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DISSERTATION

**EFFECTS OF NON-AUDIT SERVICES ON PROFESSIONALISM: CASE OF PKF
CHARTERED ACCOUNTANTS ZIMBABWE**

BY

MAGAMA ISHEUNESU

R113957Q

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APPROVAL FORM

The undersigned confirms that they supervised Magama Isheunesu on the dissertation titled: **Effects of non-audit services on auditors' professionalism** that was submitted in partial fulfilment of the requirements of the bachelor of commerce accounting honours degree at Midlands State University.

.....

SUPERVISOR

.....

DATE

.....

CHAIRPERSON

.....

DATE

.....

EXTERNAL EXAMINER

.....

DATE

RELEASE FORM

NAME OF STUDENT: Magama Isheunesu
DISSERTATION TITLE: Effects of non-audit services on professionalism

DEGREE TITLE: Bachelor of Commerce Honours Degree in Accounting

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DATE.....

ADDRESS: House # 5338 Mkhosana T/Ship

Victoria Falls

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DEDICATION

It gives me greater joy to dedicate this dissertation to my lovely family especially my two brothers Ketai and Komborerai and their lovely wives for their love and support they showered me with and has seen me this far because I wouldn't have made it without their support. Not forgetting my love Lee and my boys for standing by me throughout the duration of this research.

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ABSTRACT

The Zimbabwean audit industry has been agonised by compromised auditor professionalism as a result of the joint provision of non-audit services and audit services. Based on this background, this study endeavours to investigate the effects of non-audit services on professionalism. A quantitative method and descriptive approach was adopted for the presentations and analysis of data and a review of literature of various scholars who also investigated auditor professionalism and non-audit service was conducted. A sample size of 35 employees (65) was used for the gathering of data used in this study. The results advocate that NAS provision affect professionalism though there is need to salvage its provision due to other positive effects.

Keywords:

Non-audit services, Professionalism

TABLE OF CONTENTS

SECTION	DESCRIPTION	PAGE
	Approval form	i
	Release form	ii
	Disclaimer	iii
	Dedications	iv
	Acknowledgements	v
	Abstract	vi
CHAPTER 1		
INTRODUCTION		
1.1	Background of the study	1
1.2	Problem statement	4
1.3	Main research question	4
1.4	Objectives	4
1.5	Research questions	5
1.6	Significance of the study	5
1.7	Delimitations	5
1.8	Limitations	6
1.9	Assumptions	6
1.10	Summary	6
CHAPTER 2		
LITERATURE REVIEW		
2.0	Introduction	7
2.1	The adequacy of professional status of auditors and effect of the provision of NAS on professionalism	7
2.1.1	Professional status of auditors	7
2.1.2	Non-audit services effect on professionalism	8
2.2	Perceptions of various stakeholders on provision of NAS and effect on professionalism	13
2.2.1	Shareholders	13
2.2.2	Client's management	17
2.2.3	The general public	18
2.3	Influence of NAS on audit quality	20
2.3.1	Problem discovery	20
2.3.2	Audit lag	21
2.3.3	Opinion formulation	22
2.4	influence of non-audit fees on the transparency of client's financial reporting and compliance with professional ethics demand	23
2.4.1	Financial auditor role in ensuring transparency in the financial reporting of the auditee	23
2.4.2	NAS and professional ethics	25
2.5	To establish the best practice in provision of NAS	26

2.5.1	Provision of NAS by audit personnel	26
2.5.2	Provision of NAS by staff from different departments	27
2.5.3	Provision of NAS by staff from separate entities	29
2.5.4	Provision of NAS to non-audit clients and total prohibition	30
2.5.5	Joint provision of audit and NAS with full disclosure in client's financial statements	31
2.6	Conclusion	32
CHAPTER 3		
RESEARCH METHODOLOGY		
3.0	Introduction	33
3.1	Research approach	33
3.1.1	Quantitative research method	33
3.1.2	Qualitative research method	34
3.2	Research design	34
3.2.1	Corellation design	34
3.2.2	Descriptive design	35
3.3	Population and sampling	35
3.3.1	Target population	35
3.3.2	Sampling	35
3.3.3	stratified random sampling	36
3.3.4	Purposive sampling	36
3.3.5	Sample size	36
3.4	Data types	38
3.4.1	Primary data	38
3.4.2	Secondary data	39
3.5	Research instruments	39
3.5.1	Interviews	39
3.5.2	Questionnaires	40
3.6	Likert scale	41
3.7	Validity and reliability of research tools	41
3.7.1	Validity	41
3.7.2	Reliability	42
3.8	Data presentation and analysis	42
3.9	Summary	43
CHAPTER 4		
DATA PRESENTAION AND ANALYSIS		
4.0	Introduction	44
4.1	Response rate	44
4.1.1	Questionnaire response rate	45
4.2	Data presentation and analysis	45
4.2.0	Threats to professionalism as a result of NAS provision	45
4.2.1	Conflict of interest	46

4.2.2	Self review	47
4.2.3	Familiarity	48
4.2.4	Self interest	48
4.3.0	Provision of NAS by incumbent auditor will result in the following stakeholders' perceptions	49
4.3.1	Increased economic dependence	50
4.3.2	Decreased auditor independence	51
4.3.3	Conflict of interest	52
4.3.4	Reduced audit quality	53
4.4	NAS provision will positively influence audit quality	54
4.5	High NAS fees negatively influences reporting transparency	56
4.6.0	Practices that are considered the best in the provision of NAS	57
4.6.1	Provision by audit personnel	58
4.6.2	Provision by staff from separate departments	59
4.6.3	Provision by staff from separate entities	60
4.6.4	Provision to non-audit clients and total prohibition	61
4.6.5	Joint provision of audit and NAS with full disclosure in client's financial statements	62
4.7	Interviews	63
4.8	Chapter summary	67
CHAPTER 5		
SUMMARY, CONCLUSIONS AND RECOMENDATIONS		
5.0	Introduction	68
5.1	Chapter summaries	68
5.1.1	Chapter 1	68
5.1.2	Chapter 2	69
5.1.3	Chapter 3	69
5.1.4	Chapter 4	70
5.2	Research findings	70
5.3	Conclusion	70
5.4	Recommendations	71
5.5	Areas for further research	71
References		72

LIST OF TABLES		
SECTION	DESCRIPTION	PAGE
1.1	NAS clients	2
3.3.5	Sample size	36
3.6	Likert scale	41
4.1	Questionnaire response rate	44

LIST OF FIGURES		
SECTION	DESCRIPTION	PAGE
4.2.0	Threats to professionalism	45
4.3.0	Stakeholders perceptions	50
4.4	NAS influence on audit quality	54
4.5	NAS fees influence on reporting transparency	56
4.6.0	Best alternative practices for NAS provision	58

LIST OF APPENDICES		
Appendix A	Cover letter	
Appendix B	Questionnaire guide	
Appendix C	Interview guide	

CHAPTER 1

INTRODUCTION

1.1 Background of the study

The globalisation of the accounting profession and the subsequent increase in competitiveness and the need to survive has forced auditing firms to diversify into non-audit services and has created ‘the multidisciplinary nature of large audit firms’ (Brierley and Gwilliam, 2003). These multidisciplinary firms offer audit and non-audit services (NAS) to audit clients and has become a major concern on the potential auditor independence which has received increased attention from regulators, academics and practitioners around the world in recent years due to highly publicized audit failures [Fearnley and Beattie, 2004; Ghosh and Moon, 2005; Krishnan, 2005; Quick and Warming-Rasmussen, 2005; Salehi, 2009; Hope and Langli, 2009; Sori et al 2010]. However other authors [Asare, Cohen, and Trompeter, 2005; Seunghan, 2006; Beck and Wu, 2006; Gul et al. 2007; Sawan et al, 2013] still maintain this conviction that positive consequences may be perceived following the provision of such non-audit services. Although these authors have looked at the relationship between non-audit services and auditor independence they did not look at different or individual non-audit services’ effect on professionalism.

