

JOINT AUDIT, AUDIT MARKET CONCENTRATION, AND AUDIT QUALITY: PERCEPTIONS OF STAKEHOLDERS IN THE UAE

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Abstract

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The present study is intended to scholarly explore auditors' perceptions regarding joint audits; whether it can improve audit quality. To reach this goal, participants were enrolled from Big 4, non-Big 4, and other stockholders. In addition, the present study examines the perception of the same stakeholders in terms of how audit concentration affects the audit market in the UAE. Being a qualitative study, 12 semi-structured interviews were conducted to collect required data; 4 face to face and 8 through using Google forms. The finding of the study revealed mixed perception regarding joint audits; it may improve audit quality at the cost of high fees and free-rider problems. Findings of the study has practical implication for policymakers of emerging economies around the globe, such as policymakers who can make joint audits as compulsory. Another significance of the present work is that it has allowed for the perception of stakeholders, who are at the center of the controversial subject of joint audits and audit market concentration. The study suggests that there is a need for removing language barriers; it will benefit some firms in the form of directly communicating with auditors either in English or in Urdu.

Keywords: Joint Audits, Audit Quality, Audit Market Concentration, Implications, Perceptions

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1. INTRODUCTION

In proper response to the financial crises, the European Commission (EC), in October 2010 issued a Green Paper on *Audit Policy: Lessons from the Crisis*, the paper proposed number of regulatory actions for

regaining public trust in auditor independence (Zerni et. al., 2012; Haak, Muraz, & Zieseniß, 2018). Among other actions, the paper proposed joint audits as a mechanism for enhancement audit quality (Holm & Thinggaard, 2014; Andre, Broeye, Pong, & Schatt, 2016). However, the proposal for joint audits was

withdrawn consequent to the number of claims that there is not enough evidence that audit policy would lead to better audit quality arguing that instead joint audits are likely to increase both audit fees and complexity (Andre et al., 2016).

The concept of joint audits has its roots back into 1930, wherein Denmark's joint audit was a compulsory requirement both for listed and state-owned enterprises (Ratzinger-Sakel, Audousset-Coulier, Kettunen, & Lesage, 2013) with the similar policy adopted in France since 1966 for public companies (Deng, Lu, Simunic, & Ye, 2014).

A joint audit mechanism is adopted for overcoming the market domination by Big 4, which according to EC reports, harms the audit market. Similarly, the practice of the "four-eye" mechanism is considered as a substitute audit reform to reduce audit market concentration and ultimately enhance audit quality (Velte & Azibi, 2015). Big 4 firms account for 94% of audit firms for listed companies in Member States of Europe (European Commission, 2011; Guo, Koch, & Zhu, 2017). This high concentration ratio attracted the concern of EC; the collapse of Big 4 firms will severely affect the audit market (European Commission, 2010). However, according to Holm and Thinggaard (2014), the EC proposed mechanism of the joint audit was not well received and it has been met with a "fierce opposition"; opponents to this policy based their argument that joint audits will increase audit cost and bureaucracy.

Considering the above, this paper explores the perceptions of auditors and stakeholders regarding joint audits; whether joint audits could improve audit quality and can reduce market concentration. A critical review of the relevant literature exposes that very insignificant work has been carried out regarding Big 4 in terms of market concentration. Similarly, the subject matter of joint audit has not been given much attention by the scholars; particularly its possible influence on audit quality. Overall, very limited empirical work has been carried out on joint audits (Ratzinger-Sakel et al., 2013). The present study significantly contributes in two ways, it is a response to several calls for qualitative research on joint audits (e.g., Ratzinger-Sakel et al., 2013; Holm & Thinggaard, 2014; Holm & Thinggaard, 2016). Second, this study provides a scholarly comparison of perceptions of Big 4 and small accounting firms in an emerging economy, where the accountancy profession is still in its infancy. Commonly it is perceived that small audit firms advocate joint audits as they may get an opportunity to enter the Big 4 firms' market. Contrary to that, Big 4 firms arguably do not support such a policy. Present study provides insights into how the joint audit is perceived by these both sizes of firms.

Findings will significantly help concern policymakers to improve audit quality, especially those considering issues related to audits and joint audits. The current work has been organized as follows: Section 1 presents concepts regarding audit quality and joint audit. Section 2 provides audit market orientation. Section 3 scholarly explains the methodology adopted in the present paper, and Section 5 has been dedicated to the findings, discussion, and conclusion of the present study.

2. LITERATURE REVIEW

2.1. Audit quality and joint audits

A critical review of the earlier relevant studies revealed that the term "audit quality" can be defined in a number of ways (Ojala, Niskanen, Collis, & Pajunen, 2014). Among them, the definition given by DeAngelo (1981) is most frequently cited in the literature, which views audit quality as the auditor's ability to discover and report on material misstatement. However, a significant delimitation of this definition is that it only portrays auditing as a binary process, detection and reporting violations. Because, previously published papers during the last fifteen years suggests that the domain of audit quality is much broader than just simple detection and reporting of violations (DeFond & Zhang, 2014). In contemporary scholarly research in the field of finance (DeFond & Zhang, 2014) audit quality has been given a key place. As a prime component of financial reporting, the quality of the audit system can significantly improve the credibility of financial reporting. Similarly, according to Alfraih (2016), audit quality would improve the value relevance of the financial statement information.

It has been observed that most of the scholarly research regarding audit quality is guided by DeAngelo's (1981), hence the domain of the term "audit quality" is impaired by significant number of scholars as discussed by Barghathi, Collison, and Crawford (2018), external auditors may not report on material misstatements due to, among other things, conflict of interest. Further, the concerns about audit quality persist because of rampant audit failures and corporate collapse (Kilgore, Harrison, & Radich, 2014; Quick & Schmidt, 2018) and joint audits might arguably mitigate this phenomenon.

2.2. Joint audit

In simple terms, a joint audit is a procedure where two different audit firms (big firm and small firm) audit a client based on pre-agreed structure and fee. Hence, the philosophy and opinion of the audit are shared by respective big and small firm that ultimately implies that the two audit firms are sharing the accountability as well (Ratzinger-Sakel et al., 2013; Holm & Thinggaard, 2016). Further, Ratzinger-Sakel et al. (2013) stressed that there is the need for distinguishing joint audits from the double audit, the latter refers to auditing the same firm twice; each audit firm independently performs the work and issue its own opinion. Similarly, a distinction should be made between joint audit and dual audit, as in the dual audit each auditor audits a specific part and provides his/her opinion on that part.

