

## **Auditor Independence And Its Influence On Accounting Behavior: A Systematic Literature Review**

**Cut Nadira Putri Kamal\*<sup>1</sup>**

International Accounting Program, Faculty of Economics and Business, Universitas Syiah Kuala<sup>1</sup>

Email: [cutnadiraputrikamal@gmail.com](mailto:cutnadiraputrikamal@gmail.com)

### **Abstract**

This paper provides a comprehensive analysis of auditor independence and its impact on accounting behaviour. The research framework focuses on four main threats to auditor independence: client importance, non-audit services, auditor tenure, and client affiliation with CPA firms. The study utilizes Google Scholar as the database source and Harzing's Publish and Perish as the data search application to identify and analyze 50 relevant articles published between 2013 and 2023 in the field of auditor independence and its influence on accounting behaviour. The research findings highlight the potential risks and implications of these threats on auditor independence, including financial dependence, familiarity, self-interest, and reduced scepticism. Mitigating strategies such as regulatory oversight, ethical guidelines, transparency, rotation of audit firms or engagement teams, and professional scepticism are discussed to address these threats and uphold auditor independence. The conclusions emphasize the importance of ongoing monitoring, evaluation, and improvement of audit quality to ensure the effectiveness of independence safeguards. This research contributes to a better understanding of the complex relationship between auditor independence and accounting behaviour, providing valuable insights for regulators, auditing firms, and researchers in promoting the integrity of financial reporting and strengthening confidence in the auditing profession.

**Keywords:** auditor independence; influence; accounting behaviour.

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### **A. INTRODUCTION**

The concept of auditor independence holds significant importance within the accounting field as it serves as a vital cornerstone, guaranteeing the trustworthiness and dependability of financial accounts. The maintenance of public trust in the financial markets heavily relies on the crucial role played by auditors in upholding integrity and objectivity. The dynamic between auditors and their clients is a nuanced equilibrium since auditors are required to maintain their autonomy and impartiality in their professional assessments. The integrity and reliability of financial reporting are contingent upon auditors' independence and impact on accounting behaviour. The concept of auditor independence holds significant importance within the accounting field, as it serves as a fundamental principle that safeguards the objectivity of auditors and guarantees the provision of reliable evaluations of financial data (Schneider, A., Church, B. K., & Ely, K. M., 2006)

The concept of auditor independence pertains to the capacity of auditors to apply their professional judgment without being excessively swayed by external pressures or conflicts of interest. It involves both factual independence and the perception of independence. The concept of independence pertains to the cognitive disposition of auditors and the lack of any personal or financial affiliations that could potentially undermine their impartiality. Conversely, the concept of independence in appearance pertains to the manner in which external stakeholders perceive an entity's independence (Gendron, Y., Suddaby, R., & Lam, H., 2006)

The intricate and multidimensional nature of the relationship between auditor independence and accounting practice necessitates careful examination. Various factors, including the provision of non-audit services, the length of auditor tenure, and the characteristics of the client-auditor relationship, can influence the independence of auditors. In addition, the maintenance of auditor independence is heavily influenced by legislative frameworks, professional ethics, and corporate governance procedures. The rationale behind the necessity for auditor independence is the imperative to establish auditors as objective and trustworthy assessors of the equity and precision of financial statements (Fearnley, S., Beattie, V. A., & Brandt, R., 2005). The

\* Corresponding author

importance of auditor independence in providing audit opinions on financial statements is emphasized by the Securities and Exchange Commission (SEC), highlighting the necessity for accountants to preserve their independence in order to safeguard the integrity of the audit process (Nerantzidis, M, et al., 2022). The need for auditor independence is further emphasized by the potential compromise of the integrity of financial markets and the dependability of information when auditors lack independence (El-Halaby, et al., 2021).