Ye et al. (2006) observed that recent financial scandals involving large corporations have cast doubts over the independence and subsequent professionalism of auditors and the overall value of auditing. They noted that the economic dependence resulting from the provision of non-audit services have been alleged to contribute to the erosion of auditor independence. In Zimbabwe, the role of auditors has in recent months come under scrutiny given the number of company closures due to fraudulent activities. (Mafirakurewa, 2012).

PKF Zimbabwe being a chartered accountant firm operating in the borders of Zimbabwe was not spared by the liquidity crunch and business activity drops that is facing the country where firms and companies' aim is survival (Makoshori, 2013). This has seen PKF, as a survival strategy and in a bid to retain its clientele base, offering its staff to do other non audit services for its clients such as accounting work (posting transactions in the system as well as correcting journals) creating a self review threat, taxation services including tax compliance and tax planning advice as well as forensic and litigation support (PKF manual, 2010). The provision of these non audit services and jointly with audit services to other companies has created a familiarity threat by PKF auditors becoming too close to the client's management (Salehi and Moradi, 2010).

There has been a 400% increase in the number of clients that PKF provide non-audit services to in one year, resulting in a 750% increase in non audit fees this incorporates fees charged for non audit fees on audit clients as depicted by the table below. This has made PKF to be dependent more on non-audit fees creating a threat to its professional status

Table 1.1 NAS clients

Details	2011	2012	% Change	2013	% Change
Number of non audit clients	5	20	400	30	150
Non audit service fees	\$2000	\$15000	750	\$40000	267

Source: PKF Client record book, 2014

The above table shows that there was an increase in the number of clients provided non-audit services by PKF from 5 in 2011 to 20 in 2012 which is a 400% increase having a corresponding 750% increase in non audit fees which means that a significant number (15), of clients receiving NAS from PKF was added resulting in \$13000 increase in non-audit fees hence becoming more like a cash cow for PKF. Looking at the percentage increases they are

not tallying that is the increase in number of companies vis-a-vis non audit fees, showing that more was being charged for NAS fees. In 2013 there has been a 150% increase in number of clients and a 267% increase in fees still showing the variance in percentage increases. This increase in 2013 is lower than that of 2012 meaning there were other factors such as company closure that were impacting on the number of companies seeking NAS. But overallly these increases of 400% and 150% causes an economic dependence of PKF on NAS.

The CEO in addressing the members of the staff was quoted as saying “in these harsh economic conditions and hardships that face the nation, the firm has not been spared as well”. (Minutes, 2013). This was said during a meeting where salary issue and basic conditions of service were discussed, which shows that the firm was also aiming at survival just as any other Zimbabwean company was, hence the need to safeguard the ‘goose that lay the golden egg’. The firm has been striving so hard to get contracts from audit clients for the provision of additional non-audit services, like not pulling out as the auditors of a company when conditions are not conducive for audit and formulation of an opinion due to information unavailability which in the end created threats to its professional status.

Mhlanga’s (2015) article says, turning to bank failures in Zimbabwe such as the failure of ZABG, Trust bank and Kingdom bank, that have dominated the economy in the past few years and the failure by auditors to sound the warning bells earlier, a partner at EY Zimbabwe said auditors, who give opinion on the state of affairs in an organisation, failed to apply their minds appropriately. This means that auditors were lacking professionalism in their conduct and in the performance of their duties leading to banks and companies collapse and questions like the whereabouts of auditors who are supposed to be watch dogs as well as advisors are, and if they are executing their functions with independence and integrity or all this has been eroded by being familiar with their clients due to long term relationships which come as a result of the provision of other NAS to clients.

1.2 Problem Statement

Up until the 1980s, the professional status of auditors was good and the public had confidence in the profession, (Ostman and Sandberg, 2012). After several corporate scandals, such as the Enron and Worldcom in the US, auditors professionalism was questioned especially the joint provision of audit and non-audit services to audit clients which poses a number of threats to auditors' independence. Principal threats that can arise are; self review (taking management decisions and auditing one's own work), self interest (the increase in economic dependence), familiarity (becoming too close to the client's management through the range of services offered) as well as advocacy (acting for the client's management in adversarial circumstances. This has seen a number of Zimbabwean companies facing closure each year with some liquidating, others being placed under judicial management while others face garnish orders from ZIMRA leading to some closing down.

1.3 Main Research Question

The research will look at the effects of the provision of non-audit services on auditors' professionalism

1.4 Objectives

- i. To examine the adequacy of professional status of auditors and determine whether or not the provision of non-audit services affect their professionalism.
- ii. To explore the different perceptions of shareholders/investors, management and the general public on the provision of non-audit services and professionalism.
- iii. To examine whether the provision of non-audit services undermines audit report quality by testing for an association between non-audit services and audit reporting.
- iv. To analyse the influence of non-audit fees on the transparency of auditee's financial reporting, in compliance with professional ethics demands
- v. To establish the best practice in provision of non-audit services?

1.5 Research Questions

- i. What are the major threats to auditor independence and the effects of the provision of non audit services on professionalism?
- ii. What are the perceptions of shareholders/investors, management and the general public on the provision of non-audit services and auditor professionalism?
- iii. How does the joint provision of audit and non audit services affect audit quality and resultant opinion?
- iv. How do non-audit fees influence transparency in financial reporting and auditors' compliance to professional ethics?
- v. What is the best practice in provision of non-audit services?

1.6 Significance of the Study

Hopefully this study will help the firm be on the lookout for threats to professionalism and various stakeholders perceptions of their professional status that are a result of the joint provision of audit and non-audit services to a client. This thesis will be added to the university's library hence an addition to literature and strengthening of synergies between the university and the industry. This study helped the researcher fulfill the requirements of his Bachelor of Commerce Honours Degree in Accounting as well as broadening the researcher's knowledge of the study area and it increased the researcher's ability in solving real life situations by applying courses learnt at the university.

1.7 Delimitations

This study is limited to PKF Chartered Accountants Zimbabwe head office in Harare as well as a selected number of respondents. It specifically investigated the effects of joint provision of audit and non-audit services on auditor independence. It covered the period 2010 to 2014 and will use PKF partners, audit staff, selected auditee accountants as well as selected shareholders.

1.8 Limitations

This study's geographical boundaries are limited to PKC Chartered Accountants Zimbabwe operating in Harare. The reason for this is that, where too many auditors from different parts of the country would have been involved, would have been too time consuming and also too expensive. This is however not seen as a concern when the same laws and practices are followed and applied throughout the country. The researcher only has four months to complete the research and so the primary research in terms of conducting interviews will be limited. Furthermore, the study focuses on examining a sample of the total stakeholders which might not be a true reflection of the total population. It is also limited to the respondents' opinion at the time of the interview and the respondents' gender will not be a factor that is evaluated and difficulties in obtaining information and getting in touch with the respondents. The term auditor in this study refers to the external auditor, which is another limitation.

1.9 Assumptions

- i. The respondents have an understanding and appreciation of auditing.
- ii. Information obtained from respondents is accurate, dependable and can be relied upon.
- iii. Selected interviewees will respond on time.
- iv. The findings of the research will be a representative of all the stakeholders in the accounting and auditing sector.
- v. The respondents will not face challenges in understanding the questionnaires.

1.10 Summary

This chapter gave the background of the research problem. It clearly outlines the research questions and objectives. This chapter highlighted the limitations and delimitations of the study and will be used to various people and organisations. The next chapter will mainly focus on literature review of all the research objective areas.

CHAPTER 2

LITERATURE REVIEW

2.0 Introduction

This chapter thoroughly discusses the research problem as well as reviewing previous studies (that is findings and conclusions) which supports or contradict this study. It also reveals the gaps from previous literature which are going to be addressed in this research. This chapters' structure is framed by the research objectives.

