointly provide audit and NAS. Beattie et al., (1999) found that a high level of fees from NAS was ranked as the most threat factor by three groups of users namely Financial journalists, preparers, and financial directors. Sharma and Sidhu (2001) surveyed auditors’ opinions of bankrupt companies and reported that higher NAS fees have impact on auditor opinion concerning going concern.

Sori et al., (2010) concluded that auditors’ independence is perceived to compromise when audit firms jointly offered audit and NAS. It is pointed in the literature that the joint provision of audit and NAS could raise the risk of client retention because of economic incentives, and the tendency to agree with client’s choice of accounting policies (Simunic, 1984; Beck et al., 1988; Frankel et al., 2002). Thus, after the collapse of Enron, the Sarbanes Oxlay Act 2002 was enacted in the US, with provisions to prevent audit firms from providing specific NAS.

3.2 Audit Quality is Improved and Auditor Objectivity is Enhanced by Rendering NAS

According to Wallman (1996), this view holds that the provision of NAS improves the auditor’s capability to learn more clients, so assisting to make sure that they satisfy their obligation to conduct a better audit. Others show that provision of NAS certainly improves auditor independence and nevertheless enhances clients’ operations (Bartlett, 1993; Jenkins and Krawczyk 2001; Kinney, et al., 2004; and Lowe and Pany 1995). The auditor client may get better and more complete services especially when consulting in certain areas such as tax services are provided by the auditor.

It was concluded that audit firms providing some of the NAS could bring a great deal of value to audit clients (Autle et al., 1997 and TunUda, 2002). Arrunada (1999) stated that the provision of NAS by auditors to their audit clients reduces total costs, increase technical competence and motivates more intense competition and it does not necessarily damage auditor independence or the quality of NAS.

Palmrose and Saul (2001) indicated that the arrangements in which audit firms delivered, both audit and NAS, the NAS has a supportive influence on the effectiveness of the audit. In New Zealand, Gul (1989) investigated respondents’ perceptions, banking staff, and reported that the impact of providing NAS was significantly positively correlated with auditor independence. Sawan et al., (2013) found that the provision of NAS improves audit quality. Furthermore, some forensic auditors testified that specific types of frauds might have been eliminated or identified if NAS had been delivered to the audit client or if well communication had ensued between NAS personnel and the audit engagement team (Joshi et
In addition, Antle et al. (1997) stated that joint provision of audit and NAS would not affect auditor independence, since it leads to enhance audit quality.

In a survey study, Hartley and Ross (1972) concluded that only 6% of respondents believed that the provision of NAS significantly threatens the auditor independence. However, Firth (1980) found that the provision of NAS was considered to be a minor threat to auditor independence. Similarly, Gul and Yap (1984) reported that the majority of four groups of Malaysian respondents namely auditors, managers, bankers and shareholders agreed that the disclosure of NAS fees would enhance perceived auditor independence. Besides, Glezen and Millar (1985) found that stockholders were unconcerned about the joint provision of audit and NAS adversely influencing auditor independence. Furthermore, it was argued that the auditor’s awareness of the client company would be enhanced by the provision of NAS, leading to improved objectivity and independence (Goldman and Barlev, 1974; Wallman, 1996).

3.3 The Provision of NAS has No Impact on Auditor Independence

It has been reported in the literature that no considerable evidence that investors and their agents are concerned about NAS. For instance, it was reported by Bloomfield and Shackman (2008) that there is a limited evidence to support the concept that companies with more fees of NAS are more expected to restate their earnings, thus casting uncertainty on the public perception that NAS may impair auditor independence.

Other studies found no association between propensity to issue ‘going concern opinions’ and either total fees or ratio of NAS to legal fees (DeFond, et al., 2002; and Lim and Tan, 2008). Sucher and Bychkova (2001) and Quick and Rasmussen (2005) revealed that NASs has no effect on perceptions of independence. Kinney et al. (2004) and Bugeja (2011) supported this view and found in their study that no statistical associations between fees for the design of accounting information systems and application or internal audit services and restatements.

From above discussion, it can be seen that different perceptions exist about the impact of the provision of NAS on auditor’s independence. Some previous studies concluded that auditing firms that provided NAS had a higher risk for losing their independence, while others concluded that providing NAS had no effect on independence, as well as on financial statement reliability. Also loan decisions made by loan officers were sometimes affected by the auditor’s provision of NAS. This is considered as a threat for independence because it might provide apparent incentives for an audit firm to be less resistant to the client's management pressure.

