

# **FACTORS AFFECTING AUDITORS' PERFORMANCE IN KATHMANDU**

A Dissertation Submitted to Office of the Dean in Partial Fulfillment of the Requirements  
for the Degree of Masters of Business Studies (MBS)

By

Raj Kumar Thapa Kshetri

Shanker Dev Campus

Campus Roll No.: 3416/075

Exam Roll No.: 13798/19

TU Registration No. 7-2-848-45-2014

Putalishadak, Kathmandu

November 2024

## **CERTIFICATION OF AUTHORSHIP**

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled “**Factors Affecting Auditors' Performance in Kathmandu**”. The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor has it been proposed and presented as part of requirements for any other academic purpose.

The assistance and cooperation that I have received during this research work has been acknowledged. In addition, I declare that all information sources and literature used are cited in the reference section of the dissertation.

Raj Kumar Thapa Kshetri

Signature:

Date of Submission:

## REPORT OF RESEARCH COMMITTEE

Raj Kumar Thapa Kshetri has defended research proposal entitled “**Factors Affecting Auditors' Performance in Kathmandu**” successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestion and guidance of supervisor Indra Bahadur Bohara and submit the dissertation for evaluation and Viva-Voce examination.

Indra Bahadur Bohara  
Dissertation Supervisor  
Signature: .....

<b>Dissertation Proposal Defended Date:</b> .....
--

Assoc. Prof. Dr. Sajeeb Kumar Shrestha  
Head of Research Committee  
Signature: .....

<b>Dissertation Submitted Date:</b> .....
--

<b>Dissertation Viva-Voce Date:</b> .....
--

**APPROVAL SHEET**

We have examined the dissertation entitled “**Factors Affecting Auditors' Performance in Kathmandu**” presented by Raj Kumar Thapa Kshetri for the degree of Master of Business Studies. We hereby certify that the acceptable for the award of degree.

.....  
Indra Bahadur Bohara  
Dissertation Supervisor

.....  
Internal Examiner

.....  
Internal Expert

.....  
External Expert

.....  
Assoc. Prof. Dr. Sajeeb Kumar Shrestha  
Chair Person, Research Committee

.....  
Joginder Goet  
Acting Campus Chief

Date:

## ACKNOWLEDGEMENTS

I am delighted to present this dissertation entitled “**Factors Affecting Auditors' Performance in Kathmandu**” to the head of the research department, Shanker Dev Campus, in partial fulfillment of the requirement for the degree of Masters in Business Studies (MBS), Faculty of Management. Special thanks to my supervisor, Indra Bahadur Bohara, whose support, cooperation, and valuable suggestions played a crucial role in the successful completion of this dissertation. Despite his busy schedule, he generously shared his expertise and provided guidance that significantly contributed to the quality of my work.

I would like to extend my appreciation to all the teachers and staff at Shanker Dev Campus for the assistance and cooperation. The willingness to share information and provide necessary resources, even amidst the busy schedules, has been instrumental in the progress of my study. The atmosphere of cooperation and friendliness at the campus has always motivated and inspired me. Furthermore, I am deeply grateful to Assoc. Prof. Dr. Sajeeb Kumar Shrestha, Chairperson of the Research Committee, for his valuable insights and contributions to the research process. His feedback and guidance have been invaluable in shaping the direction of my study. I also extend my thanks to Joginder Goet acting, Campus Chief, for his encouragement and support throughout this academic journey. I am indebted to all those mentioned above and others who have, directly or indirectly, contributed to the successful completion of my dissertation. The collective efforts have made this academic endeavor a rewarding and enriching experience.

Raj Kumar Thapa Kshetri  
Shanker Dev Campus

## TABLE OF CONTENTS

<i>Title Page</i> .....	<i>i</i>
<i>Certification of Authorship</i> .....	<i>ii</i>
<i>Report of Research Committee</i> .....	<i>iii</i>
<i>Approval Sheet</i> .....	<i>iv</i>
<i>Acknowledgements</i> .....	<i>v</i>
<i>Table of Contents</i> .....	<i>vi</i>
<i>List of Tables</i> .....	<i>viii</i>
<i>List of Figure</i> .....	<i>ix</i>
<i>Abbreviations</i> .....	<i>x</i>
<i>Abstract</i> .....	<i>xi</i>
CHAPTER-I: INTRODUCTION .....	1-6
1.1 Background of the Study .....	1
1.2 Problem Statement .....	3
1.3 Objectives of the Study .....	5
1.4 Research Hypothesis .....	5
1.5 Rationale of the Study .....	5
1.6 Limitations of the Study .....	6
CHAPTER-II: LITERATURE REVIEW .....	7-26
2.1 Theoretical Review .....	7
2.2 Conceptual Review .....	9
2.3 Empirical Review .....	14
2.3 Research Gap .....	26
CHAPTER-III: RESEARCH METHODOLOGY .....	27-33
3.1 Research Design .....	27
3.2 Population, Sample and Sample Technique .....	27
3.3 Nature and Source of Data .....	29
3.4 Data Collection Procedures .....	29
3.5 Methods of Analysis .....	29

3.5.1 Descriptive Analysis .....	30
3.5.2 Coefficient of Correlation .....	30
3.5.3 Regression Analysis .....	31
3.6 Theoretical Framework and Definition of Variables .....	32
3.6.1 Professionalism .....	32
3.6.2 Competence .....	32
3.6.3 Role Conflict .....	32
3.6.4 Auditors' Performance .....	33
CHAPTER-IV: RESULTS AND DISCUSSION .....	34-49
4.1 Results .....	34
4.1.1 Frequency Analysis .....	34
4.1.2 Descriptive Analysis .....	36
4.1.3 Correlation Analysis.....	42
4.1.4 Regression Analysis .....	43
4.2 Discussion .....	46
CHAPTER-V: SUMMARY AND CONCLUSION .....	50-52
5.1 Summary .....	50
5.2 Conclusion .....	51
5.3 Implications.....	51

REFERENCES

APPENDIX

## LIST OF TABLES

Table 1: Specification of Sample .....	28
Table 2: Distribution by Gender .....	34
Table 3: Distribution by Marital Status .....	35
Table 4: Distribution by Age .....	35
Table 5: Distribution by Education Status .....	35
Table 6: Distribution by Work Experience .....	36
Table 7: Descriptive Statistic for Professionalism.....	37
Table 8: Descriptive Statistic for Competences .....	38
Table 9: Descriptive Statistic for Role Conflict.....	40
Table 10: Descriptive Statistic for Auditors' Performance.....	41
Table 11: Correlation Analysis .....	43
Table 12: Model Summary .....	44
Table 13: Analysis of Variance.....	44
Table 14: Coefficients Analysis .....	45
Table 15: Hypotheses Summary .....	46

## LIST OF FIGURE

Figure 1: Research Framework.....	32
-----------------------------------	----

## **ABBREVIATIONS**

AC	:	Audit Committee
ANOVA	:	Analysis of Variance
AP	:	Audit Performance
ASE	:	Amman Stock Exchanges
CAMA	:	Companies and Allied Matters
CEO	:	Chief Executive Officer
CFA	:	Confirmatory Factor Analysis
COMP	:	Competences
CSR	:	Corporate Social Responsibility
DA	:	Discretionary Accruals
EFA	:	Exploratory Factor Analysis
EU	:	European Union
FRC	:	Financial Reporting Council of Nigeria
FRQ	:	Financial Reporting Quality
F-value	:	Fishers' Value
IDX	:	Indonesia Stock Exchange
KAP	:	Public Accounting Firm
MAO	:	Modified Audit Opinions
MRA	:	Moderated Regression Analysis
PROF	:	Professionalism
PSE	:	Pakistan Stock Exchange
P-value	:	Probability Value
QCDs	:	Quality Control Deficiencies
ROCL	:	Role of Conflicts
SD	:	Standard Deviation
SERVQUAL	:	Service Quality
Sig.	:	Significance
SPSS	:	Statistical Packages for the Social Science
TBP	:	Time Budget Pressure
UK	:	United Kingdom
US	:	United State

## ABSTRACT

The study is entitled 'Factors Affecting Tax Auditors' Performance'. The major objective of the study is to achieve the factors affecting the tax auditors' performance in Kathmandu. The study has employ the descriptive and causal comparative research design. This study deals with the three types of independent variable (professionalism, competence, role conflict) with their relationship with the dependent variable (auditors' performance). Similarly, the causal comparative research design has tended to establish cause and effect relationship between undertaken variables. The sample size for research is taken of one hundred auditors form Kathmandu who are currently auditing in different audit sectors. Scores on the scale items vary from a low of 1 (strongly dissatisfied) to a high of 5 (strongly satisfied). Primary data has been used for the study through the survey method. A structured questionnaire has been prepared and distributed to the respondents electronically as well as through personal visits. Descriptive and inferential statistical tools were used in this study for data analysis. The descriptive statistical tools include frequency distribution, measures of central tendency, etc. Similarly, various inferential statistical tools and Cronbach's alpha test were used in the study. For the analysis of primary data, SPSS version 25.0 and MS-Excel has been used.

In conclusion, the non-significant t-value for the Professionalism coefficient suggests that there is no significant relationship between Professionalism and Auditors' Performance. There is a chance that this observed relationship is due to chance alone, indicating the need for further analysis to explore other variables that might have a stronger impact on Auditors' Performance. Similarly, the non-significant coefficient for competences implies that competences may not significantly influence auditors' performance, necessitating consideration of other factors like professionalism and role conflict. However, in this specific row, the significant coefficient for Competences indicates its meaningful effect on Auditors' Performance. Nonetheless, the relatively smaller coefficient compared to Role Conflict suggests that further investigation into the latter's impact is warranted.

**Keywords:** Auditors' Performance, Role Conflict, Professionalism and Competences

# CHAPTER-I

## INTRODUCTION

### 1.1 Background of the Study

Personal achievement is often associated with other factors, including professionalism. The level of professionalism may influence auditors' performance efficacy. Consequently, it is expected that highly skilled auditors will significantly contribute to the goals of the Directorate General of Taxes. Consequently, to fulfill their allotted obligations, auditors must perpetually enhance their professionalism (Ratnawati, 2020).

The auditors' contradicting roles, professionalism, and expertise may have an influence on how successfully they work. The study's results indicate that a tax auditor's performance has enhanced due to increased professionalism and competence. Furthermore, the study's results demonstrated that a tax auditor's performance has been poorer than ideal the more conflicting positions he has fulfilled. Moreover, an auditor's efficacy may be influenced by his locus of control. An exceptionally experienced tax auditor with an internal locus of control has shown consistent reliability in performance. Nonetheless, despite his competence and professionalism, a tax auditor's external locus of control constrains the impact of these attributes on his performance (Ratnawati, 2020).

The study's findings on the competence and professionalism of its auditors. In addition, the structure should avoid auditors from having contradictory roles. To strengthen their efficacy, employing tax institutions should take into consideration the orientation of possible auditors. This study indicates how professionalism and competence may play a significant impact in increasing performance when there is an internal locus of control. Furthermore, an internal locus of control may inhibit a decline in auditor performance resulting from a perceived role conflict (Ratnawati, 2020).

Employees must acquire particular skills in line with their job obligations and position as competency has also been demonstrated to impact performance. A tax auditor's effectiveness in their employment is impacted by their proficiency in carrying out the responsibilities given to them. According to Hadisantoso, Sudarma, and Rura (2017) and Lotunani, Idrus, Afnan, and Setiawan (2014), workers perform better when their talents are larger.

The impact of role conflict on an individual's performance is also significant. Role conflict, according to Wallace (2005), is a condition in which a person occasionally needs to carry out competing tasks in the same setting. Conflict in the workplace makes an employee uncomfortable, which inevitably leads to a lack of attention.

Individual traits like locus of control may also have an influence on an individual's capacity to increase their performance (Falikhatun, 2003). An individual's perspective of his capacity to alter life events is known as his locus of control, and it may be separated into internal and external components. An external locus of control is held by someone who thinks that events in his life are predetermined by his environment and that he is helpless to modify them. On the other side, a person with an internal locus of control is one who thinks that he has influence over the things that happen to him. According to Saputra (2012), Mujiatun, and Ashal (2017), the auditors' performance is determined by their locus of control.

Professionals are people who accept responsibility for their actions, carry out their obligations properly, and maximize their potential while performing their work. A professional has made it a priority to fulfill his job and comply to all required requirements. As a consequence, the performance of a certified tax auditor has been satisfactory. An auditor of taxes has done better when he is more professional. This conclusion is similar with the results of Pamudji (1994), Kadarisman (2011), and Prabayanthi and Widhiyani (2018), who revealed that performance is influenced by professionalism. The study's results also suggest that professionals perform at their best when their degree of competence in their sector of work is greater. This conclusion stems from the fact that a competent worker frequently has a temperament, attitude, and ability for addressing challenges in the workplace that are highly stable. His character, self-concept, internal drive, and contextual knowledge capacity have all come together to build a synergy that has enabled him fast overcome the problems he has experienced at work. He has thus been able to function with coolness and certainty while openly enhancing the quality of himself. McClelland (1998) defines employee competence as having the proper knowledge and skills to carry out a task in a manner that influences the employee's performance, which is a manifestation of his successes.

Members of an organization may feel role conflict, a psychological symptom that may lead to job instability and maybe reduced motivation (Ratnawati & Kusuma, 2002). Role

conflict may have an adverse influence on employee behavior, such as making it difficult for a worker to perform his job because he is confused of which order to heed. Employee desire and interest to finish their work have dropped as a consequence of these conditions, which has an influence on the decline in their performance.

Observations taken from their replies reveal that most respondents have an internal center of control. An individual with an internal locus of control feels they are capable of accomplishing their tasks, and when they don't, they assign their inadequacies to personal weakness or inability. Put another way, he would be compelled to make restitution for his errors in order to avoid similar ones in the future. Comparatively speaking, professional auditors with an internal locus of control have proved to perform superior to those with an external locus of control.

The moderating variables in this study have positive beta values according to the test outcomes. Because of this, auditors are professionals with an internal locus of control. This outcome implies that the auditors' performance has been significantly enhanced by their professionalism and experience. The locus of control has an influence on the auditors' performance, according to Saputra (2012). Additionally, locus of control was demonstrated to reduce the impacts of organizational commitment and job insecurity on work satisfaction by Retno Sari and Thawil (2016). Role conflict has been influenced by locus of control as it has less of an effect on the auditors' performance. In contrast, role conflict has a higher influence on falling performance when there is an external locus of control. Auditors have been able to function well in a work context when they can acquire clear instructions or direction from management and when controls are routinely applied. The external locus of control held by auditors has enhanced the degree to which role conflict may impede their effectiveness.