Although a very insignificant body of scholarly efforts has been dedicated to examining the nexus between joint audit and audit quality, mixed results are shown by the existing literature. The following section provides a critical review of the selected scholarly works in chronological order. Zerni et al. (2012) attempted to scholarly examine the effect of joint audit on audit quality in the context of Sweden, an economy where a large number of clients prefers joint audit. There concludes that joint audits significantly improve audit quality. Further, they

stated that in case of a joint audit, the risk is potentially higher and as a result, each auditor would be more conservative; one auditor having the feeling that the other may not perform its audit share properly. They further added that succumb to client's pressure on accounting choices means a higher degree of independence. However, according to Zerni et al. (2012) it worth mentioned that joint audits are associated with higher audit fees. Thinggaard (2014) claimed that this increase in fee is justified by the increase in audit quality that is being provided by joint audits.

Another similar study carried out by Deng et al. (2014) in France, to investigate the probable influence of joint audits on audit quality. In France, it is mandatory for all listed companies, all banks, and other financial institutions along with any organization that prepares consolidated financial statements to appoint two different audit firms. The audit report is shared by the concern firms who jointly sign the audit report; for each audit firm is obligatory to sign the whole report and not just the portion or work he has performed. Their study concluded that joint audit adversely influences audit quality due to the "free-rider problem"; one firm might invest fewer efforts and resources in its audit process, perceiving that the other counter partner is performing it efficiently.

In the context of Nigeria, Okaro, Okaro, and Ofoegbu (2015) attempted to investigate the impact of joint audits on audit quality. In their study, they examined the perceptions of Nigerian accountants, auditors, and academicians in the field of accounting and finance. Their findings exposed that in the case of Nigeria it is perceived that joint audit positively impacts the audit quality and financial reporting as the participants stated that "four eyes are better than two". Although a joint audit is associated with higher fees, however, the benefits outweigh the costs, besides, the risk of overfamiliarity with the client can be mitigated by joint audits.

In the case of French and German listed companies, Velte and Azibi (2015) found an insignificant impact of joint audits on audit quality during 2008-2012. Their findings revealed that joint audit does not add positively to audit quality and market concentration both in the case of France and Germany.

Another similar study carried out by Biscogno and De Luca (2016) to investigate the effect of joint audits on the quality of the firm's financial statements in the case of Italy. In their work, they examined the nexus between double audit and the occurrence of small positive earnings, which could be attributed to earnings management practices and a signal of poor earnings quality. They confirmed that the joint audit system does positively affect earnings quality and the reliability of firms' financial statements.

Considering the existing literature regarding the nexus between joint audits and audits quality, there is a need for further investigations (Andre et al., 2016). In their attempt, they examined the effect of joint audits on audit fees by comparing the audit fees paid out in France with those paid by British and Italian companies; where it is mandatory to apply joint audit. Prior to the investigation, it was perceived that fees paid in countries with higher investor protection (UK) would be greater than

countries with lower investor protection (Italy and France). Their findings exposed that fees paid out in France, where joint audits in mandatory, are higher than those paid in the UK and Italy.

In a recent study, Lesage, Ratzinger-Sakel, and Kettunen (2017) attempted to explore the association between audit fees, audit quality, and joint audits in the context of Denmark. Their findings exposed that joint audits are associated with higher fees and no explicit association was found between joint audits and audit quality. Their study supports the decision of the Danish government in which they have abandoned the joint audit policy since 1930. Most of the literature cited above refers to European and Scandinavian countries, which led the EU to raise concerns about market concentration.

Haak et al. (2018) investigated the possible impact of the allocation of audit work between engaged firms on audit quality in the context of France. Their outcome exposed that imbalance work allocation enhances audit quality in a joint audit setting. A logical explanation for this outcome could lie difficulties in the communications and coordination process that are usually larger in balanced joint audit, further, the "free-rider" phenomenon could also lead to the above outcome; the free-rider effect will be less.

2.3. Audit market concentration

The concept of market concentration has its roots back into the negotiations of the General Agreement on Trade in Services (GATS) by the World Trade Organisation (WTO) in 1998. The prime goal of this agreement was creating a market for accounting and auditing services through abolishing domestic regulations that were considered to be restricting trade and investment. According to Arnold (2005), GATS applies to all types of services and modes of delivery that include: cross-border delivery; commercial presence and staff mobility to highlight at least three. However, due to the extended nature of this treaty, it failed to accordingly protect local accounting firms from the influence of Big 4 who operate globally (Arnold, 2005; Suddaby, Cooper, & Greenwood, 2007). Just as claimed by Guo et al. (2017) the Big 4 audit firms dominate the audit market for publicly listed companies in most major economies, for example in the EU, the share market for Big 4 is about 94%. Although, the expansion of Big 4 could be welcomed due to their superior audit quality, however, it is occurring at the expense of failure to build local capacity that could benefit from joint audits. Further, according to Kermiche and Piot (2016), the audit market dominance by Big 4 firm has been under the monitoring of some regulatory bodies, especially after the collapse of Arthur Anderson in 2002. As some of the scholars suggest that this concentration could result negatively affect audit quality (Huang, Chang, & Chiou, 2016). Potential threats as noted by Kermiche and Piot (2016) can affect both supply and demand sides of audit market such as lack of choice on the demand side and lack of competition on the supply side, and overall lack of international supervisory oversight.

For example, the European Commission report (EU, 2011) has also expressed their concern about audit market concentration by Big 4 firms, as the

collapse of any of the current Big 4 firms will adversely affect the entire financial system. Further, according to Bandyopadhyay, Chen, and Yu (2014) market domination by a few firms can enable those firms to significantly influence the regulatory bodies. It is also accepted that higher market concentration will significantly reduce clients' choice and result in complacency between auditors; audit fees may increase with decreased audit quality. Hence, it can be concluded that the existing literature provides mixed results about the effect of audit market concentration on audit quality (Huang et al., 2016).

To overcome the problem of market concentration, the EU has proposed mandating joint audit policy. Their suggestion resulted in a controversial debate and consequently, the EU has changed its proposal and requires audit firm rotation after 24 years, however, the EU still advocates joint audits (Guo et al., 2017). Policymakers and experts in the field suggest that the success of EU policy would have resulted in a significant reduction of autonomy status gained by the Big 4 through lobbying for the GATS agreement and might have gone a long way in leveling the ground between large and small audit firms. It has been observed that joint audit policy is explicitly opposed by corporate clients and Big 4, however, could be more compelling in emerging economies where the accountancy and audit profession is still growing. On the other side, the policy is strongly welcomed by 2nd Tier accounting firms who argued that joint audit will improve audit quality and reduce audit market concentration (Guo et al., 2017). Because the small and medium firms consider that they will benefit more from joint audits, due to exposure to new markets and access to the resources of bigger audit firms. By engaging only bigger firms, emerging economies may inhibit poverty reduction by diverting funds paid in audit and consulting fees to Big 4 firms that are based in richer nations (Hossain & Sen, 2012).

