



Factors Affecting the Audit Quality in Bangladesh

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ABSTRACT

Main Objectives: The study mainly focused on different factors which actually affects the audit quality. The principal goal of the report is to comprehend the association between quality and various variables of audit influencing it. **Background Problems:** In Bangladesh, a series of market crash and manipulated financial statements questioned the audit quality which as a consequence degraded market confidence. Identification of the influential factors towards audit quality can be the steppingstone towards facing the problematic situation. **Novelty:** 11 factors along with new factor like external manager review was incorporated to work with and to see the impact of each factors. This was unique in nature as the combination of factors were not researched before. **Research Methods:** Descriptive statistics and Regression model were used for the analysis. The samples were collected randomly which mainly included article students of different firms. Paper based survey was conducted to bring out the responses. The regression model helped us to formulate the significant components which mostly affected the essence of auditing and its nature. **Finding /Results:** Audit quality was perceived high, and the respondents assumed that audit review by an external manager of the team had considerable amount of influence over audit quality followed by internal control. It was also visualized that number of client/assignments of a firm inversely impact the audit quality. **Contributions:** The influential factors were identified which can be studied or regulated to retain the reliability and confidence of the market which is significantly influenced by the audit quality. **Conclusion:** It can be concluded that the study was successful in identifying the factors affecting the audit quality in Bangladesh which creates an avenue for the concerns to look into the subject for improvisation.

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Introduction

Audit of the company is usually referred to as financial statement audit. During an audit, it is essential to adopt the systematic independent approach for precise assessment of the financial statement of the company to ensure a reasonable and exact portrayal of the transaction of the entity. The main aim of the audit is to figure out any material misstatement which might affect the decision-making process of the related parties. After the audit, it is required to provide an opinion by the auditor which is conveyed among the shareholders in the Annual general meeting.

Previously in Bangladesh, the practice which prevailed in the auditing venture was to objectively recognize and prevent errors and misstatements. In Bangladesh Institute of Chartered Accountant Bangladesh (ICAB) is the governing body for the auditors who follow the International Standards on Audit (ISA) guidelines. At present, the audit review process is regulated by a list of domains that delineate the procedure and its walk-through. Regulatory domains are mainly prevalent as a guideline. Initially Securities and Exchange Commission Act 1993 was implemented followed by the Companies' Act 1994. The guideline like the Insurance Act 1938, the Foreign Donations Regulations Rules 1978, the Co-operative Societies Ordinance 1984 and the Banking Companies Act 1991 are taken into account during the external audit procedure. The companies which are formed under Company's act 1994 needs to be audited by a certified auditor. This audit is mainly done for the shareholders and concern parties.

The people of Bangladesh are losing their trust on audited financial statement due to common expectation gap between the users of financial statements and auditors and ever crashing stock market play an active role to fuel thus problems. Thus, there is a dire need to address the audit quality and make it more acceptable to the users with a vision to establish the confidence. If the

extent of its (factors) impact is known, then it would be easier for the authority and the regulators to work for a positive outcome and mitigate the above-mentioned gap. According to (Hien et al., 2019) both external and internal factors have a positive impact on audit quality. To improve market confidence, it is imperative to provide expected quality reporting. Corporate governance, controller and investors are always concerned about the audit quality due to its ability to impact the market confidence. It is evident that the auditing process requires expert conduct and competence along with autonomy and a goal-oriented guarantee which is replicated by the appropriate opinion. Audit aptitude can be reflected by the specialized technical abilities and industry information. Audit quality is affected both emphatically and adversely by audit review.

The Broad Objective of this study is to review different factors affecting the audit quality in the context of Bangladesh. Knowing the extent to which the factor is influencing the audit quality, positive or negative relation with audit quality and identifying the most important factors affecting the audit quality are some specific objectives of the study.