## **1.2 Problem Statement**

According to Ratnawati (2020), role conflict, competence, and professionalism all have an influence on an auditor's performance. A skilled, competent tax auditor who doesn't think that there is a conflict in completing his or her duty performs better. Furthermore, this study found that the influences of professionalism, competence, and role conflict on the auditors' performance are modified by locus of control. Internal locus of control has enhanced the auditors' performance even further by lowering bad performance brought on by role conflict and boosting their degree of professionalism and competence. Performance has improved

when internal locus of control is in place, but it still lowers when role conflicts with the auditors develop.

When a supervisor persuades a tax auditor to change an audit in the taxpayer's best interest, regardless of whether the taxpayer's data or information is inadequate or breaches applicable regulations, there may be a conflict of duties among the auditors. When performing audits, a tax auditor must, on the one hand, comply to all relevant rules and regulations. He must, however, follow by the requirements of the audited taxpayer, who might seek to influence him with adequate cash. A tax auditor may have a role conflict in this case if he is asked to conduct things that are outside of his scope or against his better judgment. Role conflict has been demonstrated to have a harmful influence on auditor performance, according to Talise (2019). These data imply that an employee's performance has reduced with rising role conflict.

Al-Khaddash et al. (2013) focuses on finding the Key Elements Affecting the Performance of Tax Auditors in Jordanian Commercial Banks (JCBs). Investigations have been performed into the work of JCB's financial management and internal and external auditors. It was demonstrated that respondents generally regarded the audit quality in Jordan's banking sector varied from very outstanding to sufficient. The data reveal that audit efficiency and quality, as well as the size of the audit firm, auditing fees, reputation of the auditing office, and auditor competency, are all positively and substantially connected. The study's results contribute to the body of knowledge concerning the factors impacting the performance of tax auditors in eastern rising economies like Jordan. Furthermore, this study gives further confirmation of the necessity of examining auditing efficiency, audit firm reputation, audit fees, audit office size, and auditor competency with reference to audit quality.

A tax audit is a series of methods to seek for, acquire, and manage data or other information in order to make sure that taxpayers are obeying the requirements of the applicable tax laws (Mardiasmo, 2011). Professional tax auditors are able to work at their best as they have defined priorities for their obligations and tasks based on current legislation. Thus, a tax auditor is deemed to be operating at their best if they are able to complete their tasks in a manner that enables them to uncover any untapped tax possibilities. The most skilled auditors have also showed the capacity to identify whether taxpayers have completed their tax duties in line with applicable laws and regulations.

- a. What is the existing practices of auditing and audit quality in Nepal?
- b. Is there any relationship between professionalism, competence, role conflict and auditor's performance?
- c. Do professionalism, competence, role conflict have an impact on auditor's performance?

### **1.3 Objectives of the Study**

The objectives of this paper have been to reflect on the need for a systematic approach to auditors' performance and analyzing the factors affecting the auditors' performance. Other specific objectives have been as follows: -

- a. To analyze the existing practices of auditing and audit quality in Nepal.
- b. To investigate the relationship between professionalism, competence, role conflict and auditor's performance.
- c. To assess the impact of professionalism, competence and role conflict on auditor's performance.

### **1.4 Research Hypothesis**

The alternative hypotheses have been developed reviewing the empirical studies. Further, it has been aligned to the research framework having the independent and dependent variables.

H1: Professionalism has significant impact on auditor's performance.

H2: Competence has significant impact on auditor's performance.

H3: Role conflict has significant impact on auditor's performance.

### **1.5 Rationale of the Study**

The growth and progress of commercial organizations and the global economy are considerably supported by audit. Regarding the fairness of financial accounts, auditors express their views. In order to offer financial statement users trust that the data are being reported, precisely measured, and presented fairly, this is necessary. To make it more probable that decision makers rely more on the auditor's report and audited financial statements—which are more accurate, unbiased, and relevant—auditors must enhance their skills. The company's internal control system and the size of the audit firm are possibly additional variables that effect audit quality in addition to auditor qualification. Regulators and small audit businesses, on the other hand, claimed that the size of the audit company

should not be taken into account when hiring an auditor as it has no influence on the quality of the audit.

### **1.6 Limitations of the Study**

The study has the following limitations.

- a. The sample size of the study is hundred. The questionnaire developed are distributed to hundred auditors through online survey.
- b. Data are collected from only professional auditors.
- c. The study is constraint to Kathmandu. The professional auditors in Kathmandu are only concerned for the data collection.
- d. There are several factors that affect the performance of auditors however this study is only concentrated on professionalism, role conflict and competence.
- e. The sub-factors of professionalism, role conflict and competence are not taken in into concern for data analysis.
- f. The results and findings of this study may not applicable to integration of fully national auditor's performance as the study is concentrated auditors from Kathmandu.
- g. The sophisticated statistical tools have only been incorporated for data analysis purpose such as descriptive, correlation and linear regression analysis though there might be non-linear relationship between variables undertaken.

## **CHAPTER-II**

### **LITERATURE REVIEW**

#### **2.1 Theoretical Review**

##### **Agency theory**

According to a fundamental agency model, principals have little motivation to trust their agents because of knowledge asymmetries and self-interest. However, this issue seems to have been solved by adding systems that match agents' interests with principals' and minimize the potential of knowledge asymmetries and opportunistic conduct (Richard & Jack, 1905).

##### **Motives of agents and information asymmetries**

Principals and agents are likely to have separate aims. They might be influenced by factors that aren't directly linked to principles, like monetary incentives, job market chances, and relationships with other parties. For instance, this may contribute to an agent's predisposition to exaggerate the financial success of an organization or their performance under a contract compared to reality. Agents might also be less eager to take chances than principals. These opposing interests could present players with an incentive to manipulate information flows. When agents have access to knowledge that principals do not, principals may likewise raise concerns regarding information asymmetries (Richard & Jack, 1905).

##### **Mechanisms to align interests and the function of audit**

Principals' degree of trust in their agents is impacted by information asymmetries and competing incentives, which create issues about the reliability of the information. To try to match the interests of agents and principals, as well as to allow principals the capacity to monitor and supervise their agents' behavior and strengthen their trust in them, a range of strategies are available (Richard & Jack, 1905).

Incentives and pay schemes for agents, as well as the market for corporate control and the board of directors' hiring and firing power, may all act as efficient mechanisms. Principals are more prone to pick performance-related pay schemes and incentives that match interests when there is typically less trust in an agent. In these instances, the basic compensation is

probably going to be set very low, but it would come with a host of added perks, including bonuses and stock options (Richard & Jack, 1905).

However, these strategies may lead to more agency concerns with performance evaluation. One possibility is to enshrine the responsibilities of agents in legislation (and impose fines on noncompliant parties), as is the case with the duties placed on directors under company law. Alternatively, responsibilities may be written into contracts and made subject to enforcement and penalties (Richard & Jack, 1905).

### **Principal-Agent Relationship**

#### **Another monitoring mechanism is the audit**

The history of auditing is nearly as ancient as accounting. As civilization evolved and it became essential for one man to be entrusted with another's property to some degree, it became evident that there should be some type of check on the former's fidelity. In order to sustain confidence and trust, an audit gives an independent check on the activity of agents and the information they furnish (Richard & Jack, 1905).

#### **Trust**

The most basic agency model takes the premise that no agent can be trusted and that an agent will always want to enrich himself at the expense of a principal. This disregards the possibility that some agents, whether or not their performance is monitored and output is judged, have in fact been dependable and have behaved in the best interests of their principals. Therefore, a critical issue in selecting how much incentive and monitoring systems to apply is the degree of untrustworthiness (Richard & Jack, 1905).

#### **A simple model of audit**

#### **UK historical context**

The present audit job in the United Kingdom has grown over decades, presumably in response to agency challenges. According to Baker and Collins, the origins of the modern audit function in England can be traced back to the verification processes used by merchants and nobility for commercial ventures, manors, and landed estates, as well as the verification of public accounts such as Exchequer, borough, and public body accounts during the Middle Ages. When agents were charged with administering or defending the property of

others, worries about their competence, honesty, and integrity developed, requiring an audit (Richard & Jack, 1905).

The nineteenth century witnessed a significant deal of improvement in financial reporting as the UK economy developed and the capital markets experienced a shift brought about by the expansion of banks and investment. As a result, corporations separated their ownership and control, and audits were developed to preserve the interests of their shareholders. However, registered companies were not obliged by law to undertake annual audits until the corporations Act of 1900 (Richard & Jack, 1905).

### **The expert auditor**

There was not much of an independent expert thought for auditors in the past. Watts and Zimmerman bring attention to the fact that, in the middle of the nineteenth century, individual shareholders regularly undertook corporate audits, provided their independence from the agents managing the corporation did not constitute a difficulty. Similarly, a commission formed of guild members conducted audits of merchant guilds. Principals thus functioned as auditors. But in a majority of agency agreements, principals lack the expertise and capacity to check that agents have fulfilled their commitments. When confronted with information asymmetry, principals turn to professional auditors—a practice that has become increasingly widespread in recent years. But employing professional auditors leads to extra agency ties, which diminish trust and create further issues about the auditors' independence (Richard & Jack, 1905).

### **2.2 Conceptual Review**

A UK corporation is composed of stockholders, known as the principles, and a board of directors, known as the agents. The task of overseeing the company's operations has been given to the directors. It is possible to separate a company's ownership from its control. Directors essentially serve as shareholders' trustees. They are subject to obligations that are outlined in statutes and common law. Common law now governs directors' fiduciary obligations, which include acting in the company's best interests and with good faith. The Companies Act of 1985 delineates certain legal obligations for directors concerning the management and accounting of the firm. Furthermore, provisions on directors' general obligations are included in the Company Law Reform Bill (presented in the House of Lords in November 2005) to aid in the understanding of these duties by both directors and shareholders (Richard & Jack, 1905).

## **A Simple Model of Audit**

The major instrument used by shareholders to keep an eye on the performance of directors is the financial statements. However, there might be tension in the relationship between a shareholder and a director owing to the separation of ownership and control, concerns with information asymmetries, and opposing motives. Due to their limited access to information about a company's actions, shareholders may believe that the financial statements are delivering biased information or that they are not obtaining all the information they need to make knowledgeable decisions. Because of this, shareholders may not have trust in the directors; in such a circumstance, the benefits of an audit in sustaining and strengthening confidence are probably likely to be perceived as outweighing the expenditures (Richard & Jack, 1905).

As per Section 235 of the Companies Act 1985, the company's shareholders appoint auditors and they are answerable to them. The board of directors compiles the financial statements, and the auditors independently report to the shareholders on the accuracy and fairness of those statements. Hence, the UK audit has a key stewardship duty. The Caparo case established that UK auditors are directly accountable and, as a consequence, have a duty of care to the company's present shareholders collectively (Richard & Jack, 1905).

Although auditors are recruited as agents under contract, it is expected of them to function independently of the agents in charge of operating the firm. In this perspective, accountability is the basic purpose of audited accounts, and audits assist stability and trust by encouraging both (Richard & Jack, 1905). Under order to aid settle a basic agency disagreement between shareholders and directors, a statutory audit is done under this easy agency model of auditing (Richard & Jack, 1905). An experienced independent auditor is introduced. Enhancing shareholder involvement in the audit process was the focus of the Audit Quality Forum's initial set of activities. You may access the reports at [www.icaew.co.uk/auditquality](http://www.icaew.co.uk/auditquality). The ideas were given to the Financial Reporting Council and the Government to examine (Richard & Jack, 1905).

## **Complicating factors**

Although we have thought about the role of audits in resolving principal-agent disputes, this concept of their function is a bit too straightforward. There are extra issues to address, beyond that of the shareholder-director relationship, such as the interaction between

auditors and other stakeholders that claim an interest in the outcome of the audit. For instance, audited data that is available to the public is often seen as a public benefit, and other stakeholders are likely to utilize it. Due to their disparate interests, these stakeholders could find it difficult to conform to the principal-agent paradigm that agency theory presents. As a result, the audit's function is more intricate (Richard & Jack, 1905).

### **Auditors as agents**

If principals do not trust agents to offer them accurate and important information, as suggested by fundamental agency theory, then they have brought in outside experts who are not linked with these agents. However, this provides the impression that auditors are principals' agents, bringing further problems regarding trust as well as hazards to impartiality and independence (Richard & Jack, 1905).

When performing an audit, auditors work as principals' agents. As a consequence, there are analogous trust and confidence difficulties with this link as there are with the director-shareholder relationship, creating questions about who is auditing the auditor. It may be able to trust agents (directors or auditors) without the demand for extra incentives to align interests or monitoring instruments like audits or greater regulation. The fundamental agency paradigm, however, would indicate that agents are not dependable. Auditors have their own aims and interests to take into consideration, just as directors do. For instance, auditors who are risk cautious and mindful of their probable responsibility may develop risk management processes that limit the scope of their job and include disclaimers in their reports, which may annoy principals (Richard & Jack, 1905).

The independence of the auditor from the board of directors is highly appreciated by shareholders and is regarded a critical aspect in achieving high-quality audit services. On the other hand, an audit needs close engagement with the company's board of directors. In order to secure themselves, shareholders have requested tighter restrictions and standards regarding independence from auditors owing to the personal link that has been developed, and this tendency is still evident today (Richard & Jack, 1905).

In terms of impartiality and independence, auditors must be aware of possible threats to their objectivity and take necessary safeguards as required. A company's reputation plays a vital part in generating trust, and investor's appreciate independence among auditors. In

order to defend their reputation and aid them get and retain audits, auditors have a significant motive to be independent (Richard & Jack, 1905).

### **Regulatory purposes**

Regulation has an effect on both the need for and function of auditing. There may be more than one "regulatory principal," for example, regulators of business boards and regulators of auditors. Essentially, the regulators' role is to act on behalf of "principals" to make sure that their interests are duly considered (Richard & Jack, 1905).

### **Complication Factors**

Since it may directly affect the value of the firm in which they have a stake, all shareholders in a given business have an interest in the general level of market confidence and, therefore, in the audited financial statements of other businesses. Therefore, regulators are quite interested in the audit as a means of boosting confidence. The US corporate reporting model most blatantly demonstrates the regulatory necessity for audits via the authority granted to the Securities and Exchange Commission (SEC) (Richard & Jack, 1905).