It has been commonly perceived that Big 4 firms provide higher quality audits (Francis & Yu, 2009; Lawrence, Minutti-Meza, & Zhang, 2011) and from the client perspective, the audit of the company by Big 4 firm means company's commitment to high-quality financial reporting (Mokoaleli-Mokoteli & Iatridis, 2017). Factors that contribute to Big 4 market-dominating position are the specialization of the audit services, size of the audited companies, economies of scale, structured audit methodology, the demand for audit quality, and the demand of an auditor with a reputation (Moctezuma & Benau, 2017) and global staff mobility (Arnold, 2005).

Review of the literature revealed that the nexus between joint audits, audit quality and audit fees have largely been examined in the context of developed economies and very insignificant body of work explore the experience Middle East countries such as Kuwait and Libya where joint audits are mandatory. An attempt by Al-Hadi, Habib, Al-Yahyaee, and Eulawi (2017) is an exception to this situation, where he examined the effect of joint audit on the cost of debt in the Gulf Cooperation Council (GCC) region. In their study, they specifically examined the relationship between joint audits and the cost of debt for a sample of non-financial listed

firms from GCC and concluded that joint audits negatively affect the cost of debt. However, they found that a joint audit increases the credibility of financial statements by reducing earning management practices in companies. The present study explores the perceptions of shareholders regarding joint audits in Dubai. The sample city Dubai has been chosen based on the fact that its audit market is explicitly dominated by Big 4 firms' in-addition to the intention of developing and building the capacity of small audit firms and local firms. Further, Dubai has been chosen because financial reports are prepared in the Arabic language. In recent years Dubai government embarked on an Emiratization project, and we postulate that it could, in the long run, be extended to the accountancy and audit professions. The Dubai economy is also characterized by family ownership of enterprises and Islamic Financial Institutions, therefore, more involvement of the locals through joint audits may pay-off in the long run as they can bring about this rich cultural contextual understanding to the audit process.

3. METHODOLOGY

The present study is intended to explore the perception of different stakeholders regarding issues related to joint audits, hence based on the nature of the present study, a qualitative approach has been adopted for scholarly examination of perceptions of different stakeholders. Semi-structured interviews were conducted for obtaining more insightful results. According to Nkwi, Nyamongo, and Ryan (2001), qualitative research refers to the analysis of data that could not be assigned ordinal values and the methods that have a descriptive and/or narrative outcome concerning the practice or setting (Parkinson & Drislane, 2011). Considering this, the qualitative approach has been adopted for a detailed understanding and critical analysis of the research objectives and to derive a conclusion. The semi-structured interview had provided an opportunity for the respondents to record their true responses openly; the interviewer had ensured that the interviewee remains on the topic. To reach the objective of the study, the following questions have been designed:

RQ1: Do stakeholders think that joint audits can promote audit quality?

RQ2: Do stakeholders think that market concentration has any implication on the audit market?

Being a qualitative study, 12 semi-structured interviews were conducted; 4 face-to-face and 8 using Google forms. Interviewees were categorized into 4 categories: Big 4 auditors (BA); 2nd Tier auditors (SA); Regulators (RG); and Users (US), this group was mainly composed of academicians. To compensate for the limitation of the small study sample, extended and lengthy discussion was carried out with every respondent. The purposive sampling procedure was adopted for collecting desirable data from the study population; the interviewees were selected on the basis that they possessed knowledge and experience relevant to contributing to the research objectives.

Table 1. Interviewee groups

Interviewee	Position	Type of organization	Years of experience	Professional qualification
RG1	Manager	Regulatory	Over 15	ICAEW ¹
RG2	Senior	Regulatory	Over 15	CA Pakistan ²
RG3	Member of Board	Regulatory	Over 15	CPA
BA1	Partner	Big 4 audit firm	Over 15	ICAEW
BA2	Auditor	Big 4 audit firm	5-10	ACCA ³
SA1	Partner	2nd Tier audit firm	Over 15	ACCA
SA2	Auditor	2nd Tier audit firm	Over 15	CA India ⁴
SA3	Auditor	2nd Tier audit firm	Over 15	CA India
SA4	Auditor	2nd Tier audit firm	Over 15	ACCA
US1	Academic	University	11-15	ACSI
US2	Investor	Private	Over 15	FCA India
US3	Preparer	Private	11-15	CA Pakistan

¹ The Institute of Chartered Accountants in England and Wales

² The Institute of Chartered Accountant of Pakistan

³ The Association of Chartered Certified Accountants

⁴ The Institute of Chartered Accountants of India

4. INTERVIEW FINDINGS

4.1. Audit quality definition and audit quality in the UAE

Initially, the study participants were asked two questions, one about the definition of audit quality and second about their respective perceptions about audit quality in the UAE. The first question was intended to explore the opinions of study participants about the concept of audit quality. The literature revealed that the term audit quality could be defined in a number of ways for some it is the compliance with the professional standards, just as, RG1 has stated:

"To me, audit quality is giving the right opinion in accordance with professional standards and simultaneously ensuring that that opinion is properly understood by the reader. That is a single definition".

Another similar definition was provided by SA4, a 2nd Tier partner, he stated that:

"Consistently and sincerely meeting the international standards of auditing".

The procedure followed during the audit process has also been referred in defining audit quality, just as pointed out by RG2:

"I think the definition of good audit quality has two components from my point of view; the first component is that the opinion is duly supported by evidence on file. And if you take a step back before that is the risk of that particular company has been appropriately identified and then going to an audit opinion or the evidence, which has been gathered".

Other study participants have also followed the same logic such as SA1 and SA3 have provided the following quotations respectively:

"Audit quality for me depends upon the context; from a technical context, it is making sure that all the risks have been correctly identified that could be present within that audit. And appropriate audit strategies and mitigations have been put in place to ensure that these audit risks have been addressed, that for me is the key pillar in the audit quality".

"Audit quality means to me a comprehensive understanding of the key risks that could impact the financial statements and astutely translating that understanding into an effective audit plan to address them. These risks go well beyond the numbers — they include risks specific to each company's business, industry, management team, IT system, and control

structure. The quality of the audit is a result of the performance of the audit team in planning and executing the audit and the system of quality control of the audit firm as a whole".

More particular, being skeptical could enhance audit quality, BA1, for example, defined audit quality as follows:

"As auditors, our role is to give assurance to the stakeholders who are interested in the financial statements so that they can rely on the financial statements as being true and fair not materially misstated. Audit quality to me means that within the audit we have enough checks and balances to make sure that we are 99.99999% certain that when we are signing we can stand behind. So, it starts from the mindset that you have as an auditor in that you need to be skeptical".

It is not surprising to get different opinions for the stakeholders regarding audit quality (Smith, 2012; Knechel, Krishnan, Pevzner, Shefchik, & Velury, 2013; Barghathi et al., 2018) hence, to sum-up, it could be concluded that following risk-based approach towards audit could result in improvements in audit quality. Similarly, compliance with internationally adopted standards also results in the enhancement of audit quality.