Audit Quality is not anything but difficult to characterize on the grounds that numerous factors influencing it. Its significance itself demands the investigation of the factors affecting it precisely. Along these lines, the study plans to review and sum up the diverse audit quality components, utilizing different statistical tools. In this regard, past studies showed that the notable audit quality factors, for example firm size, industry related expertise, auditor quality, frequency of the rotation, number of client base, audit fees, internal control, association with Big 4 Firms and presence of internal auditor are among the significant contributors towards audit quality. Auditors' specialization in details/specifications and auditing process -



measures are the main partitions among the few elements which influence the Audit Quality. Audit tenure and rotation were also the subject matter of determining the audit quality. The examination is intended to validate previous findings as well as come up with new factors. Impressive effects on the financial statements are making audit quality popular. Previously analyzed factors are now acting differently. According to [Joshua et al. \(2019\)](#), audit quality is evidently decreasing in BIG 4 audit engagements which refer to a crucial complication where the audit quality is deteriorating even though the fee charged is on the higher spectrum.

It was evident that previous research did not include external manager review while analyzing the factors. Other factors were put into consideration in many combinations. It was intended to go for a more comprehensive approach and combination while analyzing the factors. While studying similar research conducted in different countries indicated the necessity of incorporation of more factors which was actually addressed in this paper. The overall analysis is intended to validate previous findings as well as come up with new factors specific to Bangladesh.

Comprehending the association of both audit quality and impacting various components is the primary focus. When problem needs to be mitigated, initially it is essential to figure the ingredients/elements causing or influencing it. After identifying the subjects, it is easier to work on to develop the system to reach the ultimate goal. 100% assurance about quality is hoax which can never be attained due to ever growing industry needs. The asymmetry of information is broadened with lower standard of audit report. The outcomes emerging from the study is expected to be useful for the controllers, regulators and the parties who are actively participating in investing and rely on authentic financial information. The study sheds light on the effect of different factors which are -

significantly influential on audit quality. Thus, the parties can take forward steps to uphold acceptable developed audit quality.

Literature Review

The frequent market crash in Bangladesh paved the way to ever decreasing confidence over the auditing spectrum. According to [Molla \(2019\)](#), “major dissatisfactions of the investors are due to limited exposure of banks & financial institutions, lack of availability of authentic information for the investment, limited knowledge of risk management, and inefficiency of Securities and Exchange Commission which lead to stock market crash very often in Bangladesh.” It is a clear indication of future calamity in financial reporting segment. Reliability can be rejuvenated by enhancing the audit quality which can be done in a systematic manner. The definition of Audit quality still remains ambiguous as it remains subject over the course. Although much research have been conducted holding audit quality as a subject matter. Even after this, it is difficult to conclude on a particular accepted definition of it. Most of the definitions which is seen in the literatures are derived from DeAngelo’s narration. Audit quality mainly includes the level of compliance with relevant audit procedures and standards.

By specialized auditor it is meant if the auditor/ audit team has experience regarding the industry and engagement with specific client. General auditor tends to remain neutral in case of their client selection. According to [Arens et al. \(2011\)](#), “a specialist auditor is an auditor who has a deep understanding (knowledge) and long experience of the client’s specific business and industry, knows the operations of the company, and knows the specific rules on accounting and auditing for that specific industry. Because the business and industry conditions of the client can affect the client’s business risk and the risk of misrepresentation of financial statements.” [Sari \(2018\)](#) figured that there is a relation between -



auditor specialization and audit quality and it also get influenced by the workload imposed upon the auditors which results in detrimental audit quality. Literatures evidently indicate the existing relation of specialization and audit quality. Audit Specialization is elemental to be an Auditor. In order to formulate trustworthy reports, it must be backed by sufficient rational and prowess to conduct audit engagement and built on the shareholder confidence through well-ordered audit report. It is influential due to its inherent character of providing dynamic perspective on different matters. Problem identification and contemporary complexities can be dealt with growing specialization over a specific industry. The audit analysis which are complex in nature requires an expansive range of aptitude and proficiency (Kertarajasa, Marwa, & Wahyudi, 2019). Regarding the auditor's skill and specialization, including specialized data and proceeding with training, enormous audit firms employ better experts in contrast with little size firms. Ismail et al. (2020) revealed that auditor's specialization and auditor's workload moved in opposite direction when it came to affect the audit quality. Specialization was considered the most vital factor and auditor's workload was minimal in affecting the auditing quality. Moreover, it was advised to construct the audit department in a comprehensive manner in order to enhance the status of Financial Reporting and to land positive audit quality. This study was coherent with Salehi, Fakhri & Gah (2019) who also indicated the same along with inclusion of audit firm size. The ideology is aligned with the notion that larger audit firm end up providing better audit services with the help of their specialized auditors. Firm size was set up as a proxy of audit quality for its estimation difficulties. Powerful tests are assumed to be performed by large audit firms. In Bangladesh only 3 out of 4 big 4 firms provide audit and advisory services. And all of them