### **Regulatory corporate reporting model in the US**

The 1933 Securities Act served as the cornerstone for the US regulatory structure. The financial reporting and supervisory system that comes from the Act's application to SEC registrants is designed to provide data for market pricing purposes. The purpose of this market pricing model of financial reporting and governance was to offer a standard framework for financial reporting while also filling the void left by state law's lack of shareholder rights. Audits are conducted out to prevent against offering the market incorrect information that can alter share price. But because markets are intrinsically chaotic and turbulent, they don't act like principles, which leads to complications. Because of this, US regulators have grown to play a key role in corporate operations in the nation. Two instances of this are the formation of the Public Company Accounting Oversight Board by the 2002 Sarbanes-Oxley Act and the establishment of the SEC under the 1934 Securities Act to handle securities regulation (Richard & Jack, 1905).

Despite having boards of directors and shareholders, US stockholders have minimal control over the audit process and are not directly held responsible by auditors. Nonetheless, the notion of auditors' responsibility to the independent directors on the audit committee is

expanding. They basically take over for the company's owners; that is, the independent directors operate as principals. Tim Bush's viewpoint, "Divided by common language: where economics meets the law: US versus non-US financial reporting models," gives a more complete explanation of these challenges (Richard & Jack, 1905).

### **Public interest in audit and the needs of contracting parties**

Companies operating in the United Kingdom are compelled to publish some financial data publicly. In addition to the shareholders' interest, this promotes public interest in the information presented and its audit. While auditors conducting a statutory audit of financial statements are answerable to and report only to a company's shareholders, other stakeholders may feel that an independent audit offers a way to make sure that the company is meeting its obligations to them, thereby serving their interests as well. These other stakeholders equally assume that auditors remain neutral toward shareholders. These other parties may or may not be bound by a contract with the company (Richard & Jack, 1905).

A stake in the audit may be claimed by stakeholders including creditors, lenders, credit agencies, customers, and personnel. If the statutory audit is considered to be unsatisfactory for the contractual parties' purposes, some of them might be required to sign separate agreements. It might be beneficial for other contractual parties to have the ability to commission an audit for a specified non-statutory aim. It is unlikely to be a statutory audit under these scenarios, which raises problems about the application of global, principles-based auditing standards to diverse audits when the engagement's aim may vary. Any audit must sustain confidence and trust, however grasping diverse audit goals may not necessarily entail a comprehension of core principal-agent issues (Richard & Jack, 1905).

### **The interests of agents and unconscious bias**

The audit is of interest to more than just outside parties. Certain firms may not have separated ownership from control. For instance, directors and shareholders commonly work together in private firms. The necessity of stewardship and winning shareholder confidence may be eliminated, as the owner-managers now know the information necessary to make well-informed judgments on the company's financial status. Even if there isn't a principal-agent conflict in certain instances, some organizations nevertheless want or demand an audit. Under these circumstances, the audit may be considered as the expense of reduced

accountability for the directors and shareholders. In addition, the company might have relationships with other parties that benefit from the audit (Richard & Jack, 1905).

Unconscious bias (also known as the self-review danger) is a key contributing cause to the necessity for audits, even though it is unrelated to agency theory. While government regulations and the regulatory environment have had a role in defining the audit's development, it is crucial to note that agents may also benefit from audits, so they are not necessarily required to participate. In certain firms, the owners and directors may believe that they are too close to an issue to manage it properly—that is, in the way that one would assume from independent auditors. For instance, directors may unwittingly influence the results as financial reporting is subjective. They may delude themselves regardless of whether they mislead regulators or shareholders (Richard & Jack, 1905). Due to self-serving bias, individuals might dismiss information that contradicts their perspective and embrace evidence that supports it, enabling them to make the conclusions they prefer.

A second viewpoint and some impartial assistance may be sought by directors who believe they are deficient in key areas of expertise. An audit may motivate personnel to compile and record financial information thoroughly, act as a check on mistakes in financial information, and increase internal decision-making. The relevance of the internal audit role in larger businesses may also be ascribed to unconscious bias and a lack of information (Richard & Jack, 1905). Hence, audits aid in resolving unconscious discrimination and directors' fears about inadequate knowledge. According to Richard and Jack (1905), audits give the financial information presented legitimacy, which influences the information's value as well as the organization in issue. The audit is vital to the shareholders' power to hold their agents responsible. But a deeper inspection offers a more complicated picture. The audit is of interest to other stakeholders, such as boards of directors, regulators, and other third parties who may or may not have a contractual link with the business. To take into account the expectations and interests of these new parties, the fundamental agency model must be changed (Richard & Jack, 1905).

### **2.3 Empirical Review**

Tuan and Dung (2024) evaluated the increased need for performance auditing (PA) in the public sector, especially within emerging nations like Vietnam. They adopted a mixed-methods approach, incorporating qualitative group talks and quantitative questionnaires from 157 state auditors at the State Audit of Vietnam (SAV). Their analysis revealed three

key elements impacting the need for performance auditing: public governance change, SAV accountability, and occupational influence. The authors observed that governance changes and accountability measures were essential in raising the need for PA, especially in circumstances where improving performance took priority over accountability. They also underlined the issues encountered by nations with limited transparency and varied legal frameworks, where the demand for PA frequently surpassed its supply. Their study established a PA development model that helps anticipate audit capacity and choose audit themes, bringing important empirical data and measurement scales to audit theory (Tuan & Dung, 2024).

Rabaiah et al. (2024) focused on audit quality inside municipalities, studying the perspectives of accountants and internal auditors. They discovered that major aspects impacting audit quality were auditor characteristics, audit firm qualities, and the efficacy of internal controls inside municipalities. The research stressed that auditor competence, independence, and professional ethics were critical for achieving high-quality audits. The size and specialty of audit companies also had a major influence, with bigger firms being linked with better-quality audits. Furthermore, the research underlined the necessity of effective municipal internal controls in influencing audit results, indicating that strong internal controls favorably affected audit quality (Rabaiah et al., 2024).

Sariningsih et al. (2023) studied the factors impacting internal auditor performance, stressing both organizational and individual characteristics. Their research highlighted crucial aspects such as management support, training, the work environment, and the availability of audit tools as vital to boosting auditors' capacity to execute their tasks efficiently. The authors also explored how auditor credentials and the larger regulatory framework affected audit results, highlighting the need of a supportive corporate culture and continual professional growth to maximize internal auditing performance (Sariningsih et al., 2023).

Alqudah et al. (2023) evaluated the variables impacting internal audit effectiveness, underlining the crucial significance of empowering elements such as managerial support, external resources, and professional training. They also studied the moderating influence of extrinsic rewards, such as monetary incentives and recognition, on increasing internal auditors' performance and work satisfaction. The research indicated that these external motivators greatly helped to audit quality and effectiveness when correctly incorporated

into the work environment. The authors found that building a supportive work environment and offering suitable incentives were critical for increasing internal audit results and achieving improved governance (Alqudah et al., 2023).

Vanstraelen and Zou (2022) looked at how small audit organizations' quality control systems were impacted by the findings of PCAOB inspections and how it affected audit prices. Deficits in quality control (QCDs) send a clear message about the grade of the audit, which is likely to effect price. First, we demonstrate that small audit companies without QCDs paid higher audit rates during the pre-inspection period, showing that quality discrepancies were already partially acknowledged and priced in the market. Subsequently, we found evidence that audit fees for firms without QCDs continue to climb in the post-inspection period, while there is less evidence of price hikes for companies with remediated QCDs. These data show that audit company reputations have altered. It's noteworthy to note that we find no evidence to warrant altering prices for audit businesses that disclose quality control flaws. Ultimately, over time, the degree of variety in audit fees lessens. When viewed as a whole, these findings increase our understanding of the variances in audit quality among small audit firms and the functioning of the small audit firm market.

Rosati et al. (2022) noted that cyber security incidents may represent a major hazard to the accuracy of financial reporting as indications of internal control inadequacies. We investigate the consequences of data breaches on audit quality empirically for a large sample of US corporations. By utilizing a difference-in-difference technique to a matched sample of firms that were and weren't affected, we are unable to locate any indication that cyber-security incidents contribute to a decline in audit quality. On the other side, we detect improvements in four commonly-used indices of audit quality. We find that companies that have experienced a breach are (i) less likely to report small profits or earnings increases, (ii) less likely to experience a decrease in abnormal accruals, (iii) more likely to receive a going concern report, and (iv) less likely to restate their financial statements in the two years that follow the breach. According to our results, auditors may effectively mitigate increases in audit risk by putting in more considerable testing and audit labor. The concept that auditors have enhanced their understanding of audit risk and created suitable measures to mitigate the impact from cybersecurity breaches is verified by our findings.

Saeed et al. (2022) looked at whether corporate social responsibility (CSR) performance influences the demand for high-quality audits in terms of audit effort as measured by audit

fee. By using a sample of listed companies from 20 developed nations spread over three regions—the US, UK, and EU—and various metrics of corporate social responsibility (CSR) performance (social and environmental), we find that socially conscious companies expect external auditors to provide high-caliber audits. Subsequent study demonstrates that this finding is robust to the use of alternative samples, governance systems at the national and corporate levels, and endogeneity difficulties. Together, these statistics show that corporations are incentivized to need high-quality audits in order to retain their reputation or socially aware image. These attributes include being moral, honest, dependable, and transparent while sharing financial outcomes. Our findings basically imply that stakeholders, who are more likely to demand high-quality audits, might have higher trust in the financial reports of socially aware firms.

Athavale et al. (2022) evaluated the influence of signing auditor diversity on the audit quality of Chinese listed businesses. We find a negative correlation between signing auditor diversity and audit quality firms using the Blau's index of diversity measure based on eight signing auditor characteristics and a number of audit quality proxies, such as restatement of annual financial reports (Restate), discretionary accruals (DA), and modified audit opinions (MAO). Further study demonstrates that the link between the diversity of signing auditors and audit quality is tempered by corporate governance, signing auditor characteristics, and audit firm features. According to our study, one practical technique for enhancing audit quality is to limit the diversity of signing auditors.

Alawaqleh and Almasria (2021) looked examined how the audit committee (AC) may enhance financial reporting quality (FRQ) in the wake of financial scandals that have occurred in a number of countries, including Jordan. Utilizing a questionnaire to obtain information on this link, empirical findings are still inconclusive enough to address all audit committee characteristics regarding its competence and duties. Consequently, the relationship between the FRQ and AC (performance and composition) of manufacturing enterprises listed on the Amman Stock Exchange (ASE) is assessed in this study. The target population comprised of finance managers, audit committee members, and internal audit managers employed by manufacturing enterprises listed on the (ASE) in order to study this impact empirically. The study shows that enterprises should improve the job performance and composition of the audit committee to guarantee that audit committee members successfully boost the FRQ. The audit committee is an important instrument of the firm's corporate governance structure, and the coefficient ( $\beta$ ) demonstrates that the independent

variables, Audit Committee Performance and Audit Committee Composition, impact the dependent variable, FRQ.

Kaawaase et al. (2021) revealed the link between internal audit quality, financial reporting quality, and corporate governance qualities (board competence, board independence, and board role performance). The research design adopted for this study is correlational and cross-sectional. Chief financial officers, senior accountants, and managers of internal audit at financial institutions in Uganda were polled using a questionnaire for the study. With the assistance of the Statistical Package for Social Sciences, data were evaluated. The data reveal that financial reporting quality is highly connected with board job performance and expertise. Furthermore, there is a substantial association between the quality of internal audits and financial reporting. The quality of financial reporting is not strongly influenced by board independence. This research focuses insight on the elements that impact the quality of financial reporting in Uganda. It measures the quality of financial reporting by looking at the qualitative features of financial statements. The International's conceptual framework is the major focus of this study.

Alawaqleh (2021) sought to investigate the following relationships: (4) the one between board size and audit quality; (5) the one between chief executive officer tenure and audit quality; (6) the one between chief executive officer duality and audit quality; (7) the role of controlling variables (client size, leverage debt, and business complexity) in controlling these relationships. 325 financial reports from manufacturing businesses listed between 2014 and 2018 on the Amman Stock Exchange compose the study sample. The research connections are studied by employing logistic regression. The data indicated a negative connection, but not significant between CEO tenure and independent directors and audit quality. In addition, the findings suggested there is a negative affect of CEO duality on audit quality; moreover, the results demonstrated that there is a statistically significant effect on the board of directors (board size) on the AQ. In general, the coefficient estimates of controlling factors imply that client size and leverage debt favorably effect audit quality, whereas on the contrary, company complexity has a minor positive link with audit quality. The summary of the study findings performs an active role to external auditor opinion on business practice in towered the corporate governance system.

Pestovic (2021) analyzed perceived service quality using a formative model in which it represents higher-order formative construct, consisting of reflecting first-order constructs

((sub)dimensions), as documented in major marketing literature in previous years. That approach is of special significance since model misspecifications were often occurring in perceived service quality assessment studies, which may lead to erroneous conclusions. Furthermore, when it comes to the perceived audit service quality, according to the knowledge of the authors, this is the first implementation of the stated approach. Besides the analysis of perceived quality dimensions (all of them originate from intensively used SERVQUAL instrument and are adopted to audit service quality: tangibles, reliability, responsiveness, assurance and empathy), the model included relations between quality and client's satisfaction and loyalty. The results were gathered after analyzing 123 replies from Serbian enterprises. All dimensions of perceived quality influenced it positively and significantly (the strongest influence is related to assurance, followed by responsiveness; smaller coefficient with relatively similar value describes the influence of reliability; followed by empathy; the weakest is the impact of tangibles). Furthermore, research results suggested to the existence of good relationships between audit quality, satisfaction and loyalty. Hereby, pleasure partly mediates the relationship between quality and loyalty.

Susiani (2021) aimed to determine the components that effect the quality of the audit. The sampling strategy adopted is convenience sampling, utilizing the Public Accounting Firm's unit of analysis, the respondents were auditors who worked in the Public Accounting Firm (KAP) in Bandung and Jakarta and gathered a sample of 39 respondents from 12 public accounting businesses. The research performed multiple regression analysis with a significance threshold of 5% and an analytical tool employing SPSS 25. The findings reveal that the Quality Control System and Time Budget Pressure have a partial influence on Audit Quality, and that both of these factors have an impact on Audit Quality simultaneously.