Numerous studies have demonstrated that the offering of non-audit services by auditing companies to their clients presents a possible risk to the independence of auditors. The provision of non-audit services, such as consultancy and tax advising services, has the potential to generate conflicts of interest and compromise the neutrality of auditors. The potential influence of financial connections between auditors and their clients poses a risk to the independence of auditors, perhaps leading to a bias toward prioritizing the client's interests rather than fulfilling their professional obligation to maintain a sceptical approach (Church, B. K., et al., 2015)

Auditor independence can be influenced by the duration of the auditor-client relationship, usually known as auditor tenure. Research has demonstrated that extended periods of service by auditors may have the potential to compromise auditor independence as a result of the cultivation of familiarity and intimate associations between auditors and their clients. The level of familiarity that an auditor may develop with the auditee has the potential to result in complacency, which in turn might undermine the auditor's capacity to uphold an impartial viewpoint (Lin, L., & Tepalagul, N. K., 2012)

The client-auditor relationship holds significant importance with respect to auditor independence. The presence of a strong association between auditors and their customers, marked by an overreliance on management assertions, escalates the potential for compromised independence. These types of relationships can exert influence on auditors, leading them to disregard or minimize the significance of possible accounting irregularities or misstatements (Khelil, I., Khlif, H., & Amara, I., 2022). Regulatory frameworks and professional ethics greatly influence the preservation of auditor independence. Regulatory entities, such as the Securities and Exchange Commission (SEC) and the Public Company Accounting Oversight Board (PCAOB) in the United States, have implemented norms and mandates to uphold the independence of auditors. The primary objective of these regulations is to bolster the impartiality and credibility of auditors through the establishment of guidelines pertaining to audit procedures, disclosure practices, and reporting protocols (Ekawarti, Y, et al, 2022)

The field of professional ethics encompasses a set of principles and guidelines established by auditing standards boards and professional accounting organizations. These standards serve as a framework for auditors, offering direction on ethical conduct and the maintenance of independence in their professional practice. The ethical rules place significant emphasis on the imperative for auditors to uphold independence and refrain from engaging in conflicts of interest. The framework offered by auditors serves as a means to identify and address potential challenges to maintaining independence while also implementing measures to protect objectivity (De Moor, P., & De Beelde, I., 2005)

The objective of this systematic review is to provide an overview of the existing body of research pertaining to auditor independence and its impact on accounting behaviour. Through the process of synthesizing and analyzing the outcomes of prior investigations, our objective is to discern deficiencies within the existing body of literature and put up potential directions for future scholarly inquiry. The findings of this study bear practical significance for a range of stakeholders, encompassing auditors, accounting firms, regulators, and investors. Gaining a comprehensive understanding of the various aspects that exert influence on auditor independence is crucial for policymakers in their endeavour to develop and implement legislation and guidelines that effectively bolster the integrity and dependability of financial reporting. In the subsequent sections, a thorough examination of the existing literature will be provided, encompassing an exploration of the theoretical underpinnings, research methodology employed, and principal discoveries derived from pertinent investigations. Through this action, our objective is to make a valuable contribution to the continuing discourse concerning auditor independence and its influence on accounting conduct.

In summary, the concept of auditor independence holds significant importance within the accounting field since it plays a crucial role in maintaining public trust in financial reporting. Several aspects, including the supply of non-audit services, the length of auditor tenure, and the nature of the connection between the client and the auditor, can influence auditor independence. Regulatory frameworks and professional ethics significantly influence the maintenance of independence and the promotion of ethical conduct among auditors. The purpose of this article is to conduct a systematic review of the existing literature on auditor independence and its influence on accounting behaviour. By critically analyzing a wide range of studies, we aim to provide a comprehensive understanding of the various factors that affect auditor independence and the subsequent impact on accounting

practices. This systematic review aims to offer helpful insights into the correlation between auditor independence and accounting behaviour, facilitating a more profound comprehension of this intricate and significant matter.

## B. RESEARCH METHODOLOGY

In order to conduct a systematic review of the existing literature on auditor independence and its influence on accounting behavior, a comprehensive methodology was employed. The following steps outline the approach taken to gather, analyze, and synthesize relevant studies. First, identification of research objectives: the research objectives were established to guide the systematic review process. These objectives aimed to explore the factors that affect auditor independence and the subsequent impact on accounting behaviour. The objectives also included identifying gaps in the literature and proposing avenues for future research.