The second question explores the interviewees' perceptions regarding the audit quality in the context of the UAE.

Study participants exposed that the overall quality of audit in UAE is below the international benchmark level. A justifiable explanation for this phenomenon could lie in the presence of Big 4 firms in UAE, as these firms are providing a higher quality of audits than small and medium firms. Further, at the same time, there is a lack of audit regulation for monitoring, reviewing, and inspection all of which are resulting in deterioration of audit quality.

Following direct quotations of the study respondents explicitly highlight these flaws in audit regulation in the context of UAE.

RG1: *"I think it is very variable. I think generally, the larger audit firms are operating in accordance with the international standards on auditing and they have a system of enhanced review that ensures a certain level of quality. Having said that, I think there are some audits that are not done similar to other audits".*

SA1: *"Uh, when I compare it... I mean, this is where I do have the advantage of working in other markets; audit quality here is not as good as the*

western markets... absolutely no doubt about it. The western markets are heavily regulated".

SA3: "Regulation over the audit industry is under-developed. Hence, there could be potential for non-adherence to auditing standards though most of the firms do comply with International Standards on Auditing".

SA2: "The quality of audits in the UAE varies greatly. Particularly, one is able to locate audit firms who strictly adhere to the Standards on Auditing and firms who care the least about standards".

BA2: "In my opinion audit has become more of a business and less of quality service. This is also driven by the low level of governance in this part of the world and also the expectations of organizations from the auditors. The organizations only expect a sign on the audit report in the least cost possible and unfortunately, this is what the audit firms have also started focusing on".

Lack of monitoring and follow-ups by concern government authorities is a prime factor behind the low quality of audits in UAE, as communicated by study respondents, such as BAI, has identified the missing role by the Ministry of Economy to monitor and review the work of auditors after being licensed. He indicated:

"I think the biggest challenge is that there is not any regulation for the audit profession here in the UAE. So, we get licensed by the Ministry of Economy and they do a lot before they give us the license in order to make sure that we have the qualification, the experience, etc. But then after we get the license, the Ministry tends to leave us alone, there is no following up".

Further, SA4 has also communicated the same perception that the audit quality in UAE is significantly low as compared to the economies with high or tight regulatory systems. However, recently the UAE government has adopted put in place world-class regulators such as Dubai Financial Services Authority (DFSA) and Abu Dhabi Accountability Authority (AAA). Considering the fact at the present there is no highly professional and qualified institute of accountants and auditors that supervises training locally, it may take long before to achieve high audit quality, aside from the Big 4. Khalifa (2012) described the audit regulation in the UAE as still fragmented, with the government has issued the Federal Law No.9 of 1975 on organizing accountancy and auditing, followed by Federal Law No.22 of 1995 - UAE Auditor law. Among the clauses in this law is allowing non-nationals to practice auditing if they hold a fellowship from one of the accounting institutions that are approved by the Ministry.

4.2. Big 4 audit market domination

This section of the paper reviews the perceptions of the study participants regarding the quality of audit provided by the two types of accounting firms (Big 4 and non-Big 4). Similarly, the participant's views regarding the implication of audit market domination by the Big 4 accounting firms were also sought. In this respect, study participants were initially asked whether they think that Big 4 provides higher audit quality and why.

The analysis exposed that the majority of the study participants believed that Big 4 provides a higher quality of audit services and for the

justification, they communicated some reasons such as Big 4 firm possess state of the art resources along with a qualified and trained human capital. Just as stated by SA1¹ that Big 4 firms tend to invest heavily in the human capital (gave them training and equip them with modern technology) that enable their professionals to provide higher quality services. Further, the Big 4 firms get to derive the advantage from across the countries' mobility of their staff; GATS Article VI: 4 clause, a privilege that is not available to small firms.

Further, the study participant shared that another justification for the higher quality services of Big 4 firms, according to RG1, is their broader network and extended experience in certain industries. RG1 further shared that though Big 4 provides higher quality services, the 2nd Tier firms may well have some very good quality within. However, RG1 only expressed concern about the audit quality of very small firms. RG1 further elaborated his case as below:

"If you take a bank for example, with global branches around the world, very few firms are able to have the reach to be able to audit robustly an international bank... Resources are the key. But it is many things. Firstly, it is the quality of the people that they recruit the experience that they give to them because you can't audit a bank unless you have already audited a bank and you have experience in that. It is the remuneration that they give to them to attract and retain good quality people (again resources). Having got the resources, it is the international network. Because you can't audit a bank unless you can audit the corresponding banks with whom they do the business in different countries. You need to be able to access that information. Equally, you have to ensure that across the network there is a consistency of qualities. So, that if you have an operation in one country, it is operating as per the international standards rather than that which is possible in another country jurisdiction. It is resources; it is reached; it is expectations, and its skillsets and experience".

In terms of nexus between audit quality and firm size, RG2 shared a different opinion, according to him although there is a general perception that Big 4 firms provide higher quality audit services, however, he thinks that the audit quality primarily depends upon the partner who is involved in the audit rather than the firm's classification. To explain his case he shared the following:

"I think it is a perception that they provide a higher or better audit quality. This is my point of view rather than that of the organization's that I work for, I personally believe that it depends on who is the audit partner (the personality) and it is the interest of the person".

However, one could arguably claim that Big 4 firms possess larger resources that enable them to recruit highly qualified professionals and give them required training, therefore, partners within Big 4 are perceived to be better qualified and trained.

RG2 added that:

"We can talk about what could be a good quality enabler and definitely the Big 4 has much better resources to provide those enabling technology so, if

¹ SA1 is currently work for a 2nd Tier. however, he has spent 15 years working for Big 4 firms during which he has been to a number of training. He describes that by "I have been extremely well-trained".

you have a paper-based audit versus a paperless audit and have a better software to do the audit, the chances are that you will not miss the key areas of audit”.

Further, BA1 also shared that access to and possession of resources are a prime determinant of high-quality auditing services of Big 4 firms because the resources enable them to invest in people, who is a partner for a Big 4 firm. He further stated that though Big 4 provides high-quality auditing, non-Big-4 (2nd Tier) also provides reasonably good quality services (but not as higher as Big 4) and that the concern would only be with those small firms. BA1 defines a small firm as:

“... So, I know within [my firm], if I am doing an audit here, I am following the same methodology that I would be following if I was in London and everywhere else in the world. I think the larger firms all have that approach. So, I think the audit quality for most of the bigger firms here is pretty good. I think the challenge that we have in UAE is when you go beyond that, when you get to the smaller firms ‘7-8 people’s firms’ (not the 2nd Tier ones), with one or two people that have signing rights as partners, some of them are very good and some that are not very good”.