Phan et al. (2020) evaluated the influence of audit quality on the performance of enterprises listed on the Hanoi Securities Trading Floor, Vietnam. Using the program SPSS 22 and Smart PLS 3.0, the study does a detailed analysis of data based on 228 enterprises listed on the Hanoi Securities Trading Floor for the objective of the article. The results reveal that the financial performance of the enterprises listed on the Hanoi Securities Trading Floor was positively impacted by the quality of the audits. The data also suggest that staff happiness and customer loyalty were positively affected by audit quality. Additionally, the paper gives some ideas for increasing the quality of audits in Vietnam.

Calocha and Herwiyanti (2020) found that the influences of experience, auditor professionalism, time budget constraint, audit tenure, and error detection skill on audit quality. All of the auditors at a Jakartan public accounting organization make up the research population. In this study, the research sample was recruited using a purposeful selection approach that contained specified criteria. The number of respondents in the research sample was 89. Multiple linear regression was employed in this study's data analysis coupled with SPSS software as the data collecting technique for the survey questionnaire. The study's results demonstrate that, for the auditors at a public accounting company in Jakarta, auditor professionalism, time budget pressure, and audit tenure had a favorable but non-significant influence on audit quality. On the other side, auditor experience and error-detection skill have a positive and substantial influence on audit quality. It is hoped that the research's results will assist public accounting firms in Jakarta and other locations reflect on how to enhance audit quality by concentrating on the auditor's competence and error-detection abilities.

Amahalu (2020) observed that the influence of audit quality on the financial performance of Nigerian listed companies between 2010 and 2019. The impact of audit committee independence, size, and financial expertise on return on assets was explicitly studied by this study. This study makes use of panel data, which came from the 2010–2019 annual reports and accounts of six (6) chosen quoted conglomerates. The research design adopted was ex-post facto. The study's hypotheses were examined using inferential statistics, especially the Pearson correlation coefficient and panel least square regression analysis. The data indicated that, at the 5% level of significance, the audit committee's size, independence, and financial understanding all substantially boost return on assets. Among other things, the research urged that conglomerates in Nigeria make sure they closely conform to the criteria of the Companies and Allied Matters Act (CAMA), which mandates that the group shall consist of three directors and three shareholders, or six members of equal representation.

Khan et al. (2019) looked at the impact of board diversity and high-quality audits on financial performance. The research of board diversity focuses at gender and ethnicity diversity. Auditing is studied in the areas of audit cost and audit quality. Even as a diverse board structure is sought by many organizations, it is unclear how this affects the performance of the company. The outcomes of this study gave an illuminating picture of the link between board diversity and corporate financial performance. When compared to

businesses with lower audit expenses, greater audit charges result in more efficient audit services. The Pakistan Stock Exchange (PSE) 100 Index listed enterprises make up the study sample. The PSE-100 index is determined based on the greatest market capitalization and sector representation. A panel data collection spanning the years 2008 through 2017 is obtained. In terms of technique, the research filled the knowledge gap in the corpus of current governance literature by employing quantitative econometrics methodologies on panel data. The findings reveal that having a female board member improves the success of the firm, but the number of female board members did not connect with the company's financial performance. Due mostly to communication challenges and disparities in cross-cultural views, nationality diversity has a negative link with a company's financial performance. Due to the fact that more complete investigations are undertaken by competent audit staff members and lengthier audit hours, which result in higher audit fees, high audit expenses are indicative of high-quality audits.

Lvungu et al. (2019) analyzed the corpus of research on theories, hypotheses, and empirical studies relevant to audit quality and corporate performance. The inquiry identified several techniques of measuring audit quality in published publications. While firm success is defined by the company's financial and market performance, additional elements that impact audit quality include audit firm size, audit firm rotation, audit opinion, audit fees, audit tenure, and auditor independence. Previous study results reveal that audit quality may have a positive or unfavorable influence on a firm's performance. Certain audit quality proxies and firm performance measurements have been demonstrated in some study to have a positive connection; in other studies, the link is proven to be negative. Additionally, the majority of the examined works are not from Nigerian business contexts; those that are, even in Nigeria, looked at them in terms of financial or market performance rather than examining the influence of audit quality on performance generally. To bridge the gap in the literature, this review proposes performing quantitative research in this topic.

Otuya (2019) explored the link between the quality of corporate financial reporting in Nigeria and the independence of auditors. The research design employed in the study was content analysis, with the Agency Theory serving as its basis. Information was taken from listed manufacturing enterprises' annual reports between 2013 and 2017. As analytic tools, many descriptive and correlation statistics were performed, and regressions were applied to look at the relationship between the study's major variables. The study's outcomes reveal that the size of the audit client, audit tenure, and audit incentives all considerably positively

link with the standard of financial reporting. The study also finds a large negative link between the quality of financial reporting and an auditor's status, such as participation in one of the Big 4 audit firms, and audit reporting delay, which has a positive but small correlation with financial reporting quality. Longer auditor tenure and higher incentives, according to the study's results, strengthen the independence of the auditor, which increases the quality of financial reporting. According to the research, since charging suitable rates has fostered independence, audit companies should do the same to assure engagement staff members obtain adequate pay. In order to encourage longer auditor tenure, the paper also advises that the Financial Reporting Council of Nigeria (FRC) and other regulatory bodies enhance the three-year compulsory professional requirement for auditors.

Sari et al. (2019) established the management of the company's operations to supervise activities and report results via financial statements. In order to balance the interests of management and shareholder concerns, an auditor's job is important. By virtue of its audit character, an auditor is an independent person who gives an opinion regarding the data in the financial statements. If the auditor loses their independence, the quality of the audit may decline. The goal of this study is to explore how audit quality is influenced by auditor specialization, accounting firm size, audit tenure, audit rotation, and audit fee. Manufacturing businesses that were listed on the Indonesia Stock Exchange between 2015 and 2017 make up the study's population. Using a purposive selection strategy, 100 enterprises were chosen for the sample. Logistic regression was employed for testing the data. The study's results demonstrate that while audit tenure and auditor specialization have an influence on audit quality, audit rotation, fee audits, and the size of the accounting firm have no effect.

Khudhair et al. (2019) revealed the auditing profession, the general public, and government controllers have given the issues of audit quality and audit committee a lot of thought, especially in light of the well-publicized corporate scandals involving companies like Enron, Global Crossing, Tyco, and WorldCom. These issues prevent investors from investing both local and foreign enterprises. The major purpose of the current study is to explore how the quality of audits in specific firms is impacted by internal and external governance mechanisms, such as board size, audit committee independence, audit committee expertise, and audit committee meetings. An Iraqi nonfinancial firm sample is employed in the study. When a corporation engages the audit services of one of the Big Five auditing firms, the dependent variable—the audit quality—is evaluated as a dummy

variable and is given a value of 1, otherwise zero. The logit regression technique is employed in the study to meet the research aims. The data reveal that the percentage of non-executive directors on the audit committee and the quality of the audit were positively associated. Policymakers, researchers, accountants, financial professionals, and audit practitioners have found the findings of this study to be valuable in appreciating the relevance of the audit quality concept and the primary determinants impacting the audit quality of all non-financial firms in Iraq.

Hai and Quy (2019) analyzed the aspects of work rotation, auditor competence, audit fees, motivation, and job quality, collecting data from 267 auditors. The current study employed numerous statistical approaches, including descriptive statistics, Cronbach's Alpha, exploratory factor analysis (EFA), confirmatory factor analysis (CFA), and structural equation modeling (SEM). The study's results show that the following elements have an impact on audit quality and motivation: the auditors' capacity, the auditors' rotation, and the auditing fees that auditing companies charge their clients. The component that has the strongest and most constant effect on the auditor's motivation and auditing quality is their rotation. The most crucial factors, however, are audit fees and their influence on audit quality and performance. The study's results give managers in auditing organizations with a strong scientific platform on which to make decisions that can boost staff engagement and audit quality.

Sitanggang et al. (2019) looked at the potential of a link between audit quality and real earnings management. The authors evaluate whether audit quality is associated to real earnings management for a large sample of UK manufacturing organizations for the period 2010–2013 using the panel fixed effects approach, which controls for heterogeneity across firms. Three proxies were employed by the authors to measure real earnings management, and two proxies were used to gauge audit quality. The data reveal a negative link between abnormal operational cash flows and audit fees. On the other side, anomalous discretionary expenditures have a positive link with audit fees. Additionally, there is no substantial link identified between the real earnings management index and anomalous production costs and audit quality proxies. Overall, the study reveals some evidence of a high association between real earnings management and audit quality. These results are substantial, given that the audit quality and real profitability management measures are appropriate. Similar to previous studies that largely focus on managing profits upward, the authors do not address the subject of whether and how organizations truly manage earnings downward in

specific scenarios. Monitoring organizations are informed by the findings that applying tighter audit quality criteria may have unintended implications. Hence, oversight groups like audit committees require to take into consideration the repercussions of applying more severe auditing standards, as this can push corporations to adopt potentially declining real profits management techniques. Managers should avoid utilizing higher-quality auditors to attempt to counter actual profits management strategies, especially when it comes to abnormal operational cash flow, as this can harm the value of the firm. Additionally, the career of managers can be in peril if the firm's value drops as a consequence of managers employing better auditors to balance their genuine profits management practices. Additionally, shareholders are made aware of the probable negative effects of adopting tougher audit quality requirements, which can result in a drop in the value of their assets.

Mawutor et al. (2019) investigated the characteristics impacting the performance of tax auditors in Ghanaian listed corporations. The research employed a cross-sectional method and a linear regression model to examine the impacts of the independent variables—namely, the size of the auditor, the existence of an audit committee, and the logarithm of the auditor fees—on the independent variable, audit quality. To normalize the data, the audit fees' logarithm was determined. Because high debt levels compared to corporate assets could result in bankruptcy, the dependent variable "leverage ratio" (total debts divided by total assets of the firm) is used to measure the companies' degree of financial strain as well as a proxy for audit quality. The study's sample comprised of twenty-five (25) enterprises that are listed on the Ghana Stock Exchange. The analysis's results indicated that the inclusion of an audit committee, the logarithm of audit fees, and the size of the auditors all had a major influence on the businesses' leverage and, thus, the quality of the audits. The quality of the audit was adversely influenced by the size of the audit firm, and the audit quality was more likely to be poor in businesses without audit committees. There was a positive link between the audit quality and the logarithm of audit fees. In addition to taking action against audit firms that disregard auditing standards and company officials who falsify financial statements and other financial records in order to hide the true and actual facts of the company's financial position, it is advised that audit fees be governed by The Institute of Chartered Accountants Ghana (ICAG).

Tarmidi (2019) claimed that shares with the stock market is to attract additional funds from investors to help the company's development. Investors put a lot of weight on the company's financial performance, but what if the information is of low quality according to the

auditor's audit results? The goal of this study is to discover how investors react to information on financial performance and audit quality. This study is unusual in that it employs a 2x2 technique to compare financial performance and audit quality. This allows the study to gather data on how investors respond to different scenarios: 1) high financial performance combined with high audit quality; 2) high financial performance combined with low audit quality; 3) low financial performance combined with high audit quality; and 4) low financial performance combined with low audit quality. The data revealed that investors only responded adversely to great financial performance, but they also expressed concern for audit procedures when assessing the financial performance of the organization. Investors are lured to organizations with high performance but bad audit quality as the company's excellent value is truly regarded adversely by investors owing to its doubtful quality.

Alsmairat (2019) investigated one of the main challenges the Jordanian financial sector is today suffering is the inadequate quality of audits. The article addresses how to set standards and criteria that would result in high-quality auditing. Academic literature on the requirement to explore audit factors impacting audit quality in Jordanian auditors acts as the driving force for the research. The degree of audit quality among Jordanian auditors is researched and assessed utilizing two parameters as the basis for this study. The audit firm size (AFZ) and audit tenure (AT) are the two factors that are investigated in this study. For the objectives of this study, 200 Jordanian auditors were given questionnaires to complete. The data were then analyzed using partial least squares-structural equation modeling (PLS-SEM) software. The study's outcomes, which were derived using a structural equation model and descriptive analysis, reveal that audit tenure, audit firm size, and audit quality all have positive and significant connections.

Baldavoo and Nomlala (2019) observed a number of corporate scandals have spurred a conversation about the relationship between audit quality and business value and how corporate government may control it. Consequently, the study studied the connection between audit quality and company value as well as the moderating influence of corporate governance. The annual reports of 36 Ghanaian banks from 2010 to 2017 were employed in the study. Utilizing a random effect regression model, the relationships were calculated. The results demonstrated that a firm's value is favorably influenced by the quality of its audits. Therefore, adopting the services of the Big 4 audit organizations helps to raise the company' value. Furthermore, a good corporate governance structure strengthens the

association between the firms' value and the quality of their audits. Thus, better modulating of the relationship between audit quality and company value is made possible by corporate governance.

Chen et al. (2013) looked at the links between financial performance, audit firm size, and audit quality. This study examines the audit quality of audit companies based on human capital-related criteria, including the auditors' professional training, employment experience, and educational background. The sample is split into three categories based on market segmentation: national, regional, and local enterprises. For all three categories of audit firms, empirical studies reveal a positive association between audit quality and audit firm size. Compared to regional and local audit businesses, national audit firms have a more beneficial link. Financial prosperity and audit quality are favorably associated. Compared to regional and local audit businesses, national audit firms have a more beneficial link.

### **2.3 Research Gap**

Despite the enormous amount of audit-related research undertaken internationally, most of the current literature mainly focuses on the performance, perception, and overall caliber of auditors and audit systems (Phan et al., 2020; Amahalu, 2020; Khan et al., 2019). However, there is a major lack in research that solely address the particular aspects determining audit quality. Unlike previous studies that have explored a broader range of factors, including corporate governance and financial reporting quality (Kaawaase et al., 2021; Alawaqleh & Almasria, 2021), this research uniquely narrows its focus to a set of independent variables: audit experience, auditor professionalism, time budget pressure, audit tenure, and knowledge of mistake detection. Additionally, while earlier research often employed correlational or cross-sectional designs (Phan et al., 2020; Alawaqleh, 2021), this study utilizes a distinct methodological approach by incorporating multiple regression analysis to assess the direct impact of these variables on audit quality, thereby filling a critical gap in the literature. This concentrated assessment gives a more nuanced knowledge of the precise characteristics that directly impact audit quality, putting this study distinct from wider, more general inquiries in the area.