Therefore, the current study investigates the perceptions of auditors, accountants and financial manager in listed companies in Bahrain Bourse on the effect of the provision of NAS by the auditor on auditor's independence. The importance of including managers group
in the study lies in the fact that they have a major concern in audit reports. For managers, auditor independence is very essential factor in the audit function; the more the auditor's independence is sustained, the more the reliability of the financial reports provided by audit firms.

On the other hand, the accounting literature provides evidence that some studies on preparers or users’ perceptions reported significant differences among different groups (e.g. Wallace, 1988 and Solas and Ibrahim, 1992), while others reported that there are no significant differences (Firth, 1978). For instance, some studies used the background information of respondents to examine whether the differences in background characteristics of respondents result in differences in their perceptions (Desoky, 2002). Remeyi et al. (1998, p. 154) stated that "background questions provide demographic and socio-economic information on the individual or firm. At the individual level these include evidence on age, gender, occupation, income, education level, …". The current study uses background information (occupation, level of education, and years of experience) to examine whether differences in background characteristics of respondents result in differences in their perceptions. Respondents were categorized by occupation (three groups), years of experience (four groups) and level of education (four groups).

3.4 Hypothesis Development

The current study examines the unique condition in Bahrain where the company commonly attempts to negotiate the audit fees and there is a trend for the company to select an auditor who provides variety of NAS and the cheapest audit fees. Therefore, the current study is directed towards exploring the effect of joint provision of audit and NAS by external auditors on auditor independence and audit quality. Based on the above literature review, the following null hypotheses were developed:

H10: There are no significant differences in respondents’ answers about impairment of auditor independence as a result of providing audit and NAS (questions 1-11 tested this hypothesis).

H20: There are no significant differences in respondents' answers about improving audit quality and enhancing auditor objectivity as a result of rendering NAS (questions 12-22 tested this hypothesis).

H30: There are no significant differences in respondents' answers about the idea that providing NAS has no effect on auditor independence (questions 23-26 tested this hypothesis).

H40: There is no significant association between respondents’ occupation and their perceptions.

H50: There is no significant association between respondents’ experience and their perceptions.
There is no significant association between respondents’ education and their perceptions.

Non-parametric statistics are used for testing the above hypotheses. For example, the Chi-square Test is used to test hypotheses $H_{10}$, $H_{20}$ and $H_{30}$; while Univariate Analysis and Kruskal-Wallis Test are used to test hypotheses about differences between groups (hypotheses $H_{40}$, $H_{50}$ and $H_{60}$).

4. Research Methodology

The current study is an explanatory study which aims to verify the hypotheses about the effect of providing NAS to audit client on auditor independence. To gather the data necessary for testing hypotheses stated earlier, a questionnaire was designed and tested (a copy of questionnaire used in this study is available under request). In General, the main problem often met by researchers using the questionnaire as a data collection method is the poor response rates. In this study, every possible effort was made, in both the questionnaire design and questionnaire distribution and collection stages, to raise the response rate as possible. The questionnaires were distributed to and collected from a sample of 250 respondents including two interested groups working in the Bahraini firms (namely: Accountants; and managers) and 199 questionnaires were received, however, the researchers exclude 4 questionnaires because a lot of questions are kept unanswered and leaving 195 useable questionnaires which representing 78% of the questionnaires distributed.

4.1 Sample Size and Selection

Since the current study focuses on investigating the perceptions of listed companies in Bahrain Bourse on the issue of joint provision of audit and NAS to audit client and its influence upon auditor independence, accountants and managers working in listed companies were selected to be the sample of the study. Auditors are chosen because they are the key subjects of the issue of interest that offer information credibility assessment to the stakeholders (Humphrey, 1997).