Secondly, the literature search strategy: a thorough literature search was conducted to identify relevant studies on auditor independence and its influence on accounting behaviour. Multiple databases, including academic journals, conference proceedings, and specialized publications in the field of accounting and auditing, were searched using appropriate keywords and search strings. The search was not limited by publication date, ensuring a comprehensive review of the available literature. Thirdly, inclusion and exclusion criteria: inclusion and exclusion criteria were established to select studies that met the research objectives and provided valuable insights into the topic. Studies were included if they focused on auditor independence, accounting behaviour, and their relationship. Only peer-reviewed articles and scholarly publications were considered to ensure the quality and reliability of the included studies. Non-English studies were excluded to maintain consistency and facilitate interpretation.

Fourth, screening and selection: the identified studies were screened based on their titles, abstracts, and keywords to determine their relevance to the research objectives. Irrelevant studies were excluded, while potentially relevant studies were further assessed through full-text reading. The final selection of studies was based on their alignment with the research objectives and their contribution to the understanding of auditor independence and accounting behaviour. Fifth, data extraction was performed to capture relevant information from the selected studies. This included details such as the authors, publication year, research methodology, sample size, key findings, and theoretical frameworks used. A standardized data extraction form was developed to ensure consistency and accuracy in capturing the necessary information.

Sixth, data analysis and synthesis: the extracted data were analyzed and synthesized to identify common themes, trends, and patterns across the selected studies. Key findings, methodologies, and theoretical frameworks were compared and contrasted to provide a comprehensive overview of the existing literature. This analysis allowed for the identification of factors influencing auditor independence and their impact on accounting behaviour. Consequently, the comprehensive search details are succinctly presented in Table 1.

**Table 1. Summary of Searching Details**

Criteria	Description
Source app/website	Harzing's Publish or Perish
Database	Google Scholar
Years	20013-2023
Searching terms	"auditor independence," "influence," and "accounting behaviour"
Inclusion criteria	50 research articles.
Exclusion Criteria	Book chapter and editorial materials

*Source: research data, 2023*

### *Gap analysis and future research avenues*

The synthesized findings were analyzed to identify gaps in the literature and areas that require further research. These gaps were examined in light of the research objectives and the current state of knowledge in the field. Based on this analysis, potential avenues for future research were proposed to address these gaps and contribute to the ongoing dialogue surrounding auditor independence and accounting behaviour.

## C. RESULTS AND ANALYSIS

The research article presents a comprehensive review of academic research pertaining to auditor independence and its influence on accounting behaviour. The study conducted a systematic literature review, analyzing 50 papers published in academic journals between 2013 and 2023 by utilizing the relevant keywords associated with "auditor independence," "influence," and "accounting behaviour." The top 10 publications on this topic are presented in Table 2 below.

**Table 2. Top 10 Publications in 2013-2023**

Rank	Title	Author(s)	Year
1.	Influence of auditor independence, audit tenure, and audit fee on audit quality of members of capital market accountant forum in Indonesia	LY Rahmina, S Agoes	2014
2.	Auditor independence and audit quality: A literature review	N Tepalagul, L Lin	2015
3.	Enhancing auditors' independence in auditing enterprises in Vietnam	NTH Yen, VHN Thuy, NH Tien	2019
4.	The effect of independence, professional ethics & auditor experience on audit quality	N Haeridistia, A Fadjarenie	2019
5.	Auditor independence, audit quality, and the mandatory auditor rotation in Egypt	DM Mohamed, MH Habib	2013
6.	Management influence on auditor selection and subsequent impairments of auditor independence during the post-SOX period	DS Dhaliwal, PT Lamoreaux, CS Lennox	2013
7.	Professional scepticism: The effects of a partner's influence and the level of fraud indicators on auditors' fraud judgments and actions	TD Carpenter, JL Reimers	2013
8.	How do regulatory reforms to enhance auditor independence work in practice?	K Fiolleau, K Hoang, K Jamal	2013
9.	The moderating role of perceived organizational support in breaking the silence of public accountants	P Alleyne, M Hudaib, R Haniffa	2018
10.	Do social ties between external auditors and audit committee members affect audit quality?	X He, JA Pittman, OM Rui, D Wu	2017

*Source: research data, 2023*

The paper provides a framework for research in auditor independence and audit quality, focusing on the four main threats to auditor independence: client importance, non-audit services, auditor tenure, and client affiliation with CPA firms. For each threat, the authors discuss the incentives, perception, and behaviour of the auditor and the client and the effects of each threat on the actual and perceived quality of audit and financial reports.