Review of Literature

2.1 The adequacy of professional status of auditors and effect of provision of NAS on professionalism.

Auditors as professional people are guided by ethics and standards such as the International Standards in Auditing as well as the Code of Professional Conduct (CPC), in the execution of their functions (IFAC, 2012)

2.1.1 Professional status of auditors.

Professionalism is the cornerstone of the audit function, (Adeyimi and Olowookere, 2012). In performing statutory audits, auditors should comply with the generally acceptable auditing standards, which require that auditors perform the engagement with due care and an objective state of mind, (Adeyimi and Olowookere, 2012; IFAC, 2012). This was supported by the IFAC (2010) which states that a professional auditor shall comply with the fundamental principles of; integrity, objectivity, professional competence and due care, confidentiality and professional behavior. Hudiwinarsih (2010) went on to show that professionalism is significantly enhanced by the experience, competency as well as independency of the auditor, of which the experience can only be realized though long term relations with the client or offering of non-audit services (Knechel and Sharma, 2012).

In spite of the entire set standard, the current audit failures that have been reported have led to major criticism of the profession and auditors' professional status, by revealing the profession's weakness in line with the protection of stockholders and shareholder interest due to the provision of non-audit services by incumbent auditor (Salehi and Moradi, 2010; Mhlanga, 2015). Ostman and Sandberg (2012) also noted that until the 1980s, auditors professional status was good and the public had confidence in the profession, but this status was damaged as well as questioned after a number of corporate scandals such as the Enron and Worldcom in the US were experienced (Fearnley and Beattie, 2004). Sori and Mohamad (2009a, 2009b) attest that external auditors are expected not only to be independent but more importantly must be seen to be professional when examining and attesting clients' financial statements but with the provision of NAS this independence and professional status of auditors is questionable (Sori et al, 2010)

Auditors are people of high integrity and professionalism who are under a lot of pressure to keep their professional status rather than lose it hence cannot compromise their professionalism even in light of NAS provision (Habib, 2012; Adeyimi and Olowookere, 2012). Even though a great deal of research has been conducted on the issue of professionalism and professional status of auditors, most of these studies have been conducted on major economies of the western industrialized countries such as the USA, UK and New Zealand which differs from the developing economy of Zimbabwe hence the need to obtain empirical knowledge of this status in Zimbabwe and to find out if Zimbabwean auditors think or refer to the CPC in the performance of their duties.

2.1.2 Non-audit services effect on professionalism

Non-audit services are defined as all services provided by auditors that are not considered as an audit and such services may be management advisory (MAS) and compliance related services (tax and accounting services). (Adeyimi and Olowookere, 2012) and in an attempt to

understand the influence or effect of these on auditor professionalism, a number of viewpoints have come out but yet no consensus was reached. There are several possible effects of non-audit services on professionalism that includes conflict of interest, self interest threat, self review threat, familiarity threat as well as advocacy threat.

Conflict of interest

This concept stems from the business relationship that exists between the auditor and the audit client. (Fowler, 2014). Sori et al (2010) noted that the joint provision of audit and non-audit services would create a potential conflict of interest either consciously or unconsciously and the audit client would feel closely associated with the auditor and expect them to compromise their professional standing at the request of the management's requirements. This has been supported by (Wines cited in Saheli (2009)) who empirically analyzed the audit reports in Australia from year 1980 to 1989 of 76 public listed entities evidenced that entities with unqualified audit opinions indeed paid higher NAS fees to auditors than those with at least one qualification hence the conclusion that non-audit services leads auditors to compromise objectivity.

The auditors' practices board (2010) asserts that in the event that a greater proportion of an audit firm's fees are earned from the provision of NAS than from statutory audit, actual or expected NAS fees leads to conflict of interest contributing to the loss of auditor objectivity as well as independence decadence. Basioudis et al (2009) argued that auditors who jointly offer NAS and statutory audit to a client suffer conflict of interest and as a result tend to avoid disagreements with the management of the client in a bid to retain the substantial income derived from the provision of NAS. In support of the above, Francis (2006) puts it in this way, the possibility that such non-audit services fundamentally change the auditor's role from outside skeptical reviewer to inside adviser and decision maker and that this change

compromises the auditor's ability to be independent outsider; the reliance on non-audit services fee creates an economic bond that compromises auditor independence.

However contrary views were held by movers of NAS provision like, Lee et al (2009) asserts that the provision of non audit services by the external auditor to the audit client is essential and paramount in the sense that it enhances client satisfaction, this notion was supported by Islam et al (2005) who argued that it is more economic for auditors to provide other additional services to their clients since the auditor already has a good knowledge and understanding of the client's business. Knechel and Sharma (2012) also unearthed the evidence that there exist a knowledge spillover benefit where joint NAS and statutory audits were performed. Svanstrom (2011) went on to support that knowledge spillover effects have also been acknowledged by standard-setters, "the provision of such NAS will often result in the assurance team obtaining information regarding the assurance client's business and operations that is helpful in relation to the assurance engagement" making the incumbent auditor in the long run becoming a more cost-efficient producer of NAS.

Unlike the aforementioned viewpoints, Habib (2012) views auditors as people of integrity and high professional status therefore could not find a substantial link between NAS, audit quality as well as auditor independence. Adeyimi and Olowookere, (2012) opine that auditors of high professionalism are less willing to accept questionable accounting methods and are more likely to report errors and irregularities uncovered during the audit hence no effect whatsoever on professionalism. In addition Cook and Omer (2012) could not unearth the existence of a link between tax services and audit quality and indirectly the perceived decadence of auditor independence. These studies have concentrated on effect of NAS on independence in general and they did not look at the effect of the various forms of NAS hence the aim of this study is to understand the effect of various forms of NAS.

Self interest threat

According to (IFAC, 2010 and Sharma et al, 2011), the financial reliance and the concern of losing a client may result in a self-interest threat if the auditor's greater part of the total proceeds is from any one audit client "client importance" (Johari, 2013) resulting in an increase in economic benefit dependence (Salehi and Moradi, 2010) which may influence auditors to compromise their independence. Tribunella and Tribunella (2011) shows that a self review threat that could threaten objective reporting can arise where there are unpaid audit or NAS fees since this will result in the auditor becoming one of the client's creditors.

Contrary to the above Li (2010) found out that, as a result of long term relationship there is a positive relationship between client importance and auditors' judgments due to knowledge spillovers where the incumbent auditor provides both audit and NAS hence improved auditor judgment (quality) (Knechel and Sharma, 2012). In the long run this makes the auditor to be a more cost-efficient producer of NAS (Svanstrom, 2011). Nevertheless Hunt and Lulseged (2007) found no association between auditors' judgment and client importance. Though a great deal of research has been done, how significant is this subject in Zimbabwean audit environment where there are no proper enforcements of compliances to standards and ethical requirements, with PAAB not as vicious as other international bodies hence this study's intention is to examine whether in fact NAS leads to a self interest threat in PKF's setting.

Familiarity threat

Salehi and Moradi (2010), describe this threat as becoming too close to the client's management through the range of services offered and by virtue of being in a close relationship with audit client's personnel, there is a risk that the client's business environment may persuade the auditor causing the auditor to be too sympathetic to the client's representations, (Adeyemi and Olowookere, 2012). Arens et al (2012) went on to say that a long relationship with the audit client could result in familiarity threat and reduced professional skepticism levels

potentially threatening auditor independence and effort in audit planning hence reduced trust of the accuracy of reported information, (Johari, 2013).

Other studies shows improved auditor independence, economic benefit and audit quality that accrue to a client as a result of lengthy relationships (Svanstrom, 2011, Knechel and Sharma, 2012). However, Law (2010) found that in Hong Kong some level of social-relations between auditor and client may not impair auditor independence. The study has been motivated to find out the measures that are in place for auditors to safeguard themselves from being too familiar with their clients as a result of NAS provision, in an economy with companies closing each day resulting in reduced clientele base?