On the other hand, some other interviewee had different views, for example, SA2 referred to audit failures by Big 4 as an indication to their lower audit quality, he stated:

“It will not be correct to generalize the statement. We have seen cases where apparent errors in financial statements were not reported by even the Big 4 audit firms. Hence, it cannot be concluded that Big 4 provides higher audit quality than non-Big 4 firms”.

Further, RG3 shared the opinion that Big 4 firms may deliver high-quality services for big size firms, however, the situation may differ in case of small and medium-sized firms, he explained as:

“Not for small and medium-sized companies operating locally. The audit quality in these circumstances depends mainly on the partner in charge of the audit. Yes for large or multinational companies: the Big 4 generally provide better quality due to several factors: capacity to assign large human resources to the audit of a large group; specialization of audit team in certain sectors like banking, insurance, energy, manufacturing, communication, etc.; capacity to audit several subsidiaries of a group located in different jurisdictions under the umbrella of the same network and the coordination of a central team; possibility to use specialists who can bring their expertise to the audit team for complex issues like tax, actuarial matters, IT, review of assumptions and preparation of business plans; common audit approach used by any member firm of the network assigned to the audit; common audit enabling tools embarking new techniques like audit analytics, visualization, etc.; more robust system of internal quality control procedures, including independent review of audit files prior to issuance of the audit opinion; capacity to call on risk management team, and other technical support teams for complex independence /audit/accounting issues; greater experience of large audits and their specificities”.

The benefit that the Big 4 firms derived from the number of above-mentioned advantages would

apply to certain industries such as banking and multinational companies. However, study participants shared that for local companies and other specific industries the non-Big 4 firms might provide comparatively better quality auditing service. Such as according to BA2 the non-Big 4 can provide higher quality audits, however, due to some limitations, this may not be achieved. He explained:

“Definitely they can better the quality of audit. However, because of the low audit fees, this doesn’t enable the audit firms to spend the required time on the audits in order to provide a high-quality audit. Also, non-Big 4 audit firms would need to invest in the advanced audit techniques of the modern era”.

Particularly, the study participants were asked whether non-Big 4 companies (2nd Tier) have the capability to provide high-quality audit. The study participants shared the beliefs that in certain cases non-Big 4 could provide higher quality audits; however not just like the quality of Big 4 firms. Such as RG3 stated that as small firms are operating locally and are familiar with the local business environment, he explains this as below:

“Yes for small and medium-sized businesses operating locally the main factor impacting the audit quality is the partner leading the audit: the capacity for this partner in charge to be available and close to the governance bodies of the audited entity, his personal professional training, and seniority /experience are key factors for a quality audit for companies of that size”.

SA1: *“I think they can and in some scenarios maybe even better quality. For example, the Big 4 got all the big listed ones that they are dealing with first. So the other ones that are not part of the FSTE 100 or S&P 500, they are not getting the same service, because they are lower down the pecking order”.*

RG2 thinks that non-Big 4 are able to provide good quality audit but there are certain areas and things that they should be looking at.

He added:

“I, particularly, have sympathy for the 2nd Tier firms, especially the ones immediately after the Big 4, because, by branding, people just expect that they come after the big ones, so they are not Big 4, so they should be charging fewer fees. They are sitting right in the middle there. So, where the pricing level is concerned, people want to associate them with the smallest firms, as to why they are charging so high in comparison to the top 10 or top 20. But when it comes to the audit quality, they are being compared with the Big 4, like ‘oh you’re immediate Big 5, 6 ... there is a niche market there, where they can provide a very good quality given a reasonable price”.

A similar opinion was shared by SA1, as there are some big companies, not enough big to be chosen by Big 4, they should contact 2nd Tier for auditing, there they will be treated in a desirable manner. He further explained:

“For example, a listed company likes Rolls Royce, because you know that we are going to pamper you because you are going to be one of our top clients. But they might be a massive client for us and they are a very decent size company but they are a small fly for the Big 4”.

On the other hand, some other interviewees were of the view that non-Big 4 might be subject to some limitations, SA2 noted that lack of well-

qualified staff could deter non-Big 4 from providing good audit quality, he shared the following:

SA2: *"It cannot be generalized. While non-Big 4 have added advantage such as the possibility of greater client interaction, it may not be always possible for firms to deliver quality audits. The main limitations could be factors such as availability of well-trained staff, access to knowledge resources and the level of technical support."*

A similar opinion was shared by BAI, as he stated that possession of comparatively limited resources by non-Big 4 firm deter them from providing enhanced quality auditing service; specifically when it comes to a public company that would normally be audited by a Big 4. He further stated that it is a common observation that public companies are being audited by Big 4; this is due to the perception of the general public that Big 4 provides higher quality audits. BAI explain his case as:

BA1: *"Well, honestly, when I say non-Big 4, I mean the 2nd Tier, to make a sensible comparison. I think the challenge that the middle tier firms have is that they do not have the resources and the expertise to do big audits. So, for example, a 2nd Tier firm, if it was to do the audit of a bank or a large oil company. They would not have the experience within their firms of doing those audits. So, if you look at all the banks in the UAE, they are all audited by Big 4, that is because there is nobody outside the Big 4 that would have experience of doing bank audits. So, it becomes difficult if you haven't done a particular industry before, to come in and do an audit first time round. And a lot of board of directors they would not appoint a non-Big 4 firm to an audit, because I know, when we are doing a tender for work, so if a new client comes in and says we want you to our tender... one of the things that the board of directors are looking for is that they want to know, you as [Big 4], who are your clients in the same industry as us. And you as [Big 4] the people that you are sending on your audit team, what experience they have of auditing other companies in our industry. And this is where the non-Big 4 firms will have be faced with a difficulty because the way that the market is at the moment, Big 4 firms do all the large government audits, all the large public company audits. It is very difficult for a non-Big 4 firm to break in because they do not have the experience so the boards of directors do not feel comfortable in appointing somebody to do something if they have not done before"*.

BA1: *"It is largely because of their experience, it becomes very difficult for a firm that is not in the Big 4 to be able to grow and to do the bigger clients because they do not have the experience..., yes, because large clients will never appoint anybody other than the Big 4 to do their audit... it is not just the company themselves, it is like, they will want their financial statements to may be taken to the bank to get loans and finances and if you are a public company in the UAE and you do not have a Big 4 audits, the banks will ask why it is very strange. The shareholders as well will expect that a public company will have a Big 4 audit, so you will almost have to explain why you are not appointing a Big 4 firm, which makes it really difficult for you to go somewhere else. For smaller companies, private companies, family companies, they have less of a challenge; they have the ability to go and appoint a*

non-Big 4 firm if they want. I think non-Big 4 can provide a good quality audit for certain types of clients.

BA1: *"The market perception almost expects that, for example, if X [a big client] stands up and says... it is no disrespect to [non-Big 4], but it is just that the market expectation is that a company like that would have a Big 4 audit"*.