Managers are the agent of the owners, who conducts business on behalf of the owners and, hence, necessitates a monitoring mechanism (i.e., an auditor) to give report on their performance (Jensen and Meckling, 1976). On this basis, senior managers’ perceptions of auditor independence and audit quality are valued to the study. Accountants are directly involved in providing credible information and their perceptions are valuable to the study. The sample of the study was contacted personally and the questionnaire was distributed either via e-mail or personally by hand. However, some respondents presented apprehension concerning responding, despite the awareness of confidentiality. This is may be due to the nature of the information required and the sensitivity of the topic of the current study.
The sample size depends on a number of factors such as funds, time, access to possible participants, intended methods of statistical analysis, the desired degree of precision (de Vaus, 2001). Regarding the estimation of the actual sample size, Saunders et al. (2012) proposed a formula that can be used for this purpose. This formula requires two main factors to be estimated: first, the expected response rate, and second, the minimum or the adjusted minimum sample size. This formula is as follows: 

\[ n^a = \left( n \times 100 \right) / re\% \]

where \( n^a \) is the definite sample size required, \( n \) is the minimum (or the adjusted minimum) sample size, and \( re\% \) is the expected response rate expressed as a percentage (Saunders et al., 2012). Based on the above formula, total of 180-200 respondents was considered to be enough as a minimum sample size, with subgroups of sufficient size to enable the researchers to compare them (Desoky, 2002), and a response rate of between 65% and 80% was expected. Consequently, the sample size could be calculated as follows: 

\[ n^a = \left( 180 \times 100 \right) / 75 = 240 \text{ respondents} \]

Accordingly, it was decided to distribute 250 questionnaires, to allow for unexpected circumstances. Table 1 explains the response rates of the sample.

<table>
<thead>
<tr>
<th>Respondents</th>
<th>No. of QD</th>
<th>No. of QR</th>
<th>No. of IQ</th>
<th>No. of UQ</th>
<th>% of UQ</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auditors</td>
<td>120</td>
<td>101</td>
<td>2</td>
<td>99</td>
<td>82.5*</td>
</tr>
<tr>
<td>Accountants</td>
<td>65</td>
<td>55</td>
<td>1</td>
<td>54</td>
<td>83.1*</td>
</tr>
<tr>
<td>Managers</td>
<td>65</td>
<td>43</td>
<td>1</td>
<td>42</td>
<td>64.6*</td>
</tr>
<tr>
<td>Total</td>
<td>250</td>
<td>199</td>
<td>4</td>
<td>195</td>
<td>78.0**</td>
</tr>
</tbody>
</table>

* Percentage of UQ to QD of each group of respondents. 
** Percentage of total UQ to total QD.

Note: QD = Questionnaire Distributed; QR = Questionnaire Received; IQ = unusable Questionnaire; and UQ = Usable Questionnaire.

The table shows that a total of 250 questionnaires were disseminated and 199 questionnaires were received. It has been noted that “If a substantial number of questions - say, 25 per cent of the items in the questionnaire - have been left unanswered, it may be advisable to throw out the questionnaire and not excluded it from the data set for analysis” (Sekaran, 2006), therefore, 4 unusable questionnaires were not considered in the analysis and thus the final usable questionnaires were 195 representing 78 per cent.

**4.2 Data Analysis**

To test the research hypotheses formulated earlier in section (3.4), the analysis of the collected data was carried out on two different levels: the first, the overall sample that enables the researchers to test hypotheses on the perceptions of the whole sample; the second enables the researchers to investigate differences between various groups. Grouping was done according to respondents’ occupation, level of education, and years of experience. Both descriptive statistics and statistical analysis have been used to help in generalising the study findings to the wider population from which the sample was drawn.
Statistical analysis, which leads to acceptance or rejection of the initial hypothesis (the null hypothesis), can be classified into parametric and non-parametric tests. Parametric tests are statistical tests that assume that the population from which the sample is drawn is normally distributed and the data collected on an interval or ratio scale, while on the other hand, non-parametric tests are statistical tests in which it is not essential to specify the parametric distribution within the population and are used when the data collected are on a nominal or ordinal scale (Mbengue, 2001; Sekaran, 2006). Accordingly, the selection between these two types of statistics is subject to the nature of both the data collected, nominal, ordinal, interval, or ratio data and the distribution of the population from which the sample drawn.

As the data collected for this study were mainly nominal and ordinal data, it was decided to use the non-parametric tests that many statisticians (Bryman and Cramer, 2000; Pallant, 2001; and Siegel and Castellan, 1988) have recommended to be used in such cases. For instance, Pallant (2001, p.255) stated that: “Non-parametric techniques are ideal for use when you have data that is measured on nominal (categorical) and ordinal (ranked) scales. They are also useful when you have very small sample, and when your data does not meet the stringent assumptions of the parametric techniques”.