Self review threat

“This is a type of threat that has to do with the inability of auditor to identify and accept weaknesses and mistakes in a previous audit work or NAS” (Okezie, 2008). Anichebe (2010) and Arens et al (2008) pointed out that if the audit firm is involved in the process of producing accounts records and financial statements which will be subsequently audited by the same audit firm a self review is created which may influence biased judgment and decisions to be made. In such a scenario the auditor’s role of being an outside skeptical reviewer is changed hence failure to maintain an objective distance (Quick and Warming-Rasmussen, 2005). (Johari et al, 2013 and Adeyemi and Olowookere, 2012) went on to say that, independence threats in mind and/ appearance and review threat may result where there is a provision of NAS to audit clients especially where previous auditor judgments are required to be re-evaluated by the same auditor responsible for those judgments.

Contrary to the above, Sawan (2013) showed that the joint provision of NAS and audit will result in increased audit quality especially for clients with complex tax issues hence the use of knowledge from NAS provided aids better audit quality. Accounting support rather than creating self review threat positively improves audit quality (Svanstrom, 2011) this can be

attributed to knowledge spillover (Knechel et al, 2012). In the same vein, Gul et al (2011) shows that it is cost effective in the expression of an independent opinion by an auditor if NAS are provided by that incumbent auditor.

Due to market-based incentives, like status loss, Ratzinger-Sakel (2013) showed that this will mitigate the threats to independence hence concluded that safeguards will be in place to avoid and minimize self-review. Sori et al (2010) pointed out that auditors that provide both audit and NAS to a client, though under one control, is provided from different departments and personnel “Chinese Wall” hence independence and review of work and better segregation of functions (Dodor and Dardy, 2012). PKF Zimbabwe as a small audit firm that provides NAS, what measures are in place to mitigate the threat of self review?

2.2 Perceptions of various stakeholders on provision of NAS and effect on professionalism

There are various parties or stakeholders who are interested in the work of auditors, which may include shareholders or investors, clients’ management and the general public. Afrem (2012) affirms that stakeholders view on auditor’s objectivity becomes very important since positive perceptions of independence increases authenticity to the auditor, audit function as well as financial statements. Underneath is a review of their perceptions on non-audit service and auditor professionalism.

2.2.1 Shareholders

With a recent increased audit failure worldwide shareholders who are the owners or investors of companies have become concerned about the safety of their investments and tend to criticize the audit profession especially where non-audit services are also provided by an incumbent auditor (Wines, 2011).

Economic Dependence

A UK survey study revealed that UK investors are mostly concerned about the threats of economic dependence and non-audit service provision as they perceive these to pose a great threat to auditors' independence (Dart, 2011, Salehi and Moradi, 2010). These conclusions are consistent with related UK studies undertaken before the current wave of audit failures and audit market concentration (Firth, 1980 and Beattie et al, 1999). In the same breath the UK House of Commons Treasury Committee (2009:84) stated that "we strongly believe that investor confidence, and trust in the audit would be enhanced by a prohibition on audit firms conducting non-audit work for the same company". Eilifsen and Knivsflo (2013) findings showed that there is an adverse investor reaction to NAS violation disclosures in the year 2003. Studies have been undertaken in other countries but, should there be an outright prohibition of joint provision of audit and NAS in Zimbabwean audit firms so as to mitigate this economic dependence syndrome?

Auditor Independence

Quick and Warming-Rasmussen (2005) questionnaire study in Denmark, on the impact of NAS on perceived auditor independence shows that shareholders, bank loan officers and journalists perceive a lower audit independence in the presence of non audit services provision due to a close relationship that would have been created between the auditors and the management of the firm. Auditors tend to be too sympathetic and understanding on the accounts of the client when they have been too close to the client's directors, management as well as employees hence compromising their objectivity in performing of the audit (Wang and Hay, 2013) In a study conducted by Salehi (2009) results showed that shareholders in Iran are strongly convinced that joint provision of audit services and NAS by the auditor to the same client, negatively impact auditor independence.

Furthermore, internal separation of the audit and NAS functions within the same audit firm is not considered as beneficial in Iran (Salehi, 2009). Economic dependence and failure by the auditor to stand up to client's management may result hence self-interest threat as well familiarity is inevitable (Salehi and Moradi, 2010). Management of a firm can use intimidation towards the auditor by threatening to change auditors if a qualified opinion has given on their accounts or may threaten to reduce or even scrap out the non audit services purchased from that incumbent auditor there by putting pressure on the auditor to compromise on their professionalism so as to retain the extra revenue from NAS hence compromising audit independence. (Liao et al, 2013). How can Zimbabwean firms continue to provide NAS whilst maintaining a positive perception of their independence?

Conflict of Interests

Quick and Warming-Rasmussen, (2009) conducted a questionnaire- based survey of German investors and the results indicated that the provision of the great majority of fields of non-audit services acts to impair perceived auditor independence due to the conflict of interest as revealed by the Agency theory which show a differing in interest between the principal (shareholders) and the agent (auditors) who can use their knowledge and the lack of knowledge on the part of the principal for their personal benefits not of the principal therefore creating a conflict of interest (Watts and Zimmerman, 1983). German investors view the internal separate provision of audit service and NAS by the incumbent auditor as beneficial in reducing conflict of interests, (Quick and Warming-Rasmussen, 2009). Sori et al (2010) noted that the joint provision of audit and non-audit services would create a potential conflict of interest either consciously or unconsciously and the audit client would feel closely associated with the auditor and expect them to compromise their professional standing at the behest of the management's requirements.

Adeyimi and Olowookere (2012) when surveying the perception of investors on the provision of NAS in Nigeria, asserts that the provision of NAS might lead to an overall decline of trust in the country's capital market due to a perceived lack of independence on the part of the auditors as a result of provision of NAS which will be reflected in the lack of confidence in audited financial statements due to conflicts of interest. Erah and Izedonmi (2012) went on to say that there is need for auditors to continuously assess their standing in the community and maintain public confidence and calls for regulatory supervision of auditors and the setting up of a system that will perpetually assesses auditors status with stakeholders. What is the best practice audit firms can adopt in the joint provision of audit and NAS so that benefits that are associated with this joint provision are enjoyed as well as mitigating conflicts of interests?

Audit Quality

Gul (2011) in his New Zealand survey, reported that, investors had confidence in those auditors who provide NAS due the knowledge spillover effect that could occur, resulting in quality audit opinion being given and he found out that there was little or no relationship between the provision of NAS and adverse perception on auditors' professionalism as there were guiding principles and standards on auditors conduct and execution of duty with integrity, professional competence and due care as well as objectivity (IFAC, 2012). Abdulaziz (2009) in his analysis of investor perception in the provision of NAS and auditor independence concluded that investors had confidence in those charged with management of companies, that is the directorate and in that, decision they make was in the favor and in the safeguarding of their interest hence if management decided to have the incumbent auditor providing NAS and are confident with the independence of such an auditor. Abdulaziz (2009) and Gleason and Mills (2011) contended that the joint provision of audit and NAS increases quality of audit service due to auditors' reputational incentives, synergies as well as knowledge spillovers.

Furthermore, in support of the above findings Gwillian and Teng (2014) saw the lack of evidence of the association between the provision of NAS and audit failure and also lack of evidence of the adverse economic impact as far as NAS provision is concerned but rather the provision of a wider economic benefit through knowledge spillovers in the form of reduced cost in the performance of the audit as well as increased quality of the audit opinion benefiting the investors in their investment decisions. He also shows the role of professionalism on the part of auditors leading to a regulated performance activity by the auditors so as to keep their professional standings in check hence safeguarding of the principal's interest (Gwillian and Teng, 2014).

Several prior studies such is that of Kinney et al (2004); Frankel et al (2002) and Reynolds et al (2004) finds no systematic evidence proving that a purchase of relatively more NAS by clients will result in the violation of their independence, audit quality or objectivity. All this research has been conducted using shareholders whose businesses are operating in better economies of the west and where regulations are properly enforced and repercussions are suffered with the responsible parties, little has been researched on developed countries and worse more Zimbabwe especially with its hyperinflationary and post hyperinflationary economic environment and the brain drain that faced the nation hence this study is motivated to ascertain the perception of shareholders as regards the quality of audit during these periods.