provide tax and consultancy services. Association of big firm means being the member firm of Big 4. Currently Rahman Huq Chartered Accountants is the member firm of KPMG, A. Qasem and Co is the member firm of Ernst and Young (EY) and Nurul Faruq Hasan and co is the member firm of Delloite. Pwc operates alone with no member firm and provides their services. So, a variable perception is located in this regard. According to Sheikh & Siddiqui (2020), "the organizations whose audits are conducted by Big 4 audit firms are normally involve in more income manipulation practices in comparison to the organizations whose audits are performed by non-Big 4 audit firms. It implies that Big 4 audit firms perform lower quality of audits in comparison to non-Big 4 audit firms." The statement can be analyzed in contrast with the present norm where people's perception suggests that audit firm reputation does gain stakeholder's confidence. In Bangladesh only few audit firms are huge in their operation which leaves us with a few characteristic and signs for these determinants. Nevertheless, the general notion among the researcher tries to view larger firm to deliver quality audit.

It was found by Momodu et al. (2018) that the auditors independence is perceived to be compromised by the audit fee which tends to decrease the audit quality. When an engagement is ensured for external audit, audit fee is determined according to the schedule of ICAB. It mainly covers all the related cost associated with the audit like travel, documentation, stamps and human resource. The overall fee is estimated on the basis of man hour assigned and expended. It also includes the profit margin which is not clearly stated rather adjusted with all the categories of cost. Previous research suggests a connection between audit quality and audit fee. Thus, it is considered to be a powerful determinant of the audit quality. Market practices also suggest the same in Bangladesh. It was also recommended to regulate and monitor-



the audit pricing by the regulatory body to ensure proper audit quality.

Auditing procedures consider internal control system scrutiny as important when it comes to providing satisfactory assurance to the stakeholders on the appropriateness of the preparation of financial reports. On the basis of [Younas et al. \(2019\)](#), "It (internal control system) plays a significant role in the auditing process and the report of external auditors based on the understanding of the internal control mechanism. The report of external auditors' further guides to stakeholders in their decision-making process. Effective Internal control strategies flourish by controlling the risk which formulate better error detection and further control over risk is established which in turn helps in smooth operation of the entity ([Alzeban, 2019](#)).

Required audit rotation forces periodical breaks to audit engagements and is expected to maintain a strategic distance from unreasonably involved acquaintances between the auditor and client. Advocates of rotation contend that rotation builds independency. [Gavious \(2007\)](#) shows that prolonged connection between auditor and client's triggers independency issue, in this manner the rotation is required. Adversaries of rotation contend that rotation decline competency since rotation necessity causes audit risk, a low standard audit execution, on the grounds that new auditors have not thoroughly perceived their client. The repetitive engagement among the clients and the auditor lessen the autonomy expected from the auditors side which eventually affect the auditing quality adversely. The opposite view is also observed since the introduction of a auditor will miss out on specific client knowledge acquired through experience over years. In But from the study of [Qawqzeh et al. \(2018\)](#) it is evident that prolong audit tenure impair the audit quality. The switch

of auditors apparently influences the zeal of auditors and the quality of auditing in a significant manner and also audit fee is recognized to have impact on the same ([Hai, Toan, & Quy, 2019](#)). "In essence, by investigating the audit rotation, the regulators and legislators are trying to enhance audit quality by solving a perceived problem regarding independence threats with a measure which has not been proven to actually solve the problem and truly enhance audit quality" ([Postma, 2016](#)). This is detrimental to audit quality as the focus shifts towards winning the engagement.