Participants shared the perceptions that possession of limited resources by non-Big 4 as compared to Big 4 is the prime reason behind low-quality audit services of non-Big 4 firms. In this regard, RG1 and US1 respectively shared their opinion as:

"I think non-Big 4 can provide quality audit. If they invest, have the right people, if they choose carefully their market segment and if they do not stretch themselves too wide. For example, a non-Big 4 firm could not audit a global bank. In fact, even some of the Big 4 firms struggle to audit a global bank. I do feel that the 2nd Tier can be a specialist in the hotel and tourism sector. May be other sectors as well, but where they specialize in this sector".

"No, as they might be constrained by financial and manpower resources".

The present section concludes that possession of a huge amount of resources, qualified and professional team build through human capital investments, international network, expertise in certain industries, and public perceptions are the prime reasons behind high-quality auditing services of Big 4 firms. The next section presents the perceptions of participants regarding market domination.

4.3. Audit market domination

A review of the relevant literature suggests that around the globe the audit market for the public listed companies is dominated by Big 4 firms with no exemption to the UAE. As stated by RG2 that Big 4 is controlling more than 80% of the UAE market, he shared this belief when the interviewer asked him about his concern of the domination by the Big 4 firms.

RG2: *"I wouldn't answer it with a "Yes" or "No". If you look at the numbers, if you look at the UAE market, the regulated market, the public listed companies, roughly around 150 or 160 companies, listed entities on three exchanges in the UAE predominantly 87% or 88% are audited by the Big 4 firms"*.

Similarly, participants admonished while referring to the fact that Big 4 are dominating the banking industry.

BA2: *"Yes, banks and regulators accept mostly Big 4 audit firms and that will be difficult to break through"*.

The respondents were further asked about their concern regarding the implication of Big 4 domination of the audit market. The majority of the study participants expressed no concern about this; however, they replied that a more competitive market will yield more beneficial results.

RG1: *"I am not sure if it is a problem as much as it is less than desirable. It is good to have more competition. I feel that it would be devastating to reduce to Big 3. And I think it is healthy to have a Big 5, 6 or 7 something like that. Mainly it is because of*

competition to avoid complacency. Because inbuilt with complacency is the possibility of audit suffering.”

Similarly,

SA1: “I think it is healthy to kind of have a little bit less of cartel in place, shall we say. I think the market will benefit from a better presence and a better input from more than four. Especially in a growing economy and market, it will be beneficial... I think the sector is probably consolidated too much. Five-to-six seems like a good number.”

BA1: “I think the market share at the moment is ok, if the number of firms was to become smaller then it would definitely become a significant concern.”

From an academic perspective, it seems quite different, according to US1, the market domination would seriously affect the economy, he commented:

US1: “Yes, as collectively they enjoy a high degree of oligopoly.”

The question of why Big 4 are dominating the audit market was also asked and interviewees have referred to audit quality drivers for Big 4, which have been reported earlier, as the reason behind market domination by Big 4. These can be listed as resources, network, experience, public perception (brand name). The following statements further explain these drivers.

RG2: “Few things actually, one of which is an investment into technology, which is of particular interest to all of us that how these technologies would impact things. Second, investment in people.”

RG1: “It is resources as well as investment. [...] Second point is to do with technology to look at the audit of the future is going to be significantly dependent on the technology. The business of the future will be much focused on technology. We take, for example, the often talked about the future of the blockchain, whereby a lot of business, a lot of individual controls are eliminated because it is taken over by computerized functions. Now, to audit that, will take other types of specialists and will take a high degree of investment in technology to audit and most firms cannot afford that. Hence, you are going to be gravitating back again to a Big 4 concept. And maybe even people talk about firms like Google or other such technology providers are the auditors of the future, because they have bigger reach and ability than even Big 4 has.”

SA2: “The main reasons, in my opinion, are: benefit from the network; brand names which aid silent advertisement; acceptability of financial statements by financial institutions; a presumption by the general public that audit performed by Big 4 will be of higher quality compared to other firms.”

RG3: “Several factors can be mentioned: financial capacity to adapt quickly their internal organization and methods to a rapid changing world (for instance embarking data analytics into the audit approach); financial capacity to develop their size and nature of services provided to clients notably by external growth; large and readymade insurance coverage that allow them to take bigger and riskier engagements and make the client more confident in case of any engagement going wrong; worldwide presence; image and reputation that provide confidence to the clients.”

US1: “Financial and organizational power supported with their ability to influence government and private sector.”

4.4. Joint audit

Technically joint audit is a situation where two firms, a Big 4 and non-Big 4, jointly audit a company. They structure the procedures and distribute the fee on the basis of the agreed procedure. This section presents the perceptions of study participants regarding the joint audit, and if applied, would lead to better audit quality.

For BA2, it is the case that joint audits will improve the quality of audit basically because of the notion that four eyes are better than two (Okaro et al., 2015).

BA2: “Yes, they would, because of another eye on the work of auditors”.

Other study participants, particularly RG1, RG2, and BA1 advocated the theory that joint audits would promote audit quality only if it was properly brought in. Because, based on their respective personal experience, joint audit adds little to the quality as the whole work is being done by the involved Big 4 firm. They shared their perceptions as below:

RG1: “I think imperatively one would look at the French, which I do not know too much about. Conceptually, I can see and understand the argument that joint audits might give better quality particularly the concept of four eyes better than two. But in my limited experience, where I have been involved in joint audits I have noticed that there has been a disparity in the size of the audit firms involved. There tend to be Big 4 auditors and a non-Big 4 auditor and no surprise, the Big 4 auditor has more resources and more experienced and able staff than the non-Big 4. Then, you use the phrase “free-riding”, I have not heard that expression but I have experienced the impact. This is typically what I have seen that the Big 4 found it cheaper and less effort to do the 100% audit and pay some money to the other auditor for them to mess about, doing whatever they wish to do. Rather than proper meticulous planning and assessment and sharing of the work, whereby there is clear appointing and so forth. And, I think, this minimizes their risk (The Big 4’s) or they end up allocating the work in a way where the areas where there is insignificant misstatement is allocated to the non-Big 4. And that does not help anyone very much. Because the non-Big 4 firm then does not develop any expertise or learn much and the other aspect that might be driving this is to do with business considerations such as PII (Professional Indemnity Insurance) as you know audit firms in many jurisdictions are required to have PII, in case there are claims brought against the firm. There must be considerations if they are not doing the whole audit themselves as to the impact it might have either on premiums or their ability to get cover. Now, in concept, this can be overcome by the Big 4 firm reviewing all the work carried out by the non-Big 4 firm and for the actual benefit the non-Big 4 firm should review all the work of the Big 4 firm because that is how they will learn. So, conceptually it can be a good idea. It is achieving two things: better quality; four eyes better than two and learning and bringing on and developing non-Big 4 firms if they can gain the experience. But the practices the pressures of the commercial world, whereby the company being audited wants to minimize their audit fees and, therefore, the work is under pressure to reduce time

to make sure it is efficient and effective and that has ramifications for the allocation of the work.”