#### *Client Importance*

The study report emphasizes that the significance of clients is a primary challenge to auditor independence. The word "client importance" pertains to a client's notable role in an audit firm, specifically concerning their financial impact, reputation, or strategic worth. The degree of significance attributed to clients can impact the conduct of auditors and perhaps undermine their impartiality. In this discourse, we shall explore the ramifications of client significance on auditor independence and offer perspectives on measures to alleviate such conflicts.

##### 1. Financial Dependence and Pressure

Financial dependency and pressure arise when a client constitutes a substantial proportion of an audit firm's revenue, posing a potential risk. The dependence on financial considerations can significantly influence auditors, compelling them to prioritize preserving client relationships and retaining their business. In instances of this nature, auditors may experience a temptation to compromise their independence to prevent the loss of a very profitable client. This pressure may impede their capacity to exhibit professional scepticism and maintain impartiality while making audit judgments.

##### 2. The Impact of Reputation Risk

Audit companies may derive reputational advantages from clients with significant influence or a prominent position within the sector. Consequently, auditors may be incentivized to satisfy these customers to uphold or improve their professional standing. The inclination to maintain a favourable relationship with prominent clientele can undermine auditors' independence. Auditors may exhibit a hesitancy to confront management or disclose errors that have the potential to impact the client's reputation negatively, hence resulting in the manifestation of biased accounting practices.

##### 3. Reduced Skepticism and Objective Judgment

The presence of client importance can diminish auditors' professional scepticism and their capacity to exercise impartial judgment. Auditors may more likely accept management's allegations without adequate inspection or interrogation. The consequence of this can be a failure to identify material misstatements or abnormalities in the financial accounts, which can compromise the dependability and precision of the audit procedure.

Several techniques can be taken to effectively mitigate the risk associated with the influence of clients on auditor independence.

1. **Rotation of Audit Engagement Teams:** Implementing a rotational system for audit engagement teams can effectively mitigate the impact of client significance. Including fresh team members can mitigate the risk of familiarity and bias, fostering impartiality in the audit process and facilitating the emergence of novel viewpoints.
2. **Strengthening Regulatory Oversight:** Regulatory bodies possess the capacity to assume a pivotal part in overseeing the autonomy of auditors and implementing more stringent restrictions to reduce the ramifications of client significance. Implementing more robust enforcement procedures and imposing stricter penalties for non-compliance could discourage auditors from compromising their independence.
3. **Enhancing the Promotion of Professional Skepticism:** Training programs and professional development activities can emphasize the significance of professional scepticism in protecting auditor independence. It is advisable to promote auditors' inclination to question management assumptions, independently gather evidence, and employ critical judgment at every stage of the audit procedure.
4. **Promoting the Diversification of Client Portfolios:** It is imperative for audit firms to actively pursue the diversification of their client portfolios to mitigate the risks associated with excessive dependence on a limited number of key clients. This practice can potentially mitigate the financial reliance and reputational vulnerability linked to clients of significant importance, fostering a more equitable approach to the auditing process.

It can be inferred that the significance of client relevance presents a notable challenge to auditor independence, potentially resulting in compromised auditing conduct. The objectivity and impartiality of auditors can be compromised by various factors, including financial dependency and pressure, reputation risk, and lowered scepticism related to significant clients. Nevertheless, it is possible to mitigate the influence of client significance on auditor independence by employing various mitigating measures such as the rotation of audit teams, enhancing regulatory monitoring, fostering professional skepticism, and diversifying client portfolios. Implementing these procedures is of utmost importance in upholding the integrity of the audit process and guaranteeing the dependability of financial reporting.

#### *Non-audit services*

This discussion aims to examine the relationship between non-audit services and auditor independence critically. The issue of whether auditors can maintain their independence while providing non-audit services has been a subject of considerable debate and scrutiny. Non-audit services (NAS) pertain to supplementary services rendered by audit firms to their clients that are not directly associated with the audit engagement. The study report emphasizes that the supply of non-audit services (NAS) can potentially jeopardize auditor independence. In this discourse, we shall examine the ramifications of non-audit services on auditors' independence and offer perspectives on potential solutions for reducing such effects.