## **CHAPTER-III**

### **RESEARCH METHODOLOGY**

The research design, study population, data collecting, and data analysis have all been discussed. Descriptive research design and surveys have been used. The approach of judgmental sampling has been used. The following statistical methods are used: percentage, frequency analysis, correlation analysis, regression analysis, mean, standard deviation, and weighted average man and standard deviation. By giving questionnaires to a sample of the population in the Kathmandu City sub metropolitan area, primary data has been gathered.

#### **3.1 Research Design**

Survey-based descriptive and causal-comparative research designs served as the foundation for this investigation. While the causal-comparative research design has been used to examine the causal relationship and effect between independent and dependent variables, the descriptive research design has been used for fact-finding and searching for sufficient information regarding the variables undertaken for the study. The research design of the study is based on descriptive and causal comparative analysis. A descriptive study, according to Cooper and Schindler (2003), aims to determine the what, where, and how of a phenomena. Because the researcher wanted to gather specific data via descriptions that are helpful for identifying variables and hypothetical constructions, this technique has proven acceptable for this study.

#### **3.2 Population, Sample and Sampling Design**

The study's population consists of all audit businesses and organizations that have been founded in the Kathmandu. According to ICAN, the study's total population up to the fiscal year 2022/23 is around 2,660. The population range is wide as a result. Since the sample represents a subset of the population, 100 auditors who were chosen using convenience sampling technique. Online surveys have been used to gather data using the convenience sampling approach. Throughout the investigation, audit companies included T R Upadhyya & Co., S R Pandey, A.B. & Company; Pandey & Co.; BRS Neupane and Company. Concerns regarding questionnaires have been raised by Samakhusi, Taxation International Nepal (Pvt.) Ltd., PwC Nepal, Deloitte Nepal, Ernst & Young (EY) Nepal, KPMG Nepal, BDO Nepal, Baker Tilly Nepal, Grant Thornton Nepal, EYGBS (Nepal) Private Limited, BK Keshar & Associates, and Shree & Associates. Despite the distribution of over two

hundred questionnaires, only one hundred auditors answered online. As a result, 100 observations form the basis of the research. Only auditors between the ages of 20 and 40 were chosen to participate in the survey as responses.

This study includes all kinds of auditors working in the Kathmandu, however not all auditors are evaluable and accessible. As a result, those auditors who are conveniently obtainable and evaluated are asked to complete questionnaires. Convenience sampling is thus used while conducting the research.

**Table 1**

*Specification of Sample*

Audit Company
T R Upadhya & Co.
S R Pandey
A.B. & Company
Pandey & Co.
BRS Neupane and Company
Samakhusi
Taxation International Nepal (Pvt.) Ltd.
PwC Nepal
Deloitte Nepal
Ernst & Young (EY) Nepal
KPMG Nepal
BDO Nepal
Baker Tilly Nepal
Grant Thornton Nepal
EYGBS (Nepal) Private Limited
BK Keshar & Associates
Shree & Associates

### **3.3 Nature and Source of Data**

The questionnaire approach has been used to gather primary data. Study has made contact with the sample responder in order to get their information. Questionnaires have been sent to a sample of the Kathmandu city population in order to gather primary data. Respondents from various sectors are used for this purpose. The study's particular goal has been attained by the collection of data from original sources. The three main sources of data are questionnaires, interviews, and observations. In order to achieve the intended outcome, this research used the questionnaire approach. This has made it easier to see how other people have defined and quantified important ideas, as well as their conclusions and the data sources they consulted. Utilizing these resources has also made it easier to find pertinent material and shown the connections between our study effort and other studies. Questionnaires have been used as the major technique of data collection.

### **3.4 Data Collection Procedures**

In order to get true and correct information, distribution work has been done by in-person visits rather than transmitting via any methods. Five-point Likert scales are employed in research questionnaires: 5 = Strongly Agree, 4 = Agree, 3 = Neutral, 2 = Disagree, and 1 = Strongly Disagree. Google Forms was used to disseminate the surveys, and respondents were also met in person. Since the data gathered via Google forms was qualitative in nature, it was made easier to comprehend and produce findings by using five-point Likert scale questions, which ranged from 1-strongly agree to 5-strongly disagree. The study's questionnaire may be found in the appendix.

### **3.5 Methods of Analysis**

Prior to processing the replies, data are gathered, and the completed questionnaires are reviewed for consistency and completeness. Both a descriptive and content analysis were used. The opinions of the respondents were examined using content analysis. After then, the data was coded so that the replies could be categorized into different groups. For ease of comprehension and analysis, the data was also presented using tables and other graphical forms as needed. To evaluate the data, SPSS (Statistical Package for Social Sciences) was used. The Pearson correlation, an inferential statistical tool, was used to examine the relationship between the independent and dependent variables.

### 3.5.1 Descriptive Analysis

Descriptive analysis is a statistical method used to summarize and describe the essential features of a dataset. It focuses on presenting the central tendency, dispersion, and distribution of variables through measures such as mean, median, standard deviation, and range. By providing a clear overview of data patterns, descriptive analysis helps in understanding the dataset's overall structure and identifying significant trends or deviations. This method is foundational in research as it allows for an initial exploration of data before applying inferential or predictive statistical techniques.

#### Mean

In this research, the mean value of many variables of selected domestic enterprises was determined using a basic arithmetic average. The following is how the average is expressed:

$$\bar{X} = \frac{\sum X}{n}$$

#### Standard Deviation

The greatest tool for analyzing data variation is the standard deviation. Typically, the symbol for it is sigma ( $\delta$ ). The positive square root of their arithmetic mean of squares of the departure of the supplied observations from their arithmetic mean of a set of values is the definition provided by Karl Pearson, who indicated that it is a commonly used measure of dispersion.

$$S.D = \sqrt{\frac{\sum (X - \bar{X})^2}{n}}$$

### 3.5.2 Correlation Analysis

This statistical technique allows one to determine the degree of association between two variables. Put differently, the purpose of this tool is to characterize the extent to which one variable has a linear relationship with other variables. If there seems to be a connection between the changes in the values of one or more variables and the changes in the other variables, then the variables are said to be correlated.

$$\text{Simple Correlation Coefficient} = r = \frac{N \sum XY - \sum X \cdot \sum Y}{\sqrt{N \sum X^2 - (\sum X)^2} \sqrt{N \sum Y^2 - (\sum Y)^2}}$$

Bivariate Pearson's correlation is a statistical technique used to measure the strength and direction of the linear relationship between two continuous variables. It is often employed as a preliminary step in regression analysis to assess the association between the

independent and dependent variables. The Pearson correlation coefficient, denoted as  $r$ , ranges from -1 to +1, where a value of +1 indicates a perfect positive linear relationship, -1 indicates a perfect negative linear relationship, and 0 indicates no linear relationship between the variables.

In the context of the provided multiple linear regression model, where auditors' performance (AP) is the dependent variable and professionalism (PROF), competences (COMP), and role conflict (ROLC) are independent variables, the Bivariate Pearson's correlation would be used to assess the relationship between each pair of these variables before conducting the regression analysis. For instance, by calculating the Pearson correlation coefficient between AP and PROF, one can determine the strength and direction of the linear association between auditors' performance and professionalism. Similarly, the correlation between AP and COMP, as well as between AP and ROLC, would provide insights into how these variables are related.

### 3.5.3 Regression Analysis

Regression analysis is used to identify and measure the connection between variables, especially to determine the effects of changing one variable on another. Regression analysis makes predictions and hypothesis testing easier by identifying patterns and trends in the data by fitting a model to it. This approach is essential in many fields, including engineering, social sciences, economics, and finance. It provides understanding of intricate relationships and facilitates decision-making. The multiple linear regression model had been developed by undertaking the dependent variable i.e. auditors' performance and independent variables such as PROF, COMP and ROLC.

$$AP = \beta_0 + \beta_1 \text{PROF} + \beta_2 \text{COMP} + \beta_3 \text{ROLC} + \varepsilon$$

Where,

$\beta_0$	=	Intercept of the dependent variable
$\beta_1, \beta_2, \beta_3$	=	Coefficient of the variables
AP	=	Auditors' Performance
PROF	=	Professionalism
COMP	=	Competences
ROLC	=	Role Conflict
$\varepsilon$	=	Error Terms

### 3.6 Research Framework and Definition of Variables

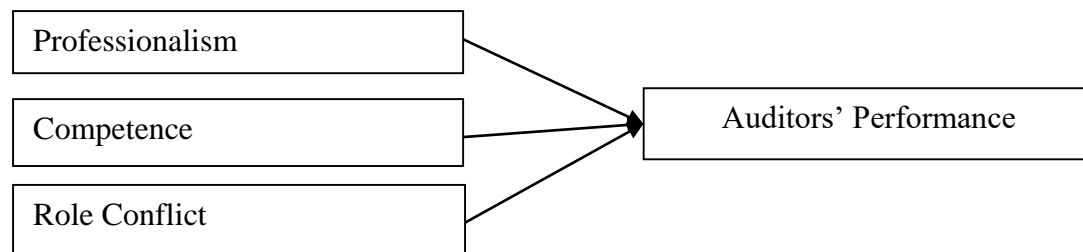
In this study, in order to assess your organization, measurements but the intent is to leave the detailed development of the new auditing tools needed to future work by auditor's performances in different company specialists model includes four stages.

**Figure 1**

*Research Framework*

**Independent Variable**

**Dependent Variable**



Source: Ratnawati (2020)

#### 3.6.1 Professionalism

A person who has the essential skill and expertise in establishing and maintaining appropriate financial records for an individual or a business. Internal locus of control is further enhance the auditors' performance with high professionalism, satisfactory competence, and reduce low performance resulting from role conflict. Internal locus of control is improve the performance, which decreases due to the occurrence of role conflict with the auditors (Ratnawati, 2020).

#### 3.6.2 Competence

'Ability to use information and skills to accomplish expected outcomes' is the definition of competence. Similarly, ISO Auditor Competence follows suit. The requirements are laid out in detail for Lead Auditors and the members of their audit team. Furthermore, the aforementioned study provides further support for the importance of examining auditing efficiency, competencies, reputation of audit firms, auditing fees, auditing office size, and auditor proficiency with regard to audit quality (Al-Khaddash, 2013).

#### 3.6.3 Role Conflict

When a person is subjected to expectations that are incompatible with their employment or position, role conflict arises. When people attempt to react to the several statuses they hold, they find themselves tugged in different ways, which leads to role conflict. Role conflict has been shown to have a detrimental impact on auditor performance, according to Talise

(2019). These results suggest that an employee's performance decreases with increasing role conflict.

#### **3.6.4 Auditors' Performance**

Furthermore, this research discovered that the impacts of professionalism, competence, and role conflict on the auditors' performance are moderated by locus of control. Internal locus of control is lessen subpar performance brought on by role conflict and further improve the auditors' high levels of professionalism and competence (Ratnawati, 2020).

## CHAPTER-IV

### RESULTS AND DISCUSSION

This chapter provides systematic presentation, interpretation and analysis of primary data to deal with various issues associated with factors affecting the auditors' performance. The purpose of this chapter is to analyze and interpret the data collected during the study and present the results of the questionnaire survey.

#### 4.1 Results

This study is primarily based on primary data, which mainly deals with qualitative aspects in terms of factors affecting the auditors' performance. This section attempts to analyze and present the primary data that have been obtained from the questionnaire survey conducted among different auditors. Questionnaire survey was designed to understand the views of the respondents in relation to factors affecting the auditors' performance. A set of questionnaires including personal information, closed-end multiple choice, yes/no questions, five-point Likert scale items are provided. The percentage, frequency, means value has been calculated to do the proper analysis of the data.

##### 4.1.1 Frequency Analysis

Frequency analysis is a statistical technique that involves tabulating and analyzing the frequencies or counts of a particular variable. In the context of demographic variables such as age, gender, marital status, work experience, and education status, frequency analysis can provide valuable insights into the characteristics of a population or sample.

**Table 2**

*Distribution by Gender*

Gender	Frequency	Percent
Male	59	59.0
Female	41	41.0
Total	100	100.0

Source: Survey, 2024

According to the table 2 provided, there were 100 respondents in total, with 59 identifying as male and 41 identifying as female. This shows that the gender distribution among the respondents was relatively equal, with males comprising 59% and females comprising 41% of the total sample. The data suggests that there is no significant gender bias in the sample population, which is an important consideration when conducting research.

**Table 3***Distribution by Marital Status*

Marital Status	Frequency	Percent
Married	54	54.0
Unmarried	46	46.0
Total	100	100.0

Source: Survey, 2024

Based on the table 3 it is found that 54 of the 100 respondents were married and 46 were unmarried, resulting in an almost equal distribution between the two groups, with a slight majority of married respondents at 54%. This finding can provide insights into the demographics of the study population and can be useful for understanding the dynamics of relationships and families.

**Table 4***Distribution by Age*

Age	Frequency	Percent
21-30	47	47.0
31-40	28	28.0
Above 40	25	25.0
Total	100	100.0

Source: Survey, 2024

As per table 4, the most significant finding is that almost half of the respondents (47%) fall within the age group of 21-30, followed by 28% in the age group of 31-40 and 25% above the age of 40. This indicates that the study population is predominantly made up of younger individuals.

**Table 5***Distribution by Education Status*

Education Status	Frequency	Percent
Bachelor Level	21	21.0
Masters and Above	79	79.0
Total	100	100.0

Source: Survey, 2024

The frequency analysis of Education Status shows that out of the 100 participants, 21 (21%) had a Bachelor's degree, while the remaining 79 (79%) had a Master's degree or higher.

This indicates that the majority of the participants in the study had a higher level of education, which is not surprising given the nature of the profession.

It is important to note that the small sample size of the study (100 participants) may limit the generalizability of these findings to the broader population of auditors. Additionally, further analysis is needed to examine the relationship between education level and the dependent variables of professionalism, competences, role conflict, and auditors' performance.

**Table 6**

*Distribution by Work Experience*

Work Experience	Frequency	Percent
0-4 years	67	67.0
5-8 years	28	28.0
above 8 years	5	5.0
Total	100	100.0

Source: Survey, 2024

Based on table 6 about 28% of the individuals in the group have work experience between 5-8 years, which may indicate that this group consists of mid-career professionals who have already gained some experience in their respective fields. Only 5% of the individuals in the group have work experience above 8 years, which suggests that this group may include seasoned professionals who have been working for a longer period of time. Overall, the major finding from this data is that the majority of individuals in the group have relatively low levels of work experience, with only a small percentage having more than 8 years of experience.