2.2.2 Clients' management

Audit Quality

Management being the ones charged with governance believes that the provision of non-audit services to an audit client by the incumbent auditor, gives the auditor more experience of the client's industry and more access to the client's accounting systems hence an improvement in the resultant audit quality and opinion (Hossain, 2013). They also believe that without the provision of non-audit services more audit hours will be required for the new auditor to become

familiar with the company and its systems hence there is a high probability of substandard audit quality due to audit pressure as well as audit deadline. (Sawan, 2013). Sawan also believes that with the provision of NAS by the incumbent auditor there is a highly likelihood of problem discovery by the way of the knowledge spillover effect which was believed by Knechel (2012) that knowledge spillover and thus audit efficiency, occur after a moderate amount of NAS has been provided and appears to manifest in a non-linear fashion.

Cost-cutting Efficiency

In a survey conducted by Gul et al (2011), management was shown as believing that in the absence of non-audit services, the cost of an auditor to express an independent opinion may potentially rise as a result of reduced auditor-client relationship and the afore mentioned shortcomings and there are wider economic benefits associated by the joint provision of audit and non-audit services like it's a cost cutting endeavor when the incumbent auditor provides both services than when two different auditors provide these services, it will also result in an improved audit quality as well audit opinion given, (Gwillian and Teng, 2014). Auditor search costs will be reduced as the client will need not to search for another auditor to do its audit or non-audit work, (Svanstrom, 2012). Management that has been focused on is of big companies this study tries to get an understanding as to if management of SMEs in Zimbabwe can influence the profession status of auditors when they provide NAS.

2.2.3 The general public

The auditors' role in society is that of validating and attesting the truth and fairness of financial statements, (Dart, 2011). (Hayes et al, 2005 as cited in Olsson, 2013) alluded that the policeman theory which describes the auditor's responsibility as to detect and deter frauds in audited companies, and the lending credibility theory, where management of an entity uses their audited financial statements to enhance the public's faith in the management, are two theories that have a common purpose of describing what is expected of the auditor. But can this

be achieved in the presence of NAS provision without affecting the professionalism of auditors?

Economic Dependence

A questionnaire survey conducted by Wines (2011) revealed that the public perceived a breach in the auditors' professionalism when providing non-audit services due to the economic bond that results between the client and the auditor and NAS fees dependent on the part of the auditor causing the auditor to compromise independence. This view was supported by Basiodis (2012) who said contingent economic rents such as potential non-audit revenue, increase unintentional bias in the judgments of auditors by increasing the client auditor bond due to an increase in the portion the audit firm is receiving from serving a client. The Enron scandal and demise of Andersen is a global example where the auditors were reported to be getting 27 million in non-audit service fees in relation to 25 million in audit fee (Mahdi, 2009). Sawan et al (2013) using questionnaires and semi-structured interviews to examine the perception of public in Libya on provision of non-audit services by the incumbent auditor, the results showed that the majority of the respondents did not agree with the notion that NAS provision will result in economic dependency and conflict of interest for the auditor. On the contrary, it is believed that NAS provision will improve audit quality through knowledge spillover, though it is more credible if the NAS are provided by a separate department.

Auditor Independence

Francis (2006) puts it in this way, the likelihood that such NAS fundamentally change the auditor's responsibility from external skeptical reviewer to internal adviser as well as decision maker, this transformation compromises the auditor's capacity to be an independent outsider hence the public will no longer view the auditor as independent of the client. Lim and Tan (2010) in their study find that the public believe that increased audit tenure due to the provision of NAS will increase the audit quality if the audit work is carried out by specialists and as long

economic dependence on the client is low. The rapid increase in fees generated by NAS as compared to audit fees has led to a widespread belief that provision of NAS can cause a compromise by auditors of their independence, resulting in two primary public concerns, first being that auditors may fail to stand up to management because of the desire to retain the additional revenue from NAS which is management's gift (Beattie and Fearnley, 2010) and second, the auditor may end up identifying too closely with the client's management and lose skepticism and giving a blind eye to unethical practices due to the provision of a range of NAS or due to the problem of being too familiar with the client (Sori et al, 2010). What mitigating measures are in place in Zimbabwean audit firms to maintain public confidence about their independence in light of NAS provision?

2.3 Influence of NAS on audit quality.

Several of academic, professional bodies and regulators have attempted to define what quality really is, but there is no universal definition yet on the definition of audit quality (IFAC, 2011). Sevved (2012) tried to define it as a deemed role of the audit partners' ability to recognize material misstatements during the audit as well as errors in reporting. Since the meaning of audit quality is not defined as a generally accepted term, it leaves room for interpretation (IFAC, 2011).

2.3.1 Problem Discovery

Sawan et al (2013) conducted a questionnaire survey in Libya on the debated issue of the provision of NAS being the cause of impaired audit quality was considered by the majority of the survey's respondents not to be a serious concern therefore did not secure much agreement but contrary to that, most of the respondents are convinced that the provision of NAS to audit clients gives the auditor vast experience of the client's industry as well as more access to the client's accounting system, thereby functioning in a complimentary capacity. Hence such an arrangement was considered to increase the auditor's overall knowledge of the client and

therefore enhances the probability that problems would be discovered (Knechel, 2012). In such circumstances, provision of NAS was argued to have the potential of actually increasing audit quality (Sawan, 2013).

In support of the above notion, a survey in private firms in Sweden conducted by Svanstrom, findings do not imply that auditor independence is impaired as a result of provision of NAS but rather there are some indications that NAS actually has a positive effect on audit quality this comes about, specifically accounting support is shown to be positively related to audit quality (Svanstrom, 2011). The same researcher in 2012, using data from 322 Swedish SMEs, investigated the choice of purchasing NAS from the incumbent auditor and find out that knowledge spillover from these services can reduce the audit cost as well as the costs of finding a competent consultant, that is search costs are lower, (Svanstrom, 2012). The length of the auditor-client relationship is positively related to the purchase of non-audit services from an incumbent auditor and also, a positive association between perceived quality of audit services and the likelihood of a client purchasing non-audit services from the auditor can result (Mironiuc et al, 2013). Habib (2012) said that the level of client-specific NAS fees consequently leads to diminished financial reporting quality as a result of economic dependence on a client as well as self interest on the part of the auditor causing laxity on the performing of the audit by the auditor.

2.3.2 Audit Lag

Knechel et al (2012) conducted a research in New Zealand testing whether audit quality varies with auditor providing NAS and their findings concluded that higher NAS fees paid to the auditor in conjunction with shorter audit lag do not reduce the quality of the audit due to the presence of knowledge spillovers and audit efficiency that comes about as a result of joint provision of audit and NAS. These results are in line with those of Knechel and Sharma (2010) suggesting that the joint supply benefits may also occur in other international settings where

there is no ban on NAS. Furthermore in an effort to secure prospect non-audit work, auditors have these NAS fees incentives, making them to be more accepting towards management's wishes, thereby resulting in longer auditor tenure impairing independence as well as audit quality, (Sori et al, 2010).

2.3.3 Opinion Formulation

Ye et al (2011) states that in providing NAS there is proof of a reduced possibility of an auditor issuing a going concern opinion, where there is a going concern deficiency auditors' will seldom give a qualified opinion where they provide both audit and NAS, this is basically as a result of prioritization predicament on public interest as well as firm's economic interest on the audit client thus resulting in an inappropriate opinion given hence audit quality is compromised. Wang and Hay (2013) provides evidence that auditors in receipt of a higher NAS fees are more prone to issue clean audit opinions hence audit quality is compromised, evidencing that NAS might impair the auditor's independence in relation to their final judgment on the audit.