Auditor's Qualification mainly refers to other professional qualifications (Tax, Supply chain, Insurance Etc.) and technical expertise like (Accounting software, Certified Information Systems Auditor (CISA), etc.). [Mala & Chand \(2015\)](#) studied that information helps auditor to make better assessment. This professional qualifications and training help the auditors to carry out their judgment in the best manner possible. Experience gives them the upper hand to respond and prepare for similar situations happening in the industry. The trainings and professional qualifications enable the auditors to respond in the most appropriate manner with confidence.

It is imperative to have customers co-operation so as to give quality audit. Auditor and client relation are important as they have to interact, and the auditor examines the data provided by the client. Professional skepticism needs to be ensured by an auditor. [Rennie et al. \(2010\)](#) mentioned that the auditor cannot rest their assessment on clients provide information rather scrutinizes it with a questioning mind.

The correlation of internal and external auditors is subject matter of research where a lot researcher played their part. There are -



events where external auditor may profit by the examination as far as lessening their endeavors because of better understanding and collaboration among them and internal auditors. [Munro & Stewart \(2011\)](#) inferred "the impact of internal audit sourcing arrangement and internal audit's consulting on external auditors' reliance on the work of the internal audit." In light of a trial plan, the aftereffects of the investigation demonstrated that external auditor are bound to utilize internal audit report to assess financial condition than for meaningful analysis of details. External auditors tend to rely on internal auditor's report which results fewer testing of details.

Quality is ensured with time and expertise. Involving with huge number of clients requires distributing these resources and time management. At times it is possible but requires huge effort which dictates the perception that

Method, Data, and Analysis

Quantitative approach is used to formulate the hypothesis. Quantitative research seeks to evaluate research model along with the identification of association between the variables, factors, components and hypothesis.

the number of clients is inversely proportional to audit quality. In Norway during 2004-2008, the audit firms focused on increasing their client base which eventually affected their time for the client. It was drastically reduced which theoretically also affected the audit quality.

Currently there is a tendency in different audit firms to get reviewed by an external manager on a client audit work to determine the effectiveness resulting in enhance quality of audit. [Löhlein's \(2016\)](#) research featured "the constructive outcome of the examinations completed by the professional bodies as well as directors on the audit quality." For instance, in KPMG they have such oversight for the sake of Quality Performance Reviews (QPR). The QPR program evaluates commitment level execution and distinguishes occasions to improve audit quality. Each audit commitment leader is explored in any event once in a 3-year span as a component of QPR. A risk-based methodology is utilized to choose engagement.

The benefit of doing quantitative approach is that the study requires to get information from large group of people and ability to generate statistics and opinion to finalize a finding.



Figure 1: Conceptual Framework



The study was conducted relying on cross-sectional survey. Pre-tested questionnaire was used to quantitatively evaluate the deductive research approach. 154 respondents were provided with the questionnaire. The structure of the questionnaire contained 5-point Likert scale questionnaire style to precisely evaluate the perception. The data were collected through self-administrative, email and online questionnaire. Initially, a questionnaire of 14 questions were prepared. After Review, a questionnaire of 12 questions were finalized which was prepared using Google Forms, an online tool for creating questionnaires. Primary source of data is used while conducting the study.

The target group for the survey was the current article students who are registered with ICAB. The Theoretical and Accessible Population of the study is about 4146. A sample size of 150 was decided by analyzing the accessibility and reach. The study attained 154 responses. While deciding the sampling method, simple random sampling method best fitted the study. Since article students were the main subject, different firms were visited to provide the questionnaire and tried to maintain an acceptable ratio of male and female. Even after that the female respondent are lower in number due to less female article students.

Descriptive, Frequency and Regression analysis was adopted to infer upon the hypotheses and raw data collected. Statistical Regression tool was used to examine and model the association among the variable. Our conclusions are made at 5% significance level (95% confidence level). Linear regression provided with coefficients of the independent variables which appropriately predicted the dependent variables. All the other tools used gave a demographic overview of the data.