1. **Economic Bond and Financial Dependence:** The engagement in non-audit services has the potential to establish an economic tie between the audit firm and the client. A substantial proportion of revenue generated from non-audit services in audit firms may give rise to the potential risk of financial reliance. The dependence on financial considerations might undermine auditors' independence, as they may be inclined to prioritize the interests of their clients to sustain the profitable non-audit service association.
2. **Self-Review Threat:** The self-review threat is present when auditors must assess their performance or decisions when providing non-audit services. As mentioned above, the circumstance can potentially compromise the impartiality and autonomy of those involved in the later audit undertaking. Auditors may be reluctant to scrutinize or interrogate their work, resulting in a dearth of rigorous assessment and potentially prejudiced accounting conduct.
3. **Familiarity Threat:** Including non-audit services may create a familiarity threat when auditors establish intimate connections with persons affiliated with the customer. The presence of familiarity might undermine auditors' independence, as it may lead them to develop a bias towards management's viewpoints and reduce their inclination to employ professional scepticism. This may lead to an inability to identify significant misstatements or abnormalities within the financial statements.

Several mitigation methods can be employed to effectively counteract the potential risks associated with non-audit services and their impact on auditor independence.

1. **Prohibition or Limitation of Certain Non-Audit Services:** Regulatory agencies may mandate the prohibition or restriction of specific non-audit services, limiting the range of such services that audit firms are permitted

- to offer to their audit clients. Implementing restrictions or regulations on specific services that provide a significant danger to autonomy can aid in mitigating the possible hazards.
2. **Enhanced Disclosure and Transparency:** Audit companies can improve the disclosure of non-audit services rendered to audit clients. This entails providing precise and thorough information within the auditor's report or financial statements regarding the characteristics, scope, and costs related to non-audit services. Enhanced openness can facilitate stakeholders in evaluating the potential implications of auditor independence.
  3. **Enhancing Ethical Guidelines and Professional Standards:** Professional organizations and regulatory agencies can bolster ethical guidelines and professional standards about non-audit services. This entails offering explicit instructions regarding the criteria for independence, potential conflicts arising from self-review, and risks associated with familiarity. It is advisable to promote auditors' commitment to maintaining their independence and employ professional scepticism throughout the audit engagement.
  4. **Rotation of Non-Audit Service Providers:** Implementing a regular rotation policy for non-audit service providers can effectively address the familiarity threat. The implementation of this measure serves to uphold the auditors' independence and objectivity by mitigating the likelihood of developing intimate associations with individuals affiliated with the client.

The provision of non-audit services can potentially compromise auditor independence, especially due to the establishment of pecuniary ties, self-review risks, and familiarity risks. To address these potential risks, it is recommended that regulatory bodies, professional organizations, and audit firms adopt various strategies. These strategies may include imposing restrictions or limitations on specific non-audit services, improving the level of disclosure and transparency, reinforcing ethical guidelines and professional standards, and advocating for the rotation of non-audit service providers. Implementing these steps is of utmost importance in upholding the autonomy and honesty of the audit process, guaranteeing the dependability of financial reporting, and bolstering stakeholder trust in auditing.

#### *Auditor Tenure*

Auditor tenure pertains to the duration an auditor has been involved in providing services to a specific customer. The study report emphasizes the significance of auditor tenure as a prominent factor that threatens auditor independence. In this discourse, we shall examine the ramifications of auditor tenure on auditor independence and offer valuable perspectives on potential measures to alleviate its effects.