Cook and Omer (2012) could not unearth evidence of a link between tax services and audit quality hence concluded that provision of NAS has no affect whatsoever on audit quality. This was supported by Willoughby (2011) whose findings indicated that there was no significant association between non- audit fees and audit opinion, implying that independence would not be impaired when the client's NAS fees are a larger part of the auditor's total fee income or NAS jointly provided with audit will not threaten auditor independence. Therefore, this evidence provides not the support for the expectation that high consultancy fees from client may deter auditors from qualifying the financial statements of those clients (Gwillian and Teng, 2014).

Furthermore in support of the above Ratzinger-Sakel (2013) using financially-stressed manufacturing companies in German found no significant relationship between the level of non-audit fees and the propensity to issue a going concern opinion, this maybe as a result of market- based incentives, such as reputational loss, may have mitigated the possible adverse impact of economic dependence on auditor independence. Since there is no universal definition for audit quality how is it measured in Zimbabwe and how is it influenced by the provision of NAS.

2.4 Influence of non-audit fees on transparency of client's financial reporting and compliance with professional ethics demand.

The professional ethics requirements impose auditors to fulfill the accepted engagement with objectivity, independence and professionalism (IFAC, 2012) hence, rarely would auditors provide consulting services for an audit firm in order to gain additional income but, a number of cases proved the existence of a involvement in committing or covering up acts of financial fraud (Mironiuc, 2013). Most of the time, their complicity was supported by providing the audited companies with consultancy services (Albrecht et al, 2009) Given the economic and financial crisis events, the interests of all stakeholders can be affected by the evolution of the position and financial performance of firms, and so as to serve their interests and take the best strategic decisions, stakeholders need for reported financial statements by firms to faithfully represent understandable, relevant, and comparable information timeously (Hayes et al, 2005)

2.4.1 Financial auditor role in ensuring transparency in the financial reporting of the auditee.

The main purpose of the financial auditor's mission is to increase the trust of the stakeholders in the accuracy of information in the financial statements reported by companies (Arens et al, 2012). Based on the accepted engagement, the auditor must express a professional opinion regarding the compliance of the financial statements, under all aspects, with the applicable

reporting framework and IFRSs (IFAC, 2010). The deployment of the financial audit mission is based on complying with the auditing standards and the ethics requirements, to ensure the quality of the audit engagement. According to the Ethics code of professional auditors, issued by the International Federation of Accountants (IFAC, 2010), the main criteria and requirements that the auditor must comply with during his assignment are: integrity, objectivity, professional competence and due care, confidentiality and professional conduct. The professional ethics demands focus the auditor in planning and carrying out his duties and lead to maintaining a high quality level of its engagement (Hayes et al, 2005)

Messier et al (2008) states that the demand for auditing and assurance services comes from the need for transparency in financial reporting. The financial audit mission represents a methodological approach, structured in a standardized sequence of steps and aims at obtaining an audit report (Arens et al, 2012). The point of maximum interest in the report is the auditor's opinion regarding the compliance of the audited financial statements with the reporting framework and IFRSs.

The utility of the opinion is supported by the Lending Credibility Theory, through which the audited financial statements are intended to justify the decisions of the managers to the stakeholders (Hayes et al, 2005). According to the Theory of Inspired Confidence, within the relationship between the firm and the outside stakeholders, the audited financial statements offer a true and fair view of corporate responsibility (Limperg Institute, 1985). At the same time, starting from the Agency Theory, the audited firm is regarded as the legal result between the agents and main actors, on two tiers managers – shareholders and shareholders – creditors, and the audited financial statements ensure the diminish of potential conflicts of interest between them (Watts and Zimmerman, 1978).

2.4.2 NAS and professional ethics

Ahadiat (2011) states that NAS represent consultancy activities offered by audit firms to their clients. These services respond to the requests of the client firms and cover areas such as: management, actuarial, fiscal, human resources management, financial investments (Ahadiat, 2011). The NAS bring audit firms extra revenue based on the associated fees of which, if these fees from a client are relatively higher than audit fees will result in economic dependence by the auditor causing the auditor to fail to stand up to clients' management so as to retain the additional income from NAS (Dart, 2011; Salehi and Moradi, 2010; Habib, 2012) and auditors independence and profession ethical standards will be compromised, (Wang and Hay, 2013).

Wines (2011) states that auditors' loses their independence or are perceived as lacking independence if they jointly provides a client with audit services and NAS. In order to maintain contractual relationships with customers or to win future audit or consultancy contracts, the services offered by auditors must comply with managers' interests (Beattie and Fearnley, 2010). According to IFAC (2010) it is necessary for the auditors to be independent both in mind and in appearance. Mironiuc et al (2013) in his article aimed at testing existence of a significant influence of NAS fees on the transparency in financial reporting for an audited firm obtained evidence that an increase in terms of non-audit fees, reported to the net income or the turnover, lead to a diminish in financial reporting transparency and the link is laid out by the professional ethics requirements that the auditor must respect since damaging these means a decrease in the mission quality hence direct impact on the audit report.

Mironiuc et al (2013) believe that the problem regarding offering NAS derives firstly from the auditor's fee value for instance, in a case of an insignificant fee level for NAS, compared to the audit fees, can remove the auditor's temptations to compromise on his professional ethical requirements unlike in the case of a significant amount can cause an auditor to compromise professional ethical requirements in order to maintain his legal relations and gain future

economic benefits. Lim and Tam (2010) states that, low economic dependence on NAS fees will enhance auditors' professional ethics and judgments leading to better audit quality. A lot of study has been undertaken on the effect of NAS on auditors' professional ethics but little has been done on establishing the best way to provide NAS which will safeguard professional ethical standards hence this study will endeavor to establish this for Zimbabwean auditors.

2.5 To establish the best practice in provision of NAS.

Sori et al (2010) found that auditor independence is perceived to be compromised where a joint provision of audit and NAS is provided to a client however he also noted that when proper segregation of duties exists in audit firms that offer both services the perception changes. He went on to determine six way in which NAS can be provided to an audit client which are (i) provision of NAS by audit engagement staff; (ii) provision of NAS by staff from different departments; (iii) provision of NAS by staff from different entities; (iv) audit firms are prohibited from providing NAS to audit client; (v) audit firms are completely banned from providing NAS; and (vi) audit firms providing NAS with disclosure of such provision in client's financial statements.

2.5.1 Provision of NAS by audit personnel

The provision of NAS by the audit engagement personnel threatens auditor independence as the auditors may fail to act independently and professionally and to resist management pressure due to their dependence on income from both services (Salehi and Moradi, 2010). Other noted points were that the auditors tend to succumb to client pressure when there is lack of monitoring that is if the same personnel provided both services and auditor independence would be threatened if audit personnel is to gain more knowledge of various aspects of the client's business from their regular review of the business in audit and NAS, hence the need for different people to independently scrutinize the audit and non-audit work (Sori et al, 2010). Joint provision of audit and NAS by the same audit personnel tend to cause an economic bond

between the auditor and the audit client resulting in the auditor losing his independence and failure to stand up to the client's management in fear of losing the extra income from NAS (Beattie and Fearnley, 2010). The auditor also, due to a long relationship standing that come as a result of joint provision of services will become too familiar with the client ending up being laxity in the performance of his duties (Mironiuc et al, 2013).

A lack in segregation of duties can cause errors and frauds go undetected hence this lack in separation of duty by audit personnel can cause this problem to creep in due to a lack of an independent reviewer since both services will be provided by the same personnel (Wines, 2011). Gul (2011) disagrees with Sori, Mironiuc and Wines, when he argued that auditors are professional people, enough to perform their duties independently without any bias and they are bound by their professional ethics and standards hence will not compromise these for the sake of their business and they have a lot of pressure to safeguard their independence than the pressure to lose it. He also said that the occurrence of misbehavior among auditors was said to originate from a small and insignificant number of 'bogus' accountants, with the majority said to adhere to the spirit of rules and regulations on independence (Gul, 2011).

Therefore provision of NAS by the same audit personnel will threaten independence and lacks segregation of duties which will end up adversely impact on the audit quality produced, therefore this calls for a separation of duties making this mode of offering NAS unfavorable. Therefore this study tries to understand if this is the best practice for Zimbabwean auditors to use for the provision of NAS.