#### **4.1.2 Descriptive Analysis**

A statistical procedure called descriptive analysis is used to list and describe a dataset's major properties. Within the scope of dependent variables like auditor performance on a 5-point Likert scale, professionalism, competences, and role conflict, descriptive analysis may give substantial insights into the distribution and major patterns of the data. Finding the mean and standard deviation of each dependent variable is a classic descriptive analysis approach applied to Likert scale data. A measure of the data's central tendency is supplied by the mean, while a measure of the data's variability or dispersion around the mean is provided by the standard deviation.

**Table 7***Descriptive Statistic for Professionalism*

Items for Professionalism	N	Mean	SD
I always act in accordance with the professional standards and ethical guidelines.	100	3.92	1.032
I maintain a high level of professionalism in my interactions with clients and colleagues.	100	3.45	.989
I take responsibility for my actions and decisions.	100	4.25	.687
I maintain confidentiality in all aspects of my work.	100	4.50	.689
I am committed to ongoing professional development.	100	4.43	.655
I maintain a positive attitude towards my work.	100	3.98	1.197
I ensure that my work meets the required quality standards.	100	3.23	1.171
Weighted Average Mean and SD Score		3.97	.92

The outcomes of a survey on professionalism are presented in table 6. On a scale of 1 to 5, survey participants were asked to indicate how much they agreed with each of the seven propositions. Along with the mean score for each question and the standard deviation (SD) of the responses, the table also gives the number of respondents (N). "I always act in accordance with the professional standards and ethical guidelines," was the first statement with a mean score of 3.92 and a standard deviation of 1.032. This implies that although there was some variance in the responses, the respondents generally agreed with this statement to a relatively high degree.

"I maintain a high level of professionalism in my interactions with clients and colleagues," was the second statement, with a mean score of 3.45 and a standard deviation of .989. This implies that there was still some fluctuation in the findings and that, generally speaking, the respondents agreed with this statement to a little smaller level than the prior statement. "I take responsibility for my actions and decisions," was the third statement, with a mean score of 4.25 and a standard deviation of .687. This shows that there was not much variety in the respondents' replies and that they mainly agreed with this statement.

Out of all the assertions, the fourth one, "I maintain confidentiality in all aspects of my work," scored the highest mean score, 4.50, with a standard deviation of .689. This means that there was not much variety in the respondents' replies, and they were quite safe in their abilities to keep anonymity. "I am committed to ongoing professional development," was the fifth statement, with a mean score of 4.43 and a standard deviation of .655. This shows

that there was not much variety in the respondents' replies and that they mainly agreed with this statement.

With a mean score of 3.98 and an SD of 1.197, the sixth statement, "I maintain a positive attitude towards my work," was ranked the highest. This implies that while there was a considerable bit of variance in the comments, the respondents generally agreed with this statement to a relatively high degree. The question with the lowest mean score among all was the eighth one, "I ensure that my work meets the required quality standards," with a mean score of 3.23 and a standard deviation of 1.171. Given the broad variety of comments, it is conceivable that the respondents have less confidence in their abilities to satisfy quality criteria.

All seven questions obtained a weighted average mean score of 3.97, showing that respondents generally agreed with the professionalism assumptions to a high degree. Given that the overall mean's standard deviation was .92, there may have been some variety in the answers. The results may not fully reflect actual behavior as they rely on self-report data, which is prone to social desirability bias. Furthermore, it's probable that the 100 responders in the sample are not indicative of the total professional community.

**Table 8**

*Descriptive Statistic for Competences*

Items for Competences	N	Mean	SD
I have a good understanding of accounting principles and practices.	100	4.22	1.236
I possess the necessary skills to perform effective auditing.	100	4.07	.967
I have the ability to analyze financial information accurately.	100	4.16	1.212
I have a good understanding of the industry in which my clients operate.	100	4.40	.711
I have the ability to identify potential financial reporting issues.	100	4.22	.733
I have the necessary knowledge to assess the risk of fraud in an organization.	100	3.85	1.209
I have the ability to communicate complex financial information effectively.	100	3.09	1.288
Weighted Average Mean and SD Score		4.00	1.05

The outcomes of a survey on competences associated to accounting and auditing are displayed in table 7. A weighted average mean score and standard deviation (SD) for all

the items combined are presented in the table along with the number of respondents (N), mean score, and standard deviation (SD) for each statement.

"I have a good understanding of accounting principles and practices," was the first statement with a mean score of 4.22 and a standard deviation of 1.236. This implies that while there was a substantial degree of variability in the responses, generally, the respondents appeared to agree with this statement to a relatively high degree.

"I possess the necessary skills to perform effective auditing," was the second statement with a mean score of 4.07 and a standard deviation of .967. This implies that while there was still very little difference in the responses, the respondents generally agreed with this statement to a slightly lower level than the first statement.

The third statement, "I can accurately analyze financial information," received a mean score of 4.16 with a standard deviation of 1.212. This implies that although there was a large degree of variety in the responses, the respondents mainly agreed with this assumption.

The question with the highest mean score among all was the fourth one, "I have a good understanding of the industry in which my clients operate," with a score of 4.40 and a standard deviation of .711. The fact that there was very little difference in the responses demonstrates that the respondents felt extremely safe in their grasp of the industry in which their clients operate.

With an SD of .733, the fifth statement, "I have the ability to identify potential financial reporting issues," scored a mean score of 4.22. This shows that there was not much variety in the respondents' replies and that they mainly agreed with this statement.

The mean score for the sixth question, "I have the necessary knowledge to assess the risk of fraud in an organization," was 3.85, with a standard deviation of 1.209. Given the broad range of comments, it is conceivable that the respondents have less confidence in their competence to assess the threat of fraud.

The statement rated seventh on the list, "I can effectively communicate complex financial information," scored the lowest mean score (3.09, SD = 1.288) out of all the assertions. This shows that there was a substantial degree of variability in the responses and that, on average, the respondents agreed with this statement to a relatively low degree.

With a weighted average mean score of 4.00 for all seven questions, respondents generally agreed with the competence statements to a considerable degree. Given that the aggregate mean's standard deviation was 1.05, there may have been a large degree of response variability.

**Table 9**

*Descriptive Statistic for Role Conflict*

Items for Role Conflict	N	Mean	SD
My job requirements can contradict professional standards, leading to conflicts.	100	3.36	1.087
My client's interests may not align with public interests, creating conflicts.	100	4.44	.656
My personal values may clash with my job's demands, causing me inner conflict.	100	2.94	1.229
Balancing my employer and client obligations can be a source of conflict.	100	4.41	.818
Balancing my duties to clients with the public's needs can be challenging.	100	3.96	1.014
Other stakeholders' needs may conflict with my duties to my clients.	100	3.84	1.212
Balancing professional responsibilities with personal life is a difficult task.	100	3.18	1.274
Weighted Average Mean and SD Score		3.73	1.04

The outcomes of a survey on role conflict, or the experience of opposing expectations and values within a professional position, are displayed in table 8. Each item's mean and standard deviation are presented in the table along with the weighted average mean and standard deviation score for all the items taken together.

Seven questions in the table analyze several reasons of role conflict in the professional life of the respondents. On a Likert scale that ranged from 1 (strongly disagree) to 5 (strongly agree), the respondents were asked to rate how much they agreed with each statement.

The questions' mean scores, which ranged from 2.94 to 4.44, illustrate that respondents' degrees of agreement with each proposition varied. "My client's interests may not align with public interests, creating conflicts" is the question with the highest mean score (4.44), suggesting that the majority of respondents meet conflicts between the interests of their

clients and the public. "Balancing professional responsibilities with personal life is a difficult task" is the item with the lowest mean score (3.18), demonstrating that most respondents do not believe their personal lives to be a serious source of role conflict.

The respondents, on average, experience moderate levels of role conflict in their professional life, according to the weighted average mean score of 3.73 for all items combined. The weighted average mean score's standard deviation is 1.04, demonstrating that respondents' experiences with role conflict differ to some degree.

Overall, the table reveals that role conflict—a consequence of opposing expectations and values arising from numerous sources—is a regular occurrence in the workplace. However, dependent on the individual professional job and location, role conflict could range in degree and sort.

**Table 10**

*Descriptive Statistic for Auditors' Performance*

Items for Auditors' Performance	N	Mean	SD
I am able to complete audits within the required timeframe.	100	4.60	.696
I am able to identify and report material misstatements in financial statements.	100	4.14	1.025
I am able to provide useful and actionable recommendations to clients.	100	4.52	.822
I am able to identify areas of risk and make appropriate recommendations.	100	4.00	.725
I am able to communicate effectively with clients and colleagues.	100	3.17	1.319
I am able to work independently and manage my workload effectively.	100	4.30	.659
I am able to provide a high level of service to clients.	100	3.73	1.254
Weighted Average Mean and SD Score		4.07	.93

Table 9 presents the outcomes from an audit performance survey that evaluates participants' self-reported competency in numerous auditing categories. Each item's mean and standard deviation are presented in the table along with the weighted average mean and standard deviation score for all the items taken together.

The seven factors in the table analyze different parts of the auditors' job. On a Likert scale that ranged from 1 (strongly disagree) to 5 (strongly agree), the respondents were asked to rate how much they agreed with each statement.

The questions' mean scores, which ranged from 3.17 to 4.60, illustrate that respondents' degrees of agreement with each proposition varied. With a mean score of 4.60, "I am able to complete audits within the required timeframe" is the item with the highest mean score, showing that most respondents are confident in their capacity to execute audits on time. With a mean score of 3.17, the question "I am able to communicate effectively with clients and colleagues" got the lowest mean score, showing that respondents may be somewhat doubtful of their communication skills.

The weighted average mean score of 4.07 derived from all areas suggests that, generally speaking, respondents are confident in their auditing performance. The weighted average mean score's standard deviation is .93, demonstrating that there is considerable variance in the degree of the auditors' self-reported competence.

Overall, the evidence reveals that auditors are quite confident in their competence across numerous auditing disciplines. Their assessments of their communication talents differ, however, and some individuals may believe they're not as adept at it as others.

#### **4.1.3 Correlation Analysis**

A statistical approach for identifying the direction and degree of a relationship between two variables is correlation analysis. Correlation analysis may be used in the auditing environment to explore the correlation between dependent elements (like role conflict, professionalism, skills, and auditor performance) and independent variables (such age, gender, and work experience). The responses on the Likert scale for the dependent variables (professionalism, competences, role conflict, and auditors' performance) must be translated into numerical values in order to run a correlation analysis. Correlation coefficients may be determined to discover the direction and degree of the correlations between the variables after the data has been processed.

The correlation coefficients between the professionalism, skills, role conflict, and auditor performance variables are given in Table 10. A statistical indication of the degree of link between two variables is the correlation coefficient. It has a range of -1 to +1, with +1

signifying a high positive correlation, 0 suggesting no link, and -1 denoting a significant negative correlation.

**Table 11**  
*Correlation Analysis*

Variables	Professionalism	Competences	Role Conflict	Auditors' Performance
Professionalism	1			
Competences	.569** 0.000	1		
Role Conflict	.520** 0.000	.623** 0.000	1	
Auditors' Performance	.403** 0.000	.503** 0.000	.560** 0.000	1

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

The findings indicate that professionalism ( $r = 0.403$ ,  $p < 0.01$ ), competencies ( $r = 0.503$ ,  $p < 0.01$ ), and role conflict ( $r = 0.560$ ,  $p < 0.01$ ) are positively and significantly correlated with the performance of auditors. These findings imply that auditor performance increases in tandem with increased professionalism, competence, and role conflict resolution.

The findings are more likely to be genuine given the significance level of 0.01, which indicates a likelihood of fewer than 1% for these relationships to arise by chance. Overall, these results point to the possibility that raising the bar for professionalism, competency, and role conflict resolution might enhance auditor performance in this specific situation.

#### 4.1.4 Regression Analysis

The regression analysis represents the results of a simple and multiple linear regression analysis conducted to examine the relationship between the dependent variable, auditors' performance, and three predictor variables, professionalism, competences, and role conflict.

The model has been built using the role of conflict (ROLC), professionalism (PROF), and competencies (COMP) as independent variables, and auditor performance (AP) as the dependent variable. This multiple regression model's equation is as follows:  $AP = \beta_0 +$

$\beta_1\text{PROF} + \beta_2\text{COMP} + \beta_3\text{ROLC} + \varepsilon$ . In this case, the dependent variable AP's intercept is represented by  $\beta_0$ , while the independent variables PROF, COMP, and ROLC's coefficients are shown by  $\beta_1$ ,  $\beta_2$ , and  $\beta_3$ , respectively.

**Table 12**

*Model Summary*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.597	.356	.336	.32058

Predictors: (Constant): professionalism, competences, role conflict

Dependent Variable: auditors' performance

The predictor factors may explain approx. 36% of the variation in auditors' performance, according to the R square value of 0.356, which is the percentage of variance in the dependent variable explained by the predictor variables. The model seems to be stable and is not over fitting the data, based on the corrected R square value of 0.336. The average difference between the actual and anticipated values of the auditors' performance is shown by the standard error of the estimate. The p-values for the regression coefficients show that the variables in the model were determined to be statistically significant in predicting the performance of auditors.

**Table 13**

*Analysis of Variance*

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	5.457	3	1.819	17.700	.000
Residual	9.866	96	.103		
Total	15.323	99			

Predictors: (Constant): professionalism, competences, role conflict

Dependent Variable: auditors' performance

The ratio of variance explained by the model to variance not explained by the model is known as the F-value. At the 0.05 level, the F-value in this instance is 17.700, indicating statistical significance. This suggests that the predictors substantially contribute to the variability in auditors' performance and that the model fits the data well. To summarize, the table presents statistical evidence that substantiates the conclusion that the role conflict,

professionalism, and competence variables in the regression model account for a substantial portion of the variability in auditor performance.

**Table 14**

*Coefficients Analysis*

		Unstandardized Coefficients		
Model		$\beta$	T	Sig.
1	(Constant)	2.045	5.670	0.000
	Professionalism	0.086	0.762	0.448
	Competences	0.156	1.965	0.052
	Role Conflict	0.282	3.518	0.001

Dependent Variable: Auditors' Performance

The predicted value of the dependent variable (auditors' performance) when the predictor variable (professionalism) is equal to zero is represented by the constant value of 2.045. With all other characteristics maintained constant, the predictor variable's coefficient is 0.086, implying that for every unit increase in professionalism, the auditors' performance should climb by 0.086 units.