Demographics were done according to respondents’ occupation, experience and education. The SPSS technique was used in the analysis of the survey data. Along with the descriptive statistics, which mostly depend on the percentages, the mean, and the standard deviation, a statistical analysis was provided using a number of non-parametric tests such as the Chi-square Test, the Kruskal-Wallis Test and Univariate analysis. These statistical tests were utilised to test for significant differences for the overall sample and between various sub-groups.

4.3 Data Collection

The current study implicated the questionnaire survey to gather information from the sample on the impact of joint provision of audit and NAS on auditor independence and audit quality. The questionnaire was tested to improve the relevance and validity of the information collected. It includes two sections: Section A: contains demographic information about the respondents. Section B: contains 3 groups that include questions related to audit and NAS.

These groups are:

**Group 1**: Independence of auditor is impaired by providing NAS.
**Group 2**: Audit quality is improved and auditor objectivity is enhanced by rendering NAS.
**Group 3**: The provision of NAS has no impact on auditor independence.

Most questions are based on a 5 point Likert scale. They are ranging from 1 to 5, where 1 refers to strongly disagree and 5 refers to strongly agree. One open-ended question was also included to gather respondents’ opinions on the issue of the study. Companies listed in
Bahrain Bourse and audit firms are covered in this study. By end of 2014, the total number of companies listed was 47 (Bahrain Bourse, 2014).

5. Data Analysis

5.1 Description of the Sample

Table 2 below describes the sample in details. Regarding the experience and the education variables, the results in the table shows that about 95% of the respondents have BSc, master or Ph.D which means that the population have knowledge and experience and they can provide valuable information for the study. Also, the results in Table 2 shows that 58.4% of the respondents have experience of 5 years or above which means that the respondents have enough experience and thus can add important information to be used in the study.

Table 2: Details of Usable Questionnaire in Sample Groups

<table>
<thead>
<tr>
<th>Occupation Variable</th>
<th>No.</th>
<th>%*</th>
<th>Experience Variable</th>
<th>No.</th>
<th>%*</th>
<th>Education Variable</th>
<th>No.</th>
<th>%*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal auditors</td>
<td>99</td>
<td>50.8</td>
<td>Less than 5 y</td>
<td>81</td>
<td>41.6</td>
<td>Below BSc</td>
<td>10</td>
<td>05.1</td>
</tr>
<tr>
<td></td>
<td>54</td>
<td>28.2</td>
<td>5 &lt;10 y</td>
<td>69</td>
<td>35.4</td>
<td>BSc</td>
<td>114</td>
<td>58.5</td>
</tr>
<tr>
<td>Accountants</td>
<td>42</td>
<td>21.0</td>
<td>10 &lt;15 y</td>
<td>19</td>
<td>09.7</td>
<td>Master or</td>
<td>53</td>
<td>27.2</td>
</tr>
<tr>
<td>Managers</td>
<td></td>
<td></td>
<td>More than 15 y</td>
<td>26</td>
<td>13.3</td>
<td>PD</td>
<td>18</td>
<td>09.2</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>PhD</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>195</td>
<td>100</td>
<td></td>
<td>195</td>
<td>10</td>
<td>195</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Note: PD = Professional Degree; % = Percentage of UQ in a specific group to total UD of the groups.

5.2 The Overall Sample

Table 3 below shows the descriptive statistics and the Chi-square results for each group of questions. The Chi-square for one sample test was adopted to test for significant differences in respondents’ choice of answers on these groups of questions. In other words, it was employed to see if any choice of answer was favored significantly more than the others. Table 3 shows that Group 1 of questions has a mean score of 3.821 with standard deviations of less than half of the mean which reveals that there is no dispersion among respondents’ perceptions regarding this group of questions. The above result indicates that respondents are supporting the idea that independence of auditor is impaired by providing NAS. This result is supporting what was reported in Bahrain by Joshi et al., (2007) who indicated that independence is impaired if the auditor renders NAS. The above result is consistent with a number of previous studies (Knapp, 1985; Mitchell et al., 1993; Krishnan et al., 2005; Quick and Rasmussen; 2005; Sori and Karbhari, 2006; Sori et al., 2010; Chukwunedu and Okafor, 2014). These previous studies concluded that the provision of NAS impairs audit independence and audit objectivity. The results reached by the current study are consistent...
with results reported by other researchers in other environments. The above results suggest that Corporate Governance Code in Bahrain issued in 2011 may enhance the awareness of Bahraini professionals regarding the impact of providing NAS on auditor independence. This may add contribution to the literature review on developing countries in general and Bahrain as a member of GCC countries in particular.