However,

RG2: “...If It is done well, the auditors should have integrated planning so there is one planning and that is shared and there is clear allocation of audit areas between the firms and those firms independently and effectively carry out their work and that work is subject to cross review by the other firms to make sure that the quality is maintained to the required standards of each firm.”

BA1: “I think the way that it is currently structured in loads of countries it does not help. The Kuwait example makes no difference to audit quality whatsoever. And I have worked on joint audits here in UAE, where companies have decided to do it voluntarily; it has probably raised the level of assurance from 99.8% to 99.9%. I don’t think it had made a big difference to audit quality because that was a situation where two firms were signing the same report, and we were both working together on concluding on issues. Again, it made some difference in that you had a little bit of challenge coming from your joint auditor but in my experience, the best approach is the one that you outlined earlier, where you have two firms to do two independent separate audits. That would undoubtedly be the best way for increasing audit quality but the challenge with that is the huge cost. And it’s not just the cost of having to pay for the same thing twice, it is also the finance team, who has to deal with two auditors and that is going to be incredibly frustrating for many companies, I would have thought. Yeah, it could never be completely independent.”

“Yeah, if joint audits were brought in properly, it could help. It might be a question that you are going to talk about later on. My perspective on joint audits is that wherein the Middle East there are countries where they say that you must have a joint audit. Kuwait, for example, in practice, what happens in Kuwait is that the small firm does no work, the Big 4 firm will take a lead on the audit, and the small firm will not be free-riding necessarily, but it won’t be driving the work. So, they won’t be taking responsibility for a particular area of the audit. They won’t be doing the whole thing; they will be involved in places. But, to be honest with you, still, the Big 4 firm is doing the audit; the smaller firm is there just to comply with the law.”

Other interviewees seem to favor joint audits and do think that such a policy would promote audit quality, however, in certain circumstances. For example, if a joint audit was adequately governed. To SA3, for example, joint audit promotes the quality, as “Two heads are better than one”. For SA2, the joint would increase audit quality by reducing audit risk; it will assist auditors with identifying material misstatements.

SA2: “Joint audits between Big 4 and non-Big 4 firms could assist better audit quality. While each firm would be independent they will issue a single audit report thereby encouraging discussions between auditors on contagious issues. It would also increase the possibility of identifying material misstatements.”

US1: “Yes, as it enhances the levels of transparency.”

SA4: “Yes if there was a world-class regulator for the UAE which had the capability to issue

sanctions – for example, a DFSA or ADAA for the whole country – it would provide a consistent level of quality for public interest entities where joint audits could provide a greater level of quality and transparency for the UAE as a natural hub for the region.”

RG3, who according to RG2, is a great advocate of joint audit, shared his perception regarding joint audit as:

RG3: “Joint audit has several advantages: it provides a double view on the fairness of the audited financial statements of a company; may put more pressure on each of the auditor because the quality and relevance of the audit work done by one of the two; should be reviewed by the other professionals; potentially brings more capacity of human and technical resources to the audit if necessary; may avoid having a one-way dialogue with the audit client (in case of disagreement with the client on audit issues the view of 2 different professionals from 2 different audit firms is more influential). To work best the full cooperation between the 2 auditors is crucial: cross review of work, attendance of the 2 auditors to each of the important meetings with the client governance bodies; joint audit may be less efficient for small audits, for instance for companies not preparing consolidated accounts.”

This section revealed mixed responses from the study participants regarding the positive influence of the joint audit on audit quality. Some of the study participants shared their belief that joint audits would increase audit quality simply because of two heads better than one. Other interestingly shared their experience with joint audits where, according to them, most or all of the work is carried out by the Big 4 firm while the other firm can be a free rider. The next section presents the implications of the joint audit.

4.5. Joint audit implications

This section presents the perceptions shared by study participants regarding the implications of joint audit policy. Generally, all of the study participants agreed that the implementation of the joint audit policy will be associated with a number of implications. Such as BA1, shared that in addition to cost, joint audits will bring implications to both auditors and clients, as both will spend more time and effort to reach an agreement especially when it comes to estimation.

BA1: “... But it is going to be very difficult for clients because they also have their estimates. They will work within this range and now suddenly their auditors are coming and saying you have to work within this range, it is going to be very difficult for clients, they will feel very restricted by the fact that they now have two sets of auditors that they have to keep happy. Not only will that add to the cost and the time but it will also, I would imagine, be very frustrating to them. Every decision you make, you now have two different people to agree to that decision”.

In terms of reputation, Big 4 may face implications, because (according to RG1) Big 4 firm may decide to re-audit the work of non-Big 4 to ensure the required quality. Further, Big 4 will have to reconsider the indemnity insurance. In this regard RG1 shared the following:

RG1: "Big 4 firm because of its reputational risk, and because of its professional indemnity insurance, will attempt to make sure that it covers risks in all important areas. Now, ideally, there could be a rotation of audit areas. Now, I think these forces, the allocation of work, important areas to be given to non-Big 4, because of the risk to the Big 4 firms they will put extra effort in assisting and reviewing the work carried out by the non-Big 4 because they are exposed from a reputational point of view. So, just having the joint audits will not solve the issue in my point of view because some non-Big 4 will be happy to do nothing and get paid for it. The Big 4 will be happy to do that; treat it like a tax and just say we are going to do the whole audit because it is more cost-effective to do it that way. That achieves nothing."

He added:

"What you need to do, is to make sure that the non-Big 4 firm is fully engaged and to do that, there must be an expectation to rotate the important audit areas. Now, one worries here about quality because if it is inexperienced, i.e., the non-Big 4 firm is doing the key audit area you can end up with a mess that the opinion will not be right. The Big 4 firm cannot professionally allow that to happen, therefore they will need to invest the time to shadow and review the work carried out by the non-Big 4 firm, which hopefully will have the desired results that it will transfer knowledge, skills, and experience to the non-Big 4 firm, hence enhancing their capability. It will cover the risk and give a robust audit opinion. However, it will take additional time and the negative effect will come in terms of high audit fees. If that happens, then there will be people cutting corners, and having a negative effect on quality".

Similarly, RG2 shared the concern about consistency between two auditing firms; a potential implication of joint audit. RG2 explains his concern as below:

RG2: "I think that the biggest implication would be a consistency of the audit quality. No two firms are ever the same; even no two partners in one firm are the same, so if you put two different partners for P&L side and balance sheet side although they would adhere to their companies' policies, but the style of their audit is different."

When answering this question, RG3, explains how joint audit would be successfully applied.