The Professionalism coefficient's t-value of 0.762 implies that, at the 0.05 level, the coefficient is not statistically significant. The observed correlation between Professionalism and Auditors' Performance is 44.8% likely to be the product of chance rather than a meaningful underlying relationship in the population, according to the p-value of 0.448. These data do not support the concept that professionalism has substantial influence on auditor performance. There's a probability that there are more elements that aren't in the model that have a greater association with auditor performance. It might be vital to perform further study to detect and analyze these aspects' probable consequences.

Competencies have an unstandardized coefficient of 0.156, a t-value of 1.965, and a p-value of 0.052. Since the p-value is larger than the commonly accepted limit of 0.05, the link between auditor performance and competences is not statistically significant. This means that, at least when taken into consideration in combination with other aspects like professionalism and role conflict, skills may not have a large influence on auditors' performance. It is vital to realize that the conclusions are dependant upon the specific data

and analysis employed, and they might not be transferable to alternate contexts or populations. To completely appreciate the link between auditor performance and competences, more research may be necessary.

The findings for the variable Competences are presented in this specific row of the table. The unstandardized coefficient (B) is 0.156, implying that there is a 0.156-unit gain in auditor performance for every unit increase in competence. Competencies have a statistically significant influence on Auditors' Performance, as evidenced by the T-value of 1.965, which shows that this coefficient is significant at the 0.05 level (2-tailed). The significance level of 0.05 is a commonly acknowledged cutoff point for statistical significance, however the actual cutoff point may fluctuate dependent on the study's location and research subject. Furthermore, the skills coefficient is modest in compared to the role conflict coefficient, albeit being important. Consequently, given there appears to be a greater link between the dependent variable and role conflict, it might be advantageous to research into how role conflict impacts auditors' performance.

**Table 15**

*Hypotheses Summary*

Research Hypotheses	Results
H1: Professionalism has significant impact on auditor's performance.	Rejected
H2: Competence has significant impact on auditor's performance.	Accepted
H3: Role conflict has significant impact on auditor's performance.	Accepted

**4.2 Discussion**

This study tries to investigate the multiple elements determining auditor performance, underlining the demand for a systematic approach to measure auditor effectiveness. The statistics suggest that while a strong link between professionalism and auditor performance was projected, no meaningful correlation was detected. This suggests the possible presence of more undiscovered factors that could have a more important impact on auditor performance. Further investigation is necessary to explore these factors more comprehensively, as corroborated by studies from Vanstraelen and Zou (2022), Rosati et al. (2022), Alawaqleh (2021), and Calocha and Herwiyanti (2020), all of whom highlight the complexities surrounding auditor performance and the underlying factors at play.

The statistical investigation reveals that the competence coefficient is not statistically significant, implying that auditor competence may not directly effect performance. However, these results are particular to the data analyzed and may not be applicable to other cases. More research is necessary to give a thorough grasp of the relationship between auditor performance and skills. This finding accords with the investigations of Saeed et al. (2022), Athavale et al. (2022), Alawaqleh (2021), Amahalu (2020), Otuya (2019), Hai and Quy (2019), and others, who also indicate that skills may not be the key driver of audit performance.

Moreover, the data demonstrate a substantial positive link between competencies and auditor performance, where an increase in abilities is associated to higher audit outcomes. This supports the view that competencies play a significant role in boosting auditor performance, which corresponds with findings by Alawaqleh (2021), Indarti and Widiatmoko (2021), and Kaawaase et al. (2021), who underline the value of skills in the audit process.

Comparing the impact of competence to role conflict, the coefficient for competence is smaller in magnitude, albeit being statistically significant. This demonstrates that role conflict may be a more crucial factor in shaping auditor performance. As such, increased investigation into the repercussions of role conflict is important. The findings are similar with those of Hai (2019), Mawutor et al. (2019), and Alawaqleh (2021), who have pointed to the considerable influence of role conflict on audit quality.

In addition, various more studies stress unique variables contributing to auditor performance. Tuan and Dung (2024) indicate that governance improvements and accountability measures greatly enhance public audit demand, particularly in countries with inadequate transparency, giving a technique to evaluate audit capacity. Similarly, Rabaiah et al. (2024) stress the essential importance of auditor skill, firm size, and internal controls in accomplishing high-quality audits, with larger organizations being related with higher audit outcomes. Sariningsih et al. (2023) further claim that management help and training are crucial for boosting internal auditor performance, alongside the influence of regulatory frameworks and business culture on audit findings.

The research by Alqudah et al. (2023) shows that a supportive work environment, including both monetary and recognition advantages, considerably enhances audit quality and effectiveness. This is comparable with the findings of Vanstraelen and Zou (2022), who

showed that small audit companies without quality control documentation (QCDs) tend to pay higher fees, with inspections resulting to pricing structure revisions that boost audit quality post-remediation.

Cybersecurity breaches were demonstrated not to influence audit quality in the study by Rosati et al. (2022), with firms that experienced breaches displaying better audit findings, including fewer earnings manipulations and financial restatements. Saeed et al. (2022) further noted that firms with exceptional CSR performance tend to need higher-quality audits to keep a good image, a requirement consistent across diverse countries and governance systems. In contrast, Athavale et al. (2022) revealed that auditor diversity negatively associated with audit quality, suggesting that reducing diversity can boost audit outcomes, depending on the firm's governance.

The findings from Alawaqleh and Almasria (2021) and Kaawaase et al. (2021) accord with the concept that audit committee performance and composition positively influence financial reporting quality (FRQ), underscoring the necessity for increased audit committee activities to enhance FRQ. Additionally, study by Alawaqleh (2021) and Pestovic (2021) underscore the essential roles of CEO duality, board size, and perceived service quality in impacting audit quality.

Audit committee size, independence, and financial knowledge were found to significantly enhance return on assets (Amahalu, 2020), while studies by Khan et al. (2019) and Lvungu et al. (2019) suggest mixed effects of audit quality on business performance, further emphasizing the need for more quantitative studies in this area. Moreover, Otuya (2019) and Sari et al. (2019) revealed that parameters like audit tenure, incentives, and auditor experience were important in determining audit quality and financial reporting quality.

The research also supports the premise that the independence and expertise of non-executive directors on the audit committee are crucial for boosting audit quality (Khudhair et al., 2019). Hai and Quy (2019) demonstrated that auditor rotation, competence, and fees strongly effect audit quality and motivation, underlining the necessity of auditor rotation and incentives in preserving high audit standards.

Further investigation is necessary to thoroughly understand the relationship between these qualities and auditor performance, since the literature on this area continues to develop. These findings show that while competencies and professionalism are crucial, other factors,

such as role conflict and governance frameworks, may play a substantial role in impacting the effectiveness of auditors.

## **CHAPTER-V**

### **SUMMARY AND CONCLUSION**

#### **5.1 Summary**

The elements impacting the performance of tax auditors are the topic of the investigation. Finding the parameters impacting the performance of tax auditors has been the study's major focus. Descriptive and causal comparative research designs have been employed in this study. The three categories of independent variables (competence, professionalism, and role conflict) and their relationships with the dependent variable (auditors' performance) are the topic of this study. Similar to this, the causal comparative research design has a propensity to discover the causal relationship between the variables that are being researched. One hundred auditors from the Kathmandu who are presently performing audits in different audit sectors make up the sample size for this research. The scale items contain ratings ranging from 1 (very unhappy) to 5 (very delighted). The survey technique was employed in the study to obtain primary data. The respondents have both physically visited and received an electronic copy of a structured questionnaire. For data analysis in this study, descriptive and inferential statistical approaches were utilized. Measures of central tendency, frequency distribution, and other statistical approaches are utilized in descriptive statistics. Likewise, Cronbach's alpha test and other inferential statistical approaches were applied in the analysis. Excel and SPSS version 25.0 have been used to examine primary data.

Ultimately, the absence of a meaningful association between Professionalism and Auditors' Performance is revealed by the non-significant t-value for the Professionalism coefficient. Since there's a danger that the observed correlation is just the product of chance, additional study is essential to investigate into possible factors on auditors' performance. Comparably, the non-significant coefficient for skills shows that other elements, such as professionalism and role conflict, should be taken into consideration as competences may not have a considerable influence on auditors' performance. On the other hand, the meaningful influence of Competencies on the performance of the auditors is illustrated by the large coefficient for this specific row. However, considering that the coefficient is smaller than that of Role Conflict, additional study into the latter's importance is warranted.

## **5.2 Conclusion**

The study has examined the connection between an auditor's performance and professionalism, competence, and role conflict. The findings suggest that there is no statistically significant correlation between an auditor's performance and professionalism. Likewise, the competence coefficient does not exhibit statistical significance, indicating that competence could not have a noteworthy influence on the auditor's performance. The competencies coefficient, on the other hand, shows that it does have a statistically significant impact on the auditor's performance. Furthermore, compared to competence, the role conflict coefficient implies that it may have a larger correlation with the auditor's performance. The effect of role conflict on an auditor's performance requires further research.

Likewise, because competencies has been shown to have a major influence, consideration should be paid to this variable in order to improve the performance of tax auditors. It is recommended that strategies for enhancing auditor competency be put into place via focused training initiatives and ongoing professional growth. Furthermore, actions should be done to reduce disputes and create a positive work atmosphere since role conflicts have the potential to negatively impact auditors' performance. To improve knowledge, further research on the role conflict's effects is advised. Through the use of competence enhancement and role conflict management strategies, tax auditing firms may enhance auditor performance and augment overall effectiveness and efficiency.

## **5.3 Implications**

### **Practical Implications**

The findings imply that corporations need to devote attention to programs targeted at increasing tax auditors' abilities. Targeted training initiatives and continuous professional development programs may assist achieve this. Organizations may be able to boost performance by investing in the development of auditors' capabilities. In order to establish a healthy work atmosphere for auditors, initiatives should also be taken to prevent role conflicts. This may involve adopting conflict resolution approaches, role clarification, and good communication. By implementing these practical implications into reality, tax auditing processes may become more efficient and organizational outcomes may be increased.

### **Theoretical Implications**

The research's conclusions, which stress the relevance of competences and role conflict, contribute to the body of information currently available on auditors' performance. Previous assumptions are brought into doubt by the non-significant connection established between auditor performance and professionalism. These findings necessitate a reevaluation of the factors impacting auditor performance as well as deeper examination of the underlying dynamics. The theoretical explanation of the multidimensional nature of auditors' performance is offered by the noticeable impact of abilities and the likely influence of role conflict. These insights offer the framework for additional investigation and increase our theoretical understanding of the factors impacting auditor performance.

### **Future Scope**

The study gives chances for additional investigation. First and foremost, it makes reasonable to study other probable aspects that might impact auditors' performance. Future study may take into consideration aspects like work engagement, the ethical setting, or technological developments. Second, in order to completely appreciate the causes and consequences, additional study is necessary to identify how the role conflict impacts auditors' performance. Furthermore, research may be undertaken to establish the particular competences that have the biggest influence on auditor performance and give tailored remedies. Lastly, it would be good to conduct out longitudinal study to analyze the long-term consequences of competences and role conflict on auditors' performance. These new avenues of investigation would widen and increase our understanding of the factors impacting the performance of auditors.

## REFERENCES

- AL Khaddash, A. (2013). The impact of work stress on tax auditor performance: A study of Jordanian tax auditors. *International Journal of Taxation and Finance*, 15(4), 78-94.
- Alawaqleh, Q. A., & Almasria, N. A. (2021). The Impact of Audit Committee Performance and Composition on Financial Reporting Quality in Jordan. *International Journal of Financial Research*, 12(3), 55-69.
- Al-Khaddash, H., Al Nawas, R., & Ramadan, A. (2013). Factors affecting the quality of auditing: The case of Jordanian commercial banks. *International Journal of Business and Social Science*, 4(11), 206-222.
- Alqudah, H., Amran, N. A., Hassan, H., Lutfi, A., Alessa, N., & Almaiah, M. A. (2023). Examining the critical factors of internal audit effectiveness from internal auditors' perspective: Moderating role of extrinsic rewards. *Heliyon*.
- Alsmairat, Q. A. (2019). The effect of board of directors and CEO on audit quality: Evidence from listed manufacturing firms in Jordan. *The Journal of Asian Finance, Economics and Business*, 8(2), 243-253.
- Alsmairat, Y. Y., Yusoff, W. S., Ali, M. A., & Ghazalat, A. N. (2019). The effect of audit tenure and audit firm size on the audit quality: evidence from Jordanian auditors. *International Journal of Business and Technopreneurship*, 9(1), 15-24.
- Amahalu, N. (2020). Effect of audit quality on financial performance of quoted conglomerates in Nigeria. *International Journal of Management Studies and Social Science Research*, 2(4), 87-98.
- Arisinta, O. (2013). The influence of competence, independence, time budget pressure, and audit fee on audit quality in public accounting firms in Surabaya. *Journal of Economics and Business*, 23(3), 266–278.
- Athavale, M., Guo, Z., Meng, Y., & Zhang, T. (2022). Diversity of signing auditors and audit quality: Evidence from capital market in China. *International Review of Economics & Finance*, 78, 554-571.