2.5.2 Provision of NAS by staff from separate department

In an interview survey conducted by Sori et al (2010) interviewee respondents indicated that auditor independence would not be threatened if the provision of audit and NAS to an audit client was performed by staff from different departments. The interviews disclosed that this mode of NAS provision would allow segregation of functions in monitoring activities, widely

known as the 'Chinese Wall'. It was also believed that different partners would handle the different departments, which would result in greater monitoring activities meaning that the audit division might not lose sight of the material issues. In support of the above Svansson (2012) alluded that the purchase from or provision of NAS by an incumbent auditor will result in a knowledge spillover effect due to a good understanding of the client's industry, operation and systems leading to a speeding up of the audit process and allowing auditors to deliver better quality services subsequently producing a high quality financial statement.

In further support of the above Dodor and Dardy (2012) said it is good to have separate departments that perform audit and NAS rather than having 'one person wearing two hats'. He also pointed out that it may be difficult for one to detect his or her errors, therefore by having two different departments there is a high probability that errors will be detected if some other independent person (department) looks into the work done by another. This division of labor between specialized divisions can induce a greater separation (mental, physical and financial) between two individuals (Dodor and Dardy, 2012).

However in contrast of the above, a small minority of interviewees that were interviewed by Sori disclosed that that provision of NAS by a separate department would still threaten auditor independence and they maintained their levels of skepticism about the ability of audit firms to ensure total segregation of duties since most firms try to attain economies of scale by allocating idle staff to any department within the same firm that required their services (Sori et al, 2010). Supporting the above Habib (2012) expressed concern pertaining to the ability of the auditors to act professionally and independently and be able to differentiate between friendship and responsibility to the general public as they are considered one whether different departments perform different functions and also partners in the same audit firm that perform audit and non-audit services are closely connected hence the separation of functions is questionable.

This is considered a reasonable mode of offering NAS by an audit firm as it enables segregation of function as well as less threatening on audit independence and it enhances economies of scale on the part of the audit firm that provides both services. Can small Zimbabwean firms have separate departments that can separately offer these services?

2.5.3 Provision of NAS by staff from separate entities

A Sori et al (2010) interview showed that the interviewees agreed that, the provision of NAS by separate entities would safeguard auditor independence due to the structure of audit and non-audit firms, ensuring greater transparency of financial reporting (i.e. Chinese Wall). When there is this separation of duties from different entities, each entity would act independently and perform ‘checks and balances on each other’s work therefore acting as a deterrent to auditors against compromising their independence. In support of Sori, Dodor and Dardy (2012) said “an arrangement that is likely to lead to the greatest separation (mental, physical and financial) between individuals completing audit and NAS to a client-company is a separation of firms and the greater the separation between the two firms the greater the likelihood that one would not influence the other”. This can reduce the economic bond that may result from the joint provision of audit and NAS by one firm whether through the use of audit personnel or using separate departments, (Dart, 2011).

Arens et al (2012) went on to say that the separation of entities is an effective way to minimize the auditor independence dilemma because audit partners in the different entities do not have any direct financial or personal interests that could cause them to compromise objectivity that is, there is no economic bond with the client that come about as a result of joint provision of audit and NAS hence each of them will protect its interest and professionalism therefore business is conducted objectively.

Contenders to this mode of NAS provision, contended that staff from different entities that undertake audit and NAS still belong to the same organisation and will ultimately report to the same group of partners that is users of financial statements might be misled in believing that the two entities are different due to difference in names, when in actual fact they are under one control therefore no separation of function (Sori et al, 2012). Economic benefits that accrue as a result of joint provision of audit and NAS such as the knowledge spillover will be lost due to the separation of providers of audit service and NAS and as a result becoming too costly and time consuming for the auditor to frame his audit opinion (Svanstrom, 2012). A lot of research has been undertaken on the effect of the provision of NAS by staff from separate entities (supply side) but nothing has been researched on the perspective of the client's decision on purchase of NAS from the incumbent auditor (demand side) hence this study is motivated to get an understanding on the clients' decision to purchase NAS from the incumbent auditor.

2.5.4 Provision of NAS to non-audit clients and total prohibition

According to the respondents' responses to an interview conducted by Sori et al (2010) results might be a sign of the need for auditors to concentrate on their main function (audit service), and not involve themselves in the provision of NAS to audit clients as this would reduce the risk of conflict of interest. They also believe that by limiting the provision of NAS to audit clients or completely prohibiting auditors from providing these services, would safeguard auditor independence. The interviews also disclosed that the prohibition would be too stringent for the auditor when there are other possible alternatives to overcome auditor independence issues (Sori et al, 2010). Therefore, the majority of the interviewees felt that these suggestions were not the best solutions to the problem faced by the profession in provision of NAS without jeopardizing independence.

A loss in other economic benefits that accrue to an organisation as a result of joint provision of audit and NAS such as knowledge spillover, better understanding of client industry, business and system which will result in better audit quality all will be lost if provision of NAS is prohibited. Cost-cutting measures in the provision of audit services will also be lost resulting in more time required by an auditor to come up with an opinion (Svanstrom, 2012). This study is motivated to find empirical evidence about the perception to this prohibition of NAS to audit clients and outright prohibition, in Zimbabwean audit environment.

2.5.5 Joint provision of audit and NAS with full disclosure in client's financial statement

The interviews results of a survey conducted by Sori et al (2010) showed that interviewees agreed that this approach would protect auditor independence, for such an exposure could notify stakeholders about auditor's attachment in clients' companies and would cause them to ask about the auditors' relationship with management for that reason, this is a more transparent approach of NAS provision, to an audit client. Furthermore, Chang et al (2013) believed that compulsory NAS fee disclosure enhances independence as well as audit quality.

Habib (2012) believed that whether disclosure is provided or not the fact of economic depends cannot be ruled out especially in cases where NAS fees are significantly higher than audit fees. Cain et al (2011) and Koch and Schmidt (2010) went on to show that mandatory disclosures can cause auditors to give more biased advice as they would morally feel licensed to do so as they would have disclosed conflicts of interest. Loewenstein et al (2011) went on to say that disclosure introduces a potential reason for unethical behavior as the auditor can dispute that the party in receipt of the disclosure ought to expect bias. Most of the research conducted was focused on Anglo-Saxon nations with financial transparency with high legal liability as well as auditor reputation effects; this study is motivated to find the empirical evidence of such, in an African country, Zimbabwe especially post hyper-inflation.

CHAPTER 3

RESEACH METHODOLOGY

3.0 Introduction

This chapter endeavors to show the techniques, methods and procedures that have been adopted in a bid to acquire information from respondents which is relevant for this study. A description of the research design, instruments, sampling, sample size, data types their reliability and validity will be deliberated in this chapter.

3.1 Research Approach

IAS 38 defines research as the original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding. Stephen et al (2011:71) attested that research approaches are strategies that a researcher harnessed so as to be certain that their research is customized though useful to future researchers hence in this way guidance is provided on sampling, gathering of data and the selection of research analysis therefore, there exist a need for a positive correlation between research methodology and the way used for data collection. Triangulation, quantitative as well as qualitative are research methodologies that a researcher can use, (Armstrong, 2013) and for this study the researcher will adopt the quantitative and qualitative approaches and this adoption of a mixed methodology's rationale was the complimentary advantage of the two methods that will enhance or enables the achievement of desired result that is reliable data gathering.

3.1.1 Quantitative Research Method

This method entails methods of research that do not put reliance on research conclusions only but they somewhat validate the contributor's behavior, expressions and responses by employing statistical scrutiny, (Flyberg et al, 2011). This method is famous for its outstanding characteristics of a standardized data gathering procedure and can be systematically adopted for statistical data analysis and the results can be articulated numerically, (Muijs, 2013;

Saunders et al, 2012). The researcher adopted this approach since it is ideal and mainly appropriate for analyzing the correlation between two variables that is NAS provision and resultant auditor professionalism. This method will be used through the use of questionnaires that will be issued to the selected sample.