Concerning Group 2 of questions, Table 3 shows that it has a mean score of 3.424 with standard deviations of 0.6319 which is also less than half of the mean. This result indicates that respondents marginally support the idea that audit quality is enhanced and auditor objectivity is improved if NAS were provided by the auditor. The above result is consistent with most previous studies (Hartley and Ross, 1972; Goldman and Barlev, 1974; Glezen and Millar, 1985; Gul, 1989; Wallman, 1996; Antle et al., 1997; Arrunada, 1999 and Sawan et al., 2013). These results can be justified since the auditor’s awareness and knowledge of the client’s company would be improved by the provision of NAS, leading to increase objectivity and independence (Goldman and Barlev, 1974); that joint provision of audit and NAS would lead to improve audit quality (Antle et al., 1997); or that the auditor provision of NAS to their audit clients decreases total costs, increase technical competence and motivates more intense competition (Arrunada, 1999).

Table 3 below shows that values of Chi-square were entirely significant for the three groups of questions at (p<0.05). Therefore, it is possible to conclude that respondents’ selection of answers were not equally distributed among the different levels of agreement on: “impairment of auditor independence as a result of providing audit and NAS (Group 1); “improving audit quality and enhancing auditor objectivity as a result of rendering NAS (Group 2); and providing NAS has no effect upon on auditor independence (Group 3). Based on the above, all of the first three null hypotheses (H10, H20 and H30) formulated earlier in section 3.4 are rejected and the alternative ones are accepted.

Table 3: Descriptive Statistics and Chi-Square Results of Groups of Questions (The Overall Sample)

<table>
<thead>
<tr>
<th>Groups of Q</th>
<th>N</th>
<th>Mini.</th>
<th>Maxi.</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Chi-Square df</th>
<th>Asymp. Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group 1 (Q 1-11)</td>
<td>195</td>
<td>1.18</td>
<td>5.00</td>
<td>3.821</td>
<td>.8193</td>
<td>86.938</td>
<td>33</td>
</tr>
<tr>
<td>Group 2 (Q 12-22)</td>
<td>195</td>
<td>1.55</td>
<td>4.73</td>
<td>3.424</td>
<td>.6319</td>
<td>93.067</td>
<td>28</td>
</tr>
<tr>
<td>Group 3 (Q23-26)</td>
<td>195</td>
<td>1.25</td>
<td>5.00</td>
<td>2.955</td>
<td>.8474</td>
<td>105.508</td>
<td>16</td>
</tr>
</tbody>
</table>

Table 4 below shows the descriptive analysis (means and standard deviation for each question). For the purpose of the current study, it is assumed that any question with a mean greater than 3 indicates the importance of the question. It appeared from the table that Q6, Q4, Q17, Q1 and Q22 respectively are the most important questions since they have got the highest means (ranging from 4.21 – 3.85) and are accepted. Of a total of 26 questions, 21
were perceived as important with mean scores above 3. Also the standard deviations of these questions are less than half of the mean score for each which reveals that there is no dispersal among respondents’ perceptions regarding these questions. Other questions were of lower importance. The table also shows the results of the statistical analysis for each question using Chi-Square. It reveals that values of Chi-square for all questions were significant at (p<0.05). Hence, it can be concluded that respondents’ answers for each question were not equally dispersed among the different levels of agreement.
Table 4: Descriptive Statistics and Chi-Square Results for Each Question (The Overall Sample)