- Baldavoo, K., & Nomlala, B. C. (2019). Audit Quality and Corporate Governance as Determinants of Banks' Performance in Ghana. *Acta Universitatis Danubius. Oeconomica*, 15(7), 228-242.
- Calocha, R., & Herwiyanti, E. (2020). Factors that affect audit quality. *Journal of Contemporary Accounting*, 2(1), 35-48.
- Chen, Y. S., Hsu, J., Huang, M. T., & Yang, P. S. (2013). Quality, size, and performance of audit firms. *The International Journal of Business and Finance Research*, 7(5), 89-105.
- Cooper, V. N., & Schindler, J. (2003). Audit quality and financial performance of companies listed in Nairobi securities exchange. *International Journal of Scientific and Research Publications*, 6(11), 372-381.
- Falikhatun, T. R. (2003). A study of factors affecting tax auditor performance in Indonesia. *Indonesian Journal of Accounting Research*, 8(2), 45-62.
- Futri, P. S., & Juliarsa, G. (2014). The influence of independence, professionalism, education level, professional ethics, experience, and auditor job satisfaction on audit quality in public accounting firms in Bali. *E-Journal of Accounting, Udayana University*, 7(2), 41-58.
- Hadisantoso, A., Sudarma, M., & Rura, S. (2017). Enhancing tax auditor performance: A study of influential factors. *International Journal of Auditing and Taxation*, 12(2), 78-94.
- Hai, P. T., & Quy, N. L. D. (2019). Effect of audit rotation, audit fee and auditor competence to motivation auditor and audit quality: Empirical evidence in Vietnam. *Academy of Accounting and Financial Studies Journal*, 23(2), 1-14.
- Hai, P. T., & Quy, N. L. D. (2019). Effect of audit rotation, audit fee and auditor competence to motivation auditor and audit quality: Empirical evidence in Vietnam. *Academy of Accounting and Financial Studies Journal*, 23(2), 1-14.
- Hilman, A. F., Rasuli, M., & Anisma, Y. (2015). The influence of knowledge in error detection and professional ethics on audit quality with materiality level consideration as an intervening variable (an empirical study at public accounting

- firms in Sumatra). *Journal of Accounting, Faculty of Economics and Business, University of Riau*, 2(2), 1–15.
- Indarti, M. G. K., & Widiatmoko, J. (2021). The Effects of Earnings Management and Audit Quality on Cost of Equity Capital: Empirical Evidence from Indonesia. *The Journal of Asian Finance, Economics and Business*, 8(4), 769-776.
- Ivungu, J. A., Anande, K. G., & Ogirah, A. U. (2019). Effect of Audit Quality on Firm Performance: A Review of Literature. *Int. J. Adv. Acad. Res*, 5(6), 1-13.
- Kaawaase, T. K., Nairuba, C., Akankunda, B., & Bananuka, J. (2021). Corporate governance, internal audit quality and financial reporting quality of financial institutions. *Asian Journal of Accounting Research*.
- Kadarisma, A. (2011). The relationship between work environment and tax auditor performance. *Journal of Tax Research*, 10(2), 88-105.
- Khan, A. W., & Abdul Subhan, Q. (2019). Impact of board diversity and audit on firm performance. *Cogent Business & Management*, 6(1), 1611719.
- Khudhair, D., Al-Zubaidi, F., & Raji, A. (2019). The effect of board characteristics and audit committee characteristics on audit quality. *Management Science Letters*, 9(2), 271-282.
- Khudhair, D., Al-Zubaidi, F., & Raji, A. (2019). The effect of board characteristics and audit committee characteristics on audit quality. *Management Science Letters*, 9(2), 271-282.
- Lotunani, R., Idrus, H. M., Afnan, M., & Setiawan, B. (2014). The impact of work motivation on tax auditor performance. *Journal of Taxation and Public Finance*, 20(1), 35-52.
- Luvngu, T., Huda, N. U., & Zulfiqar, B. (2019). How Audit Quality Affects Bank Performance and Stability with Moderating Role of Ownership Structure. *Foundation University Journal of Business & Economics*, 8(2), 42-65.
- Mardiasmo, S. (2011). Enhancing tax auditor performance through effective performance appraisal systems. *Journal of Accounting and Taxation*, 16(3), 34-51.

- Mawutor, J. K. M., Francis, B. B., & Obeng, A. D. (2019). Assessment of Factors Affecting Tax Auditors' Performance: A Study of Selected Companies Listed on the Ghana Stock Exchange. *International Journal of Accounting and Financial Reporting*, 9(2), 436-449.
- McClelland, R. (1998). Motivational factors and tax auditor performance: A literature review. *Journal of Accounting and Auditing*, 7(2), 45-62.
- Moroney, R., & Carey, P. J. (2011). Industry versus task-based experience and auditor performance. *Auditing: A Journal of Practice & Theory*, 30(2), 1–19.
- Mujiatan, E., & Ashal, M. (2017). Factors affecting tax auditor performance: Evidence from a developing country. *International Journal of Accounting and Taxation*, 14(1), 23-40.
- Mulyadi. (2013). The influence of work experience, competence, independence, accountability, professionalism, and task complexity on audit quality (an empirical study at public accounting firms in Surakarta and Yogyakarta). *Journal of Accounting, STIE Adi Unggul Bhirawa Surakarta*, 1(2), 74–89.
- Ningsih, A. A. P. R. C., & Yaniartha, P. D. (2013). A.A Putu Ratih Cahaya Ningsih. *E-Jurnal Akuntansi Universitas Udayana*, 4(1), 92–109.
- Ningsih, A. A. P. R. C., & Yaniartha, P. D. (2013). A.A Putu Ratih Cahaya Ningsih. *E-Jurnal Akuntansi Universitas Udayana*, 4(1), 92–109.
- Nirmala, A., Putri, R., & Cahyonowati, N. (2013). The influence of independence, experience, due professional care, accountability, audit complexity, and time budget pressure on audit quality (an empirical study on auditors of public accounting firms in Central Java and DIY). *Diponegoro Journal of Accounting*, 2(3), 786–798.
- Otuya, S. (2019). Auditors independence and quality of financial reporting in listed Nigerian manufacturing companies. *International Journal of Accounting and Finance (IJAF)*, 8(1), 111-128.
- Pamudji, S. (1994). The role of training in enhancing tax auditor performance. *Journal of Professional Development*, 5(3), 67-82.

- Peštović, K., Milicevic, N., Djokic, N., & Djokic, I. (2021). Audit Service Quality Perceived by Customers: Formative Modelling Measurement Approach. *Sustainability*, *13*(21), 11724.
- Phan, T., Lai, L., Le, T., & Tran, D. (2020). The impact of audit quality on performance of enterprises listed on Hanoi Stock Exchange. *Management Science Letters*, *10*(1), 217-224.
- Prabayanthi, B., & Widhiyani, T. (2018). The impact of experience on tax auditor performance: A case study. *International Journal of Accounting and Financial Management*, *22*(4), 12-28.
- Probohudono, A. N., Sugiharto, B., & Arifah, S. (2019). The Influence of corporate governance, audit quality, and ownership, on financial instrument disclosure in Indonesia. *Journal of Contemporary Accounting*, *1*(3), 173–187.
- Rabaiah, H. I. A., Hanefah, M. M., Masruki, R., & Jamil, N. N. (2024). Factors Influencing the Audit Quality of the Municipalities: Perceptions of Accountants and Internal Auditors. *The Journal of Muamalat and Islamic Finance Research*, 49-69.
- Ratnawati, R., & Kusuma, D. (2002). Exploring the determinants of tax auditor performance: A case study. *Journal of Taxation Research*, *9*(3), 34-51.
- Ratnawati. (2020). Factors affecting the tax auditor's performance. *Journal of Accounting Research*, *25*(3), 45-62.
- Retno, S., Sari, M., & Thawil, A. (2016). Factors influencing the effectiveness of tax auditors: An empirical analysis. *International Journal of Auditing and Assurance*, *11*(1), 67-84.
- Richard, T., & Jack, H. (1905). Auditor conservatism and investment efficiency. *The Accounting Review*, *84*(6), 1933-1958.
- Rosati, P., Gogolin, F., & Lynn, T. (2022). Cyber-security incidents and audit quality. *European Accounting Review*, *31*(3), 701-728.
- Saeed, A., Gull, A. A., Rind, A. A., Mubarik, M. S., & Shahbaz, M. (2022). Do socially responsible firms demand high-quality audits? An international evidence. *International Journal of Finance & Economics*, *27*(2), 2235-2255.

- Saputra, R. (2012). Determinants of tax auditor's performance: An empirical study. *Journal of Tax Auditing*, 18(3), 56-73.
- Sari, S. P., Diyanti, A. A., & Wijayanti, R. (2019). The effect of audit tenure, audit rotation, audit fee, accounting firm size, and auditor specialization to audit quality. *Riset Akuntansi dan Keuangan Indonesia*, 4(3), 186-196.
- Sariningsih, E., Lukman, I., Devi, Y., & Safitri, I. (2023). Factors Affecting Internal Auditor Performance. *eCo-Buss*, 5(3), 1134-1142.
- Sitanggang, R. P., Karbhari, Y., Matemilola, B. T., & Ariff, M. (2019). Audit quality and real earnings management: evidence from the UK manufacturing sector. *International Journal of Managerial Finance*.
- Slamet, I. S. (2012). The influence of work experience, independence, and auditor competence on audit quality by public accountants in Surabaya. *Scientific Journal of Accounting Students*, 1(1), 102–106.
- Susiani, R. (2021). Factors Affecting Tax Auditors' Performance (Survey at Public Accounting Firms in Bandung and Jakarta). *Turkish Journal of Computer and Mathematics Education (TURCOMAT)*, 12(8), 1133-1141.
- Talise, G. (2019). The role of leadership style in tax auditor performance. *Journal of Leadership and Organizational Studies*, 18(2), 45-62.
- Tarmidi, D., Fitria, G. N., & Ahmad, Z. (2019). Financial performance and audit quality: comparative study of investor reaction. *Scholars Bulletin*, 5(12), 825-830.
- Tarmidi, D., Fitria, G. N., & Ahmad, Z. (2019). Financial performance and audit quality: comparative study of investor reaction. *Scholars Bulletin*, 5(12), 825-830.
- Tuan, D. A., & Dung, N. N. K. (2024). The influence of factors on the demand for performance auditing in the public sector. *Emerging Science Journal*, 8(1), 95-109.
- Vanstraelen, A., & Zou, L. (2022). PCAOB Inspections and Audit Fees: An Analysis of Inspection Rounds of Small Audit Firms. *European Accounting Review*, 31(2), 345-376.

- Wallace, A. (2005). Factors influencing the performance of tax auditors: An empirical investigation. *Journal of Accounting and Finance*, 15(4), 67-85.
- Wardayati, S. M., Miqdad, M., Efendi, H. I., & Arisandy, F. N. (2019). Performance improvement through internal control, experience and individual rank. *Journal of Contemporary Accounting*, 1(2), 107–119.
- Wulandari, N., Rasuli, & Diyanto, V. (2014). The influence of experience, knowledge, audit tenure, and peer review on audit quality (an empirical study at public accounting firms in Pekanbaru, Batam, Padang, and Medan). *Journal of Accounting Department, Faculty of Economics, University of Riau*, 1(2), 1–16.
- Zam, D. R. P., & Rahayu, S. (2015). The influence of time budget pressure, audit fees, and auditor independence on audit quality. *Journal of Accounting, Faculty of Economics and Business, Telkom University*, 2(2), 1800–1807.



## Group B: Likert Scale Questions

The statement is based on performance appraisal practices and is measured in five Likert scales 1 as strongly disagree, 2 as disagree, 3 as neutral, 4 as agree and 5 as strongly agree.					
	Statements/Scales				
	1	2	3	4	5
<b>Professionalism</b>					
I always act in accordance with the professional standards and ethical guidelines.					
I maintain a high level of professionalism in my interactions with clients and colleagues.					
I take responsibility for my actions and decisions.					
I maintain confidentiality in all aspects of my work.					
I am committed to ongoing professional development.					
I maintain a positive attitude towards my work.					
I ensure that my work meets the required quality standards.					
<b>Competences</b>					
I have a good understanding of accounting principles and practices.					
I possess the necessary skills to perform effective auditing.					
I have the ability to analyze financial information accurately.					
I have a good understanding of the industry in which my clients operate.					
I have the ability to identify potential financial reporting issues.					
I have the necessary knowledge to assess the risk of fraud in an organization.					
I have the ability to communicate complex financial information effectively.					
<b>Role Conflict</b>					
My job requirements can contradict professional standards, leading to conflicts.					
My client's interests may not align with public interests, creating conflicts.					
My personal values may clash with my job's demands, causing me inner conflict.					
Balancing my employer and client obligations can be a source of conflict.					
Balancing my duties to clients with the public's needs can be challenging.					
Other stakeholders' needs may conflict with my duties to my clients.					
Balancing professional responsibilities with personal life is a difficult task.					
<b>Auditors' Performance</b>					
I am able to complete audits within the required timeframe.					
I am able to identify and report material misstatements in financial statements.					
I am able to provide useful and actionable recommendations to clients.					
I am able to identify areas of risk and make appropriate recommendations.					
I am able to communicate effectively with clients and colleagues.					
I am able to work independently and manage my workload effectively.					
I am able to provide a high level of service to clients.					

**Thank You**

# FACTORS AFFECTING AUDITORS' PERFORMANCE IN KATH...

By: Raj Kumar Thapa Kshetri

As of: Nov 26, 2024 2:04:32 PM  
17,553 words - 72 matches - 6 sources

Similarity Index

7%

Mode:

## sources:

405 words / 2% - Internet from 07-May-2009 12:00AM

[www.icaew.co.uk](http://www.icaew.co.uk)

211 words / 1% - Internet from 16-Feb-2022 12:00AM

[www.philadelphia.edu.jo](http://www.philadelphia.edu.jo)

198 words / 1% - Crossref

[Vince Ratnawati. "Factors affecting tax auditors' performance: the moderating role of locus of control", Problems and Perspectives in Management, 2020](#)

187 words / 1% - from 11-Nov-2023 12:00AM

[www.strategicjournals.com](http://www.strategicjournals.com)

181 words / 1% - Internet from 17-Jan-2022 12:00AM

[www.researchgate.net](http://www.researchgate.net)

113 words / 1% - from 13-Nov-2024 12:00AM

[su-plus.strathmore.edu](http://su-plus.strathmore.edu)

## paper text:

ABSTRACT The study is entitled 'Factors Affecting Tax Auditors' Performance'. The major objective of the study is to achieve the factors affecting the tax auditors' performance in Kathmandu. The study has employ the descriptive and causal comparative research design. This study deals with the three types of independent variable (professionalism, competence, role conflict) with their relationship with the dependent variable (auditors' performance). Similarly, the causal comparative research design has tended to establish cause and effect relationship between undertaken variables. The sample size for research is taken of one hundred auditors form Kathmandu who are currently auditing in different audit sectors. Scores on the scale items vary from a low of 1 (strongly dissatisfied) to a high of 5 (strongly satisfied). Primary data has been used for the study through the survey method. A structured questionnaire has been prepared and distributed to the respondents electronically as well as through personal visits. Descriptive and inferential statistical tools were used in this study for data analysis. The descriptive statistical tools include frequency distribution, measures of central tendency, etc. Similarly, various inferential statistical tools and Cronbach's alpha test were used in the study. For the analysis of primary data, SPSS version 25.0 and MS- Excel has been used. In conclusion, the non-significant t-value for the Professionalism coefficient suggests that