The following model has been used:

$$\text{Quality} = \alpha + \beta_1\text{IC} + \beta_2\text{firmsz} + \beta_3\text{Audfee} + \beta_4\text{Audrot} + \beta_5\text{Big4A} + \beta_6\text{specaud} + \beta_7\text{Audq} +$$

$$\beta_8\text{ClientCo} + \beta_9\text{IntAud} + \beta_{10}\text{Clientno} + \beta_{11}\text{Audrev} + \epsilon$$

Where Quality denotes audit quality, IC is presence internal control system, Aud Fee is the Audit fee, AudRot is the Audit Rotation, Big4A is the association with the Big 4 firm, Specaud is the specialization of the auditor on specific industry, AudQ is the Auditors Qualification/Knowledge, ClientCo is the Client Coordination with the Auditors, IntAud is the presence of Internal Auditor, Clientno is the Number of client/assignment of the audit firms and Audrev is the audit review of the audit work by an external manager of the team.

Research Hypotheses

- H1: The internal control system doesn't affect the audit quality in Bangladesh.
- H2: The audit quality in Bangladesh is not affected by the firm size.
- H3: The audit quality in Bangladesh is not affected by the Audit Fee.
- H4: The audit quality in Bangladesh is not affected by the Audit Rotation.
- H5: The audit quality in Bangladesh is not affected by The Association with Big 4 Firm.
- H6: The audit quality in Bangladesh is not affected by the Industry Specialization of the auditor.
- H7: The audit quality in Bangladesh is not affected by the Auditors Quality.
- H8: The audit quality in Bangladesh is not affected by the Clients/Management Coordination.
- H9: The audit quality in Bangladesh is not affected by the Presence of Internal Auditor.
- H10: The audit quality in Bangladesh is not affected by the Number of Clients of a firm.
- H11: The audit quality in Bangladesh is not affected by the Audit Review by an external manager.

Audit quality is something which increases the acceptance on a financial report to the external stakeholder. It can be affected by different -



factors. Like Internal control mainly denotes to the procedural control system set in place to ensure smooth operation of the organization, Firm sizes can be determined on the metric of its finances and operation, Audit fee is mainly the pricing of each engagement of the client with the auditor, Audit rotation infers the change of auditor after a certain period of time delineated by Sarbanes Oxley (SOX), Big4 association refers to connection with KPMG, Deloitte, Price Waterhouse and Coopers (PWC) and EY, Industry Specialization of the auditor indicates the

knowledge of the resource person over the specific industry where the audit engagement is taking place, Auditor’s Quality mainly points towards professional qualifications. Client Coordination is the arrangement between the client and the auditor, Presence of Internal auditor factor is self-explanatory in term of its significance, Number of Clients of a firm refers to the pool of client base of the audit firm and Audit review by an external manager mean the evaluation of the overall audit process from a third eye which is independent of any direct relation with the client and auditor.

Result and Discussion

The tables reflect the following observation:

Table 1: Frequency Statistics

Gender		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	108	70.1	70.1	70.1
	Female	46	29.9	29.9	100.0
	Total	154	100.0	100.0	

Age Range		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	25-28	131	85.1	85.1	85.1
	29-32	23	14.9	14.9	100.0
	Total	154	100.0	100.0	

Source: SPSS Output

The survey was conducted in one and half months. Total respondent for each variable was 154, and all the respondents answered all the questions. Among the Respondents there were 108 Male and 46 Female. In total there were 70.1% Male respondents and 29.9% Female

respondents. In term of age, 131 (i.e., 85.1%) people were from the age range of 25-28 and 23 (i.e., 14.9%) from the age range of 29-32. There was no respondent from age range of 20-24 and 33-36.



Table 2: Descriptive Statistics

Descriptive Statistics	N	Minimum	Maximum	Mean	Std. Deviation
Audit Quality	154	1	4	2.32	.774
Internal Control	154	1	4	1.92	.967
Firm Size	154	1	4	2.32	1.078
Audit Fee	154	1	4	2.17	.569
Audit Rotation	154	1	4	2.37	1.114
Association with Big 4 Firm	154	1	4	2.48	1.133
Audit review by external manager	154	1	3	1.68	.623
Number of Client Base	154	1	3	1.84	.820
Management Co-operation	154	2	5	2.97	1.081
Presence of Internal Auditor	154	1	3	2.18	.690
Auditors Quality	154	1	4	2.21	.738
Auditor's Specialization	154	1	3	2.23	.763
Valid N (listwise)	154				

Source: SPSS Output

The mean audit quality value is 2.325 which reflects the perception of the respondent regarding audit quality in Bangladesh is moderately neutral. The independent variables mean value ranged from 1.68 to 2.97 which infers

that the respondent's assumption about high implication of those variables on audit quality. Low standard deviation indicates consistent answers of the respondents.