RG3: "To be successful the joint-audit need a comprehensive legal and professional framework applicable locally. This should encompass the existence of a detailed auditing standard specific to the organization of an audit between 2 different auditors (including assessment of audit risks, audit clarification, share of work, cross review of the audit work, at least), determination of the legal rules that should prevail to govern the split of legal and financial responsibilities between the 2 auditors if the audit goes wrong, requirements for the 2 joint auditors to belong to 2 different and independence audit firms."

Whatever the implications are, they can be managed according to SA4, by having proper regulation in place. He indicated:

SA4: "There are risks with a joint audit but these can be mitigated by clear regulation".

While sharing his perceptions, SA2 shared a list of implications joint audit policy, however, he also

stated that despite all these implications joint audit policy will remarkably improve the audit quality.

SA2: "The implications of joint audits could be: increased audit costs; increased time for performance of audit; increased management involvement and interaction with auditors. At the same time it will benefit in following ways: reduced audit risk; greater interactions between auditors on contagious issues; greater professional judgment/skepticism; enhanced audit quality."

5. DISCUSSION

The EC Green Paper regarding audit policy and joint audits serve as a great motivation for the present paper, however, the case for joint audits in emerging economies is more compelling. For the last four decades, the Big 4 firms have been working in the UAE, and both businesses and government have been looking forward to them to assist in building local capacity. Study participants shared the belief that there is a lack of effective and strong regulatory system mechanisms in the UAE, which would make it easier to implement and monitor joint audits. Khalifa (2012) described the UAE audit regulation as fragmented, mainly, because it follows practice and has not been proactive. Further, the UAE AAA although established in 1997, does not provide training nor it issues a license to its members; licenses are still issued by the Ministry of Finance. Gradually intentional reforms can be carried out, even if that entails amending schedules to GATS Article VI: 4 as has been the case with the United States (US) where licensing of CPAs is done per state and there is a restriction based on residency rules.

The study participants further mentioned that joint audit adversely influence audit quality due to "free-rider problem"; one firm (non-Big 4) might invest fewer efforts and resources in its own audit process, perceiving that the other counter partner (Big 4) is performing it efficiently, as noted by Deng et al. (2014) and view echoed by interviewee BA1 with reference to Kuwait. It has been recommended that a prescribed Code of Ethical Conduct by a recognized body would mitigate any such behavior. This claim supports the interest of Big 4 firms, yet market domination does not favor emerging economies and small firms. Some of the study respondents shared the belief that joint audits will channelize funds (in the form of audit fee) from emerging economies to Big 4 instead of retaining in their own countries for further economic development and building capacity. Evidence from the literature on the increase in audit fees is not conclusive, the Big 4 still raises more revenue from non-audit services (MENA Herald, December 18, 2017)². The current position does not provide scope for capacity building for the small firm, but an increase in audit fees for the client.

A theme emerged from the participant responses that the market should be segregated, where some industries and specific sectors (such as hotel/tourism companies) to be allowed to get audits by non-Big 4 firms. The rationalization for such proposals emerged from the lack of expertise by non-Big 4 because international corporations such as bank and insurance companies required the ability

² KPMG MESA enjoys strong growth in FY2017 (MENA Herald, 2017, December 18)

to procure/use sophisticated technology driven software to assist with the audit analytics. On the other hand, it is suggested that Big 4 should train the owners of small firms because training on audit procedures does not mean that one will remain with the firm for a lifetime. Further, some of the former employees of Big 4 firms possess professional-level expertise in certain market segments that the Big 4 could assign to them in case of joint audits; this is not supported by the literature but could be used as a ploy to preserve market share. The interviewees also raised an issue of indemnity insurance, which can be resolved through proportionate liability as is the case between directors and auditors.

It has been observed that contemporary globalization tends to benefit western economies more than the developing and emerging economies consequent to the institutionalized privileges in agreements such as GATS. Also, the free trade in human and technical services benefits the Big 4 and not vice versa. Other transnational institutions such as the World Trade Organisation (WTO) should officially rule out some of the clauses that are not inclusive. Market domination has been castigated for unfair practices, leading to anti-trust laws yet the dominance by Big 4 is condoned or tolerated.

The scholarly review exposes that joint audit was practiced in economies of continental Europe such as France and Germany, who have abandoned the Anglo-Saxon model of audit practice since 1989. In these two mentioned economies, the audit profession is supervised by the Ministry of Finance and also there is a separation between auditing and accounting; firms that do audits do not prepare accounts. Further, the European Directive on Audit qualifications was issued in 1989, thus giving mutual recognition of accountancy and auditing qualifications and ultimately resulted in the advent of Big 4 firms. The current study do not claims that Big 4 was not present in the continental system before then, but just to make reference to the differences in accounting systems and modes of financing companies; with less dependency on private equity instead of a bank, creditors, and family ownership. Consequently, it can be concluded that joint audits can be easily adapted in countries that do not have a strong accountancy profession.

6. CONCLUSION

The present study has been carried out with the intention to explore the perceptions of Big 4 and non-Big 4 audit firms, investors, and regulators regarding joint audits. Consequent to the persistent

failures of audits, both secondary literature, and empirical studies fail to prove the nexus between joint audits and audit quality. However, the general perceptions regarding market concentration are more telling, supported by wild claims such as “free-rider problems”. The perceptions shared by participants from Big 4 firms were not surprising; considering the fact that they are cartel and are entitled to the privilege of international exposer and can work globally regardless of significant contextual differences. These privileges are explicitly entrenched in GATS agreements, which prohibit countries from restricting trade or investment in services that include accounting and audit services.

Analysis of the participants’ responses suggests that joint audits mechanism cannot make it place on voluntary grounds; developing and emerging economies will have to use legal regulatory options. There are some emerging economies where the accountancy and auditing profession have been passing through transitional phases. These emerging economies should be taken seriously even by the transnational organization, which have great sway on shaping the outcomes of globalization. Historically, the inclusive accountancy profession has continued to affect post-colonial societies. Considering the contextual socio-economic differences among countries, conducting large audits exclusively by Big 4 is not a healthy practice. Practical implementation of Islamic Economic theories have been growing globally, which is introducing new challenges for foreign companies, joint audits could provide a platform for the exchange of ideas that could ultimately benefit clients. The present study strongly urges the concern authorities and regulators in emerging economies to focus on local capacity building, one of which could be joint audits.

Basing the study on the scarce available literature for UAE is a significant delimitation of the present work. Another delimitation of the present work is the limited sample size of 12 professionals. Similarly, the qualitative approach being subjective in nature can lead to bias and errors. Using Google online survey is also a delimitation of the present work; data collected through such a method tends to be quite short and lacks depth (Saderuddin & Barghathi, 2017).

Future studies are directed examine how the regulatory framework for accountancy and auditing has evolved in the UAE, with a view to co-opting the Big 4 to be part of the solution to easing audit market concentration yet upholding audit quality.

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