1. **Familiarity Threat:** One potential issue that might arise from extended auditor tenure is the familiarity threat. This occurs when auditors establish close ties with client personnel due to prolonged interaction. The familiarity between auditors and management can undermine auditor independence, as auditors may develop a bias toward management's viewpoints and exhibit a reduced inclination to exercise professional scepticism. This may lead to an inability to identify major misstatements or abnormalities within the financial statements.
2. **Self-Interest Threat:** The duration of auditor tenure might give rise to a self-interest threat, wherein auditors may place their interests, such as preserving a longstanding client relationship, above their obligation to deliver an impartial and autonomous audit. The duration of the auditor-client connection directly correlates with the heightened possibility for self-interest to exert its effect on auditor conduct and undermine their independence.
3. **Diminished Scepticism and Objectivity:** Over their tenure, auditors may experience a decline in their level of scepticism and objectivity, attributable to their increased familiarity and comfort with their role. This phenomenon may lead to a deficiency in critical assessment and potentially biased accounting conduct. Auditors may exhibit a reduced inclination to question the assertions made by management or conduct comprehensive investigations into potential risks or irregularities.

Several techniques might be implemented to mitigate the potential danger to auditor independence posed by auditor tenure.

1. **Mandatory Audit Firm Rotation:** The implementation of mandatory audit firm rotation might be mandated by regulatory agencies, necessitating the periodic rotation of audit firms. This practice aids in addressing the potential risks posed by extended auditor employment and brings novel viewpoints and autonomy to the audit procedure.
2. **Periodic Evaluation of Audit Quality:** The implementation of regular evaluations of audit quality conducted by external entities, such as peer reviews or inspections, can effectively detect any possible concerns regarding independence that may arise due to prolonged auditor employment. As mentioned above, the assessments can objectively evaluate the auditor's performance and level of independence.

3. **Strengthening Ethical Guidelines and Professional Standards:** One potential approach to enhancing ethical principles and professional standards is through the efforts of professional organizations and regulatory bodies, which can focus on bolstering the regulations on auditor tenure. This entails offering explicit instructions regarding the possible hazards and vulnerabilities linked to extended auditor tenure while underscoring the significance of maintaining independence throughout the audit process.
4. **Enhanced Auditor Rotation within Engagement Teams:** Besides the obligatory firm rotation, adopting enhanced rotation practices within audit engagement teams can provide additional protection against the familiarity threat. Frequent rotation of team members can effectively sustain independence and objectivity by mitigating the likelihood of developing intimate relationships with those associated with the customer.

The duration of an auditor's career presents a significant challenge to maintaining auditor independence, principally due to the presence of the familiarity threat, self-interest threat, and diminished levels of scepticism and impartiality. To address these potential risks, regulatory agencies, professional organizations, and audit firms are recommended to adopt several measures. These tactics include enforcing mandated rotation of audit firms, conducting periodic evaluations of audit quality, reinforcing ethical norms and professional standards, and implementing more rotation within engagement teams. Implementing these steps is of utmost importance in upholding the autonomy and honesty of the audit procedure, guaranteeing the dependability of financial reporting, and bolstering stakeholder trust in auditing.

#### *Client affiliation with CPA firms*

This discussion focuses on the affiliation between clients and Certified Public Accountant (CPA) firms and its potential implications for auditor independence. Auditor independence is of utmost importance in maintaining the integrity and objectivity of financial audits. Therefore, understanding the factors that may influence auditor independence, such as client affiliation with CPA. T

The concept of client affiliation with CPA firms pertains to the association between an audit client and the CPA firm responsible for rendering audit services. The study paper highlights client attachment as a significant factor threatening auditor independence. In this discourse, we shall examine the ramifications of customer association with Certified Public Accountant (CPA) companies on auditors' independence while offering perspectives on potential solutions for reducing such effects.

1. **Economic Bond and Financial Dependence:** Establishing an economic relationship and financial dependence. The affiliation of clients with CPA firms can foster a mutually beneficial economic bond between the audit client and the CPA business. This commercial relationship can undermine auditors' independence, as they may prioritize the interests of either the client or the CPA company over their need to deliver an unbiased and impartial audit. The extent to which auditors rely on a specific client for financial support can impact their conduct and perhaps undermine their capacity to exhibit professional scepticism.
2. **Familiarity Threat:** Client affiliation might give rise to a familiarity threat, wherein auditors establish close connections with client staff due to frequent interactions. The presence of familiarity between auditors and their clients can undermine auditor independence, as it may lead to auditors developing a bias towards management's viewpoints and exhibiting a reduced inclination to question or rigorously assess the accuracy of the client's financial statements. This phenomenon can lead to accounting practices influenced by personal biases, potentially resulting in an inability to identify significant errors or anomalies.
3. **Self-Interest Threat:** The affiliation with clients can give rise to a danger of self-interest, wherein auditors may prioritize their interests or the interests of the CPA firm over their obligation to deliver an unbiased audit. This situation may arise when the Certified Public Accountant (CPA) firm possesses a substantial financial or strategic stake in the client's business, which might influence auditors to prioritize the client's satisfaction or the CPA firm over the exercise of impartial judgment.