Table 3: Regression results for the Model 1 (Model Summary)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.924 ^a	.853	.842	.308
a. Predictors: (Constant), Auditor's Specialization, Association with Big 4 Firm, Audit Rotation, Management Co-operation, Firm Size, Number of Client Base, Auditors Quality, Audit Fee, Internal Control, Audit review by external manager, Presence of Internal Auditor				
b. Dependent Variable: Audit Quality				

Source: SPSS Output

A regression was done (Based on Table 3) to predict the Audit quality and its relationship from the presence of internal control, size of the audit firm, audit fee charged, rotation of audit,

association with Big 4 Firm, Audit review by external manager, Number of client base of the firm, Management co-operation of the client, presence of inter auditor, Auditor's quality and



Auditor’s specialization. R- Value is 0.924 which is acceptable as it is within the range of -1 and 1 based on Table-3. Regarding the correlation of R=0.924, it means that the eleven independent variables in this study are significantly correlated with dependent variable (Audit Quality). From the analysis shown above, the coefficient of determination (R^2) can determine the strength of the prediction. In addition, R- square value showed variance.

It (Audit quality) is derived by the model internal control, size of the audit firm, audit fee charged, rotation of audit, association with Big 4 Firm, Audit review by external manager, Number of client base of the firm, Management co-operation of the client, presence of inter auditor,

Auditor’s quality and Auditor’s specialization. The R- square (R^2) metric of the Audit quality is 0.853 which means that the variance in the Audit Quality of a firm can be explained by these above-mentioned independent variables, which accounts for 85.3%, while 14.7% is explained by other variables outside the construct/model. This 14.7% explanation can be brought up by adding further other variable in the model. The standard error of the estimates is very small (0.308) which depicts the precision of the model. In addition, R- square and adjusted R-square value ranges between 0.853 and 0.842 respectively which means that the reliability of the model in this study is measured as strong. It was found in previous studies that an “ R^2 value of 0.75 is considered substantial, 0.50 is moderate, and 0.25 is weak” (Hair et al., 2011).

Table 4: Regression results for the Model 1 (ANOVA)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	78.300	11	7.118	75.061	.000 ^b
	Residual	13.466	142	.095		
	Total	91.766	153			
a. Dependent Variable: Audit Quality						
b. Predictors: (Constant), Auditor's Specialization, Association with Big 4 Firm, Audit Rotation, Management Co-operation, Firm Size, Number of Client Base, Auditors Quality, Audit Fee, Internal Control, Audit review by external manager, Presence of Internal Auditor						

Here the F-value is the Mean Square Regression (7.118) divided by the Mean Square Residual (0.095), resulting F=75.06. Table-4 shows that the dependent variables are significantly well predicted by the regression model. Here, very small association of the p-value with this F value

is noticed, $p = 0.000 < 0.05$. which infers good fit regression model. To summarize it can be said that the model statistically significantly predicted Audit quality $F(11,142) = 75.061, p(.000) < .05, R^2 = .853$.