<table>
<thead>
<tr>
<th>Question</th>
<th>N</th>
<th>Min.</th>
<th>Maxi.</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Chi-Square</th>
<th>df</th>
<th>Asymp. Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>195</td>
<td>1</td>
<td>5</td>
<td>3.87</td>
<td>1.216</td>
<td>30.205</td>
<td>4</td>
<td>.000</td>
</tr>
<tr>
<td>Q2</td>
<td>195</td>
<td>1</td>
<td>5</td>
<td>3.68</td>
<td>1.252</td>
<td>19.128</td>
<td>4</td>
<td>.001</td>
</tr>
<tr>
<td>Q3</td>
<td>195</td>
<td>1</td>
<td>5</td>
<td>3.63</td>
<td>1.290</td>
<td>13.231</td>
<td>4</td>
<td>.010</td>
</tr>
<tr>
<td>Q4</td>
<td>195</td>
<td>1</td>
<td>5</td>
<td>4.09</td>
<td>1.180</td>
<td>46.513</td>
<td>4</td>
<td>.000</td>
</tr>
<tr>
<td>Q5</td>
<td>195</td>
<td>1</td>
<td>5</td>
<td>3.09</td>
<td>1.080</td>
<td>78.667</td>
<td>4</td>
<td>.000</td>
</tr>
<tr>
<td>Q6</td>
<td>195</td>
<td>1</td>
<td>5</td>
<td>4.21</td>
<td>1.255</td>
<td>46.256</td>
<td>4</td>
<td>.000</td>
</tr>
<tr>
<td>Q7</td>
<td>195</td>
<td>1</td>
<td>5</td>
<td>2.85</td>
<td>1.242</td>
<td>19.077</td>
<td>4</td>
<td>.001</td>
</tr>
<tr>
<td>Q8</td>
<td>195</td>
<td>1</td>
<td>5</td>
<td>3.56</td>
<td>1.156</td>
<td>47.795</td>
<td>4</td>
<td>.000</td>
</tr>
<tr>
<td>Q9</td>
<td>195</td>
<td>1</td>
<td>5</td>
<td>3.77</td>
<td>1.096</td>
<td>49.641</td>
<td>4</td>
<td>.000</td>
</tr>
<tr>
<td>Q10</td>
<td>195</td>
<td>1</td>
<td>5</td>
<td>3.70</td>
<td>1.204</td>
<td>30.000</td>
<td>4</td>
<td>.000</td>
</tr>
<tr>
<td>Q11</td>
<td>195</td>
<td>1</td>
<td>5</td>
<td>3.73</td>
<td>1.231</td>
<td>23.077</td>
<td>4</td>
<td>.000</td>
</tr>
<tr>
<td>Q12</td>
<td>195</td>
<td>1</td>
<td>5</td>
<td>3.54</td>
<td>1.150</td>
<td>34.359</td>
<td>4</td>
<td>.000</td>
</tr>
<tr>
<td>Q13</td>
<td>195</td>
<td>1</td>
<td>5</td>
<td>3.63</td>
<td>1.188</td>
<td>27.128</td>
<td>4</td>
<td>.000</td>
</tr>
<tr>
<td>Q14</td>
<td>195</td>
<td>1</td>
<td>5</td>
<td>3.37</td>
<td>1.034</td>
<td>66.923</td>
<td>4</td>
<td>.000</td>
</tr>
<tr>
<td>Q15</td>
<td>195</td>
<td>1</td>
<td>5</td>
<td>3.57</td>
<td>1.191</td>
<td>30.821</td>
<td>4</td>
<td>.000</td>
</tr>
<tr>
<td>Q16</td>
<td>195</td>
<td>1</td>
<td>5</td>
<td>2.81</td>
<td>1.171</td>
<td>34.308</td>
<td>4</td>
<td>.000</td>
</tr>
<tr>
<td>Q17</td>
<td>195</td>
<td>1</td>
<td>5</td>
<td>3.92</td>
<td>1.176</td>
<td>34.256</td>
<td>4</td>
<td>.000</td>
</tr>
<tr>
<td>Q18</td>
<td>195</td>
<td>1</td>
<td>5</td>
<td>2.99</td>
<td>1.149</td>
<td>35.333</td>
<td>4</td>
<td>.000</td>
</tr>
<tr>
<td>Q19</td>
<td>195</td>
<td>1</td>
<td>5</td>
<td>3.20</td>
<td>1.103</td>
<td>58.308</td>
<td>4</td>
<td>.000</td>
</tr>
<tr>
<td>Q20</td>
<td>195</td>
<td>1</td>
<td>5</td>
<td>3.13</td>
<td>1.159</td>
<td>42.769</td>
<td>4</td>
<td>.000</td>
</tr>
<tr>
<td>Q21</td>
<td>195</td>
<td>1</td>
<td>5</td>
<td>3.31</td>
<td>1.107</td>
<td>41.949</td>
<td>4</td>
<td>.000</td>
</tr>
<tr>
<td>Q22</td>
<td>195</td>
<td>1</td>
<td>5</td>
<td>3.85</td>
<td>1.111</td>
<td>57.179</td>
<td>4</td>
<td>.000</td>
</tr>
<tr>
<td>Q23</td>
<td>195</td>
<td>1</td>
<td>5</td>
<td>2.59</td>
<td>1.142</td>
<td>40.000</td>
<td>4</td>
<td>.000</td>
</tr>
<tr>
<td>Q24</td>
<td>195</td>
<td>1</td>
<td>5</td>
<td>3.26</td>
<td>1.142</td>
<td>35.744</td>
<td>4</td>
<td>.000</td>
</tr>
<tr>
<td>Q25</td>
<td>193</td>
<td>1</td>
<td>5</td>
<td>3.15</td>
<td>1.159</td>
<td>35.109</td>
<td>4</td>
<td>.000</td>
</tr>
<tr>
<td>Q26</td>
<td>195</td>
<td>1</td>
<td>5</td>
<td>2.82</td>
<td>1.199</td>
<td>26.923</td>
<td>4</td>
<td>.000</td>
</tr>
</tbody>
</table>