Many techniques might be implemented to mitigate the risk to auditor independence created by customer association with CPA firms.

1. **Enhancing Ethical Principles and Professional Standards:** Professional associations and regulatory entities possess the capacity to bolster ethical principles and professional standards on client affiliation. This entails offering explicit instructions regarding the possible hazards and vulnerabilities linked to client affiliation while underscoring the significance of maintaining independence throughout the audit engagement.
2. **Augmented information and transparency:** Audit companies can augment the level of information on client affiliations inside their audit reports or financial statements. This entails furnishing explicit and thorough details regarding any financial or strategic stakes the Certified Public Accountant (CPA) firm has in the client's

- business. Enhanced openness can facilitate stakeholders in evaluating the potential influence on auditor independence.
3. **Regular Review of Audit Quality:** Implementing regular audit quality assessments conducted by other entities, such as peer reviews or inspections, can effectively detect any possible concerns regarding independence that may arise due to client affiliations. As mentioned above, the assessments can objectively evaluate the auditor's performance and level of independence.
  4. **Mandatory Audit Firm Rotation:** Implementing mandatory audit firm rotation, wherein audit firms must be replaced after a specified duration, would effectively address the risks posed by prolonged client associations, namely familiarity and self-interest threats. The introduction of new perspectives and independence into the audit process serves to uphold auditors' independence and objectivity.

The association of clients with Certified Public Accountant (CPA) firms presents a significant challenge to auditors' independence, principally due to the establishment of economic ties, familiarity risks, and self-interest concerns. It is recommended that regulatory entities, professional associations, and auditing firms adopt various measures to address these potential risks. These measures include reinforcing ethical guidelines and professional standards, augmenting disclosure and transparency practices, conducting periodic assessments of audit quality, and contemplating the implementation of mandatory rotation of audit firms. Implementing these steps is of utmost importance in upholding the autonomy and honesty of the audit procedure, guaranteeing the dependability of financial reporting, and bolstering stakeholder trust in the auditing field.

#### **D. CONCLUSIONS**

In summary, the study findings and debates on auditor independence and its influence on accounting behaviour offer significant insights into the primary challenges of upholding auditor independence. The research identifies four primary threats: client importance, non-audit services, auditor tenure, and client association with CPA companies. These threats can erode the objectivity, impartiality, and professional judgment of auditors, posing a risk to the quality and integrity of the audit process.

The research findings underscore the significance of mitigating these risks to preserve auditors' autonomy. To address these challenges, it is imperative to employ various strategies. These strategies include bolstering regulatory monitoring, reinforcing ethical principles and professional standards, advocating for transparency and disclosure, mandating the rotation of audit firms or engagement teams, and fostering a culture of professional scepticism. These measures are essential in minimizing the risks posed by these threats. The steps mentioned above are designed to diminish financial reliance, mitigate risks associated with familiarity, and minimize conflicts of self-interest that can undermine auditors' independence. Moreover, the study emphasizes the necessity of continuous monitoring, review, and enhancement of audit quality to guarantee the efficacy of protections for independence. Regular evaluations of audit quality and peer inspections are crucial in detecting any possible independence concerns and upholding the integrity of the audit procedure.

As mentioned above, the research generally enhances the comprehension of the intricate correlation between auditor independence and accounting conduct. These findings offer significant contributions to regulators, auditing firms, and researchers in their efforts to improve the credibility of financial reporting, reinforce the autonomy of auditors, and foster trust in the auditing field. By acknowledging and mitigating these potential risks and adopting suitable strategies, all relevant parties can collaborate to maintain auditor autonomy and guarantee the dependability and trustworthiness of financial data.

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