3.1.2 Qualitative Research Method

Miles and Huberman (2009) describe qualitative investigation method as an investigation method engaged so as to describe additional comprehensions relating to an exact problem research other than the previously determined problem research. The researcher will make use of interviews on the staff and management of the firm which will give the researcher first hand information and other aspects in need of further probing regarding the effect of NAS to auditor professionalism.

3.2 Research Design

Collins and Roger (2012) describe a research design as a detailed plan as well as the composition of an investigation that is used to find evidence towards answering of research questions. A research design facilitates the integration of various components that make up the study in a rational and sound way ensuring as far as possible the effective addressing of the problem throughout the study. In this study a correlation as well as descriptive case study is adopted to gather data from respondents of which PKF Chartered Accountants was used as the case.

3.2.1 Correlation Design

A correlation is defined as a relation between two variables and the whole idea of adopting correlation in a study is to find out the connected variables and level of connectedness, (Kowalczyk, 2013). This study has been designed as a correlation because the researcher endeavors to present a clear as well as a comprehensive summary of the relationship between the provision of non-audit services and Zimbabwean auditors' resultant professionalism.

3.2.2 Descriptive Design

The purpose of adopting such a design is to obtain information on the current prevailing conditions, defining the respondents as well as coming up with your conclusions, (Penwaden, 2014). A descriptive approach has been adopted for the study since the researcher tries to give a descriptive explanation on the extent, nature as well as the degree of connectedness between joint provision on noon-audit services and auditor professionalism in a Zimbabwean business setup.

3.3 Population and Sampling

Population is the entirety of features or cases that are being investigated by a study or all individuals that a researcher is targeting to gather data from or make inferences to, (Relethford, 2013). Amviko (2011) went on to say that this is a total sum of individual items or people that have a particular trait or characteristic that is of concern to the researcher. In this current study the research population comprises of the audit partners, accounts clerk, audit clerks, shareholders, clients' management as well as the public.

3.3.1 Target Population

A target population is either a randomly chosen representative subset of the total population tested in a bid to gather data in relation to the study which then, the researcher can generalize, (Creswell, 2013:24). As a result of the above facts the researcher of the current study will sample the total population which will give the desired representative results of the total population saving time and reducing costs associated with testing the whole population.

3.3.2 Sampling

Blumberg et al (2011:58) defines a sample as an essential part of the targeted population that is chosen with care to sufficiently stand for all the members in the population. Sampling is a method of selecting a portion of the total population, intention being to investigate the outcome and this outcome obtained will be deemed a true reflection of the total population and this can

be accomplished using a number of methods like non-probability, purposive sampling and random sampling, (Bax. 2013)

3.3.3 Stratified Random Sampling

Stratified random sampling constitutes the subdividing of the total population into appropriate strata that portrays similitude in nature, then sample or select randomly to obtain proportions that precisely represent the whole population, (Lee and Lings, 2008). In this study population has been stratified into investors, audit partners, audit clerks and so on and random sampling is going to be effected within these strata in order to give components of the population an equal opportunity to be selected, so that sampling errors and bias are reduced or eliminated, (Gill and Johnsen, 2010).

3.3.4 Purposive Sampling

Bax (2013) said purposive sampling relies on personal judgment of the researcher on the relevant data that is capable of being a sample; hence the researcher was motivated to choose target groups from PKF. This choice of target groups was motivated by the roles of the individuals in the firm which have a direct bearing on auditors' professionalism. In addition to this, the researcher was motivated to adopt this method because the notion of auditor professionalism calls for an individual with an understanding of auditing; hence preservation of the data quality obtained is enhanced.

3.3.5 Sample Size

Sample size is the quantity of items to be elected from the total population to make up a sample and this size is to be optimal that is neither too large nor too small but a size that will enable efficiency and flexibility as well as reliably representing the entire population. Kniper and Clippinger (2012) asserts that an addition to sample size is linked with a dwindle in sampling error, on the other hand, there will be diminishing returns linked with that, and Burns and Burns (2008) said that a positive correlation connecting the sample size and the precision of

statistical tests exists. For this research a sample size of 64% was selected which is above half of the total population, in which case, Saunders (2012) says, a sample more than fifty percent is satisfactory as it gives a more reliable outcome. Sample size for this study is as depicted below:

Table 3.1 Sample Size PKF

Category	Population	Sample	%	Reasons
Audit Partners	3	3	100	These are the owners as well as the heads of both audit and NAS functions of the firm (decision makers)
Tax Director	1	1	100	This is the one responsible for the execution of all tax advisory matters of the firm and reports to the partners
Accounts Clerk	1	1	100	Are responsible for carrying out the general ledger related assignments and mostly reports to the partners
Audit Clerks	30	20	67	These are responsible for carrying out audit assignments and they report to the audit manager
Audit Manager	1	1	100	Responsible for the supervision as well as audit planning and audit programme formulation
Client management	10	4	40	These are responsible for financial statement preparation, choosing an

				eternal external auditor as well as selecting the one to offer NAS services
Academicians	10	5	50	These are independent observers with a better appreciation of auditing and the work of the external auditor
Total	56	35	64	

Source: Employee register

3.4 Data Types

Amogh et al (2013) article states that there are mainly 2 forms of data information sources, which are primary and secondary data sources, but where possible, these sources could be used in a complimentary way for each other, (Armstrong and Taylor, 2014).

3.4.1 Primary Data

Primary data source is a technique of gathering data by the researcher for the first time for research purposes, (Donald and Pamela, 2010). The data collection method occurs to be original in nature and is obtainable from original sources through interviews, observations, questionnaires, experimentations, surveys as well as searching through organisation's records (Kniper and Clippinger, 2012). For the reason of this research the researcher used information from PKF obtained by way of interviews as well as administering questionnaires since they give current and up to date information which will be tailor made for the study. Primary data source is free from bias and it shows the nature of originality though it is expensive as well as time consuming to collect and analyse and for this reason secondary data sources were also incorporated in a move to reduce data collection costs.

3.4.2 Secondary Data

Kumar (2013) defines secondary data source as information that is obtained from existing records that were used earlier or formerly for other purposes. Such sources comprise of articles, journals, books, newspapers, as well as financial statement reports and it can be derived from both internal and external information pertaining to the topic or entity under study. In this case PKF hand books and manuals, minutes of meetings, journals as well as documentaries about audit firms were used.

Secondary data sources helped the researcher obtain data in a more timely way as well as less costly manner due to the availability of readily collected data. Secondary data sources were also used so as to bring to light other data which other researchers obtained regarding the study, (Amogh, 2013).

3.5 Research Instruments

Cassel (2011) defined research instruments as tools A researcher uses to obtain data in a bid to achieve research objectives and they consists of interviews and questionnaires and for this study's purposes the researcher implemented questionnaires and interviews as tools to gather data that is relevant and useful to the research.

3.5.1 Interviews

Ferrante (2014) define an interview as a question and answer session between an interviewer and an interviewee. Thyre (2010) went on to say that an interview consists of both oral as well as written presentations of information as well as responses. Therefore it is a meeting in which a number of questions are asked so as to obtain certain specific information from a respondent. A semi-structured interview will be adopted as a tool to gather data from targeted groups of PKF. Open ended as well as closed ended questions have been used for the interview guide that was based on the effect of NAS provision on the auditor's professionalism.

Interviews are advantageous in that they provide clarity in terms of the study area that is it exhibits areas that respondents were hesitate or unwilling to discuss as well as inconsistencies in responses, plus it gives room for the researcher to persuade respondents into opening up and respond to questions. The researcher encountered obstacles in the collection of data using this tool as a result of the inherent limitations associated with interviews such as the questioning by management concerning the confidentiality of disclosed information hence unwillingness by some respondents to provide information especially sensitive one hence for this reason the use of PKF website was also adopted to gather other evidence.

3.5.2 Questionnaires

Questionnaires are data collecting tools whereby