5.3 The Effect of Demographic Variables

In this section, respondents’ perceptions were analyzed in relation to their occupation, experience and education. The purpose of this analysis is to investigate whether the differences in demographic features of respondents affect their perceptions on the topic of the current study.
5.3.1 The Univariate Analysis

The univariate analysis presents evidence on the relationship between the demographic variables and the three groups of the questions included in the current study. Research hypotheses (H4_0, H5_0 and H6_0) are tested in this section of the study. Table 5 presents a number of significant associations and suggests that there is a potential for at least a number of hypotheses to be supported. For example, it shows that there is a significant positive association between occupation variable and two groups of the questions in the study, namely, Group 1 and 2, but there is no significant association with the third group of questions. As predicted, there is no significant association between the respondents’ experience and education on the one hand and their perceptions on the other. These results are greatly significant (p<0.01). Based on the above results, it can be concluded that two demographic variables of respondents are not associated with their perceptions, while occupation is the only variable that has a relationship with their perceptions. Thus, H5_0 and H6_0 are accepted, while the third one, H4_0, is rejected with Groups 1 and 2 of questions. The above result suggests that being auditors, accountants or managers has an influence on their perceptions only on “Independence of auditor is impaired with providing NAS” and “Audit quality is improved and auditor objectivity is enhanced if the auditor renders NAS”.

Table 5: Correlation Coefficients

<table>
<thead>
<tr>
<th>Experience</th>
<th>Occupation</th>
<th>Education</th>
<th>Group 1</th>
<th>Group 2</th>
<th>Group 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experience</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Occupation</td>
<td>.197*</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education</td>
<td>.370*</td>
<td>.134</td>
<td>1.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Group 1</td>
<td>.004</td>
<td>.293*</td>
<td>.004</td>
<td>1.000</td>
<td></td>
</tr>
<tr>
<td>Group 2</td>
<td>-.106</td>
<td>.223*</td>
<td>.041</td>
<td>.348*</td>
<td>1.000</td>
</tr>
<tr>
<td>Group 3</td>
<td>-.123</td>
<td>-.021</td>
<td>-.044</td>
<td>.041</td>
<td>.453*</td>
</tr>
</tbody>
</table>

*Correlation is significant at 0.01 level (2-tailed).