Table 5: Regression results for the Model 1 (Coefficient)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-.973	.154		-6.312	.00		
	Internal Control	.218	.037	.272	5.929	.00	.490	2.04
	Firm Size	.060	.029	.083	2.072	.04	.646	1.54
	Audit Fee	.220	.060	.162	3.647	.00	.525	1.90
	Audit Rotation	.002	.023	.003	.088	.93	.950	1.05
	Association with Big 4 Firm	.003	.023	.004	.127	.89	.888	1.12
	Auditor's Specialization	.046	.041	.045	1.108	.27	.621	1.61
	Auditors Quality	.023	.085	.021	.265	.79	.157	6.36
	Management Co-operation	.344	.034	.48	10.154	0	.462	2.16
	Presence of Internal Auditor	.347	.092	0.309	3.788	0	.155	6.44
	Number of Client Base	-.149	.045	-.158	-3.337	.00	.461	2.16
	Audit review by external manager	.354	.074	.285	4.801	0	.293	3.40

a. Dependent Variable: Audit Quality

Source: SPSS Output

Conclusion and Suggestions

In table 5 for the purpose of analysis, the unstandardized coefficient B, t value and p value will be taken into account. The equation stands: $Audit\ Quality = (-.973) + 0.218(IC) + .060(firmsz) + .220(Audfee) + .002(Audrot) + .003(Big4A) + .046(specaud) + 0.02(Audq) + 0.344(MgtCo) + 0.347(IntAud) - 0.149(Clientno) + 0.354(Audrev) + \epsilon$

It can figure out the estimated value of audit quality from this equation. It is already known that the value of adjusted R^2 was 0.842 or 84.2% was significant at 0.000 level from the interpretation of the above tables. Multicollinearity problem does not exist in the model as variance inflation factor (VIF) for all variables is <10 (or tolerance > 0.1). Lastly it was figured from the analysis that out of 11 independent variables only 7 variables like -



internal control $p (.000) < .05$, audit fee $p (.000) < .05$, firm size $p (.040) < .05$, audit review by external manager $p (.000) < .05$, number of client base $p (.001) < .05$, management co-operation $p (.000) < .05$ and presence of internal auditor $p (.000) < .05$ added statistically significantly to the prediction and audit rotation $p (.930) > .05$, association with Big 4 firm $p (.899) > .05$, auditors quality $p (.792) > .05$ and auditor's specialization $p (.270) > .05$ had no substantial contribution in explaining audit quality. So, the hypothesis 1,2,3,8,9 and 10 are rejected and 4,5,6 and 7 are accepted.

Based on the analysis and literature observed above, we can derive few recommendations which are in line with the subject matter. Audit review by an external manager should be done in every firm. It is because when the audit team tries to review their own work then there is an unobserved biasness which leads to ignorance to some obvious facts which might increase the quality of the report. The number of clients should be limited. Quality is always better than quantity. By engaging into many clients and providing below par quality audit will harm the reputation of the firm in the long run. All the companies should try their level best to arrange competitive fees to engage their auditor in an objective manner and get the best out of them. Internal control provides assistance to the external auditor which eventually helps in providing better audit quality. Client's co-ordination improves the quality of audit which should be prioritize and maintained. It is in everyone's best interest too. In the findings it can be seen that the respondent belief that association with big 4 doesn't affect the audit quality which raises a flag and should be studied more as it goes against established perception. Low standard deviation statistics for all variables

reflect uniformity of respondent's response. Audit quality mean score was in the arena of neutral view. The range of the independent variables suggested that the respondent thinks that the independent variables have an effect on audit quality. The results indicated that internal control, firm size, audit fee, audit review by external manager, client co-operation and presence of internal auditor significantly positive effect on auditing quality, rest variables having no effect. It can be seen that number of client base has significant negative relation with audit quality. Among all the positive significant factors audit review by external manager of the team shows the highest level of influence. From the above analysis it can be deduced that Firm size, Audit rotation, association with Big 4 firm, auditors' quality and auditor's specialization have less amount of influence over audit quality.

The combination of the factors was unique in nature which also calls for improvisation to observe the change. The study was mainly done from the perception of the article students so there is a scope for conducting the research from varied perception. Country wise factor analysis can also help to standardize few factors for overall smooth workflow of quality audit. Demographically the study was limited which can be further improved with more participation.

It can be concluded that the study was successful in identifying the factors affecting the audit quality in Bangladesh which creates an avenue for the concerns to look into the subject for improvisation. This will help the industry as a whole and also bring back the confidence of the related parties. In a global context Bangladesh is thriving to be a developed country and as a result needs to provide great attention on the reliability and confidence of the market which is significantly influenced by the audit quality.



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