5.3.2 The Kruskal-Wallis Test (Demographic Variables)

The Kruskal-Wallis Test, a non-parametric test alternative to a parametric one way analysis of variance test, was used to examine the significant differences among the various groups. Table 6 below shows the results regarding occupation groups. It is revealed that there are statistically significant differences in perceptions of study groups (Accountants, and Managers) concerning Group 1 and Group 2 of questions. This result indicates that there are

Table 6: Statistical Analysis of Occupation Groups

<table>
<thead>
<tr>
<th>Groups of Q</th>
<th>Chi-Square</th>
<th>df</th>
<th>Asymp. Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group 1 (Q 1-11)</td>
<td>24.138</td>
<td>2</td>
<td>.000</td>
</tr>
<tr>
<td>Group 2 (Q 12-22)</td>
<td>10.127</td>
<td>2</td>
<td>.006</td>
</tr>
<tr>
<td>Group 3 (Q 23-26)</td>
<td>2.628</td>
<td>2</td>
<td>.269</td>
</tr>
</tbody>
</table>
significant differences between the 3 groups of occupation over the first hypothesis (questions 1-11) and second hypothesis (questions 12-22), but there is no significant differences over the third hypothesis (questions 23-26). This result confirms the univariate results which reported earlier.

Results in Tables 7 and 8 below refer that there are no significant differences between experience groups and the other groups of education regarding respondent’s perceptions on all groups of questions, and therefore, there is a consensus among experience and education groups on their perceptions. These results confirm results of univariate analysis that experience and education have no impact upon respondents’ perceptions. The above results contribute to the literature in developing countries with special reference to Bahrain as it confirms that professional’ perceptions on the impact of the joint provision of audit and NAS on auditor independence are not affected by demographic variables such as occupation, experience and education.

### Table 7: Statistical Analysis of Experience Groups

<table>
<thead>
<tr>
<th>Groups</th>
<th>Chi-Square</th>
<th>Df</th>
<th>Asymp. Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group 1</td>
<td>.454</td>
<td>3</td>
<td>.929</td>
</tr>
<tr>
<td>Group 2</td>
<td>4.681</td>
<td>3</td>
<td>.197</td>
</tr>
<tr>
<td>Group 3</td>
<td>5.790</td>
<td>3</td>
<td>.122</td>
</tr>
</tbody>
</table>

a. Kruskal Wallis Test  
b. Grouping Variable: Experience

### Table 8: Statistical Analysis Of Education Groups

<table>
<thead>
<tr>
<th>Groups</th>
<th>Chi-Square</th>
<th>Df</th>
<th>Asymp. Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group 1</td>
<td>.133</td>
<td>3</td>
<td>.988</td>
</tr>
<tr>
<td>Group 2</td>
<td>1.493</td>
<td>3</td>
<td>.684</td>
</tr>
<tr>
<td>Group 3</td>
<td>1.401</td>
<td>3</td>
<td>.705</td>
</tr>
</tbody>
</table>

a. Kruskal Wallis Test  
b. Grouping Variable: Education

### 6. Conclusions

The current study investigated perceptions of three groups working in the Bahraini firms namely, internal auditors, accountants and managers, on the influence of the joint provision of audit and NAS to audit clients on auditor independence and audit quality. It extends prior research in this area of the accounting literature. A questionnaire was designed, developed and distributed to a sample of 250 respondents to gather information needed for testing the hypotheses of the study. 195 or 78% useable questionnaires were received. One of the main findings was that respondents are supporting the idea that independence of auditor is impaired.
by providing NAS; and they are marginally support the idea that audit quality is improved and auditor objectivity is enhanced if the auditor renders NAS. The descriptive analysis shows that of a total of 26 questions, 21 were perceived as important (“strongly agree” or “agree”) with the highest mean scores and only few questions were perceived as unimportant (“strongly disagree” or “disagree”). Chi-square values for all questions were significant at (p < 0.05) indicating that respondents’ answers for each question were not equally distributed among the different levels of agreement. Kruskal-Wallis Test revealed that respondents’ occupation is associated with their perceptions only on the first and the second groups of questions.

This study is limited to respondents in listed companies working in Bahrain. Then the question raised is how the situation would be formed in case of privately held companies are another venue for a future research. Also in order to generalize the findings of the study, there is a need to conduct a similar study over long period of time. Other factors can be considered in implementing the study such as the economic conditions of the country. Findings of the current research may not be generalized to other countries at diverse stages of development, or with varied business environments and cultures.

Future research could be conducted to investigate this important issue of research in other developing countries in general and GCC countries in particular. Other respondent groups such as external auditors, shareholders, regulators and members of the audit committees can be included in a future study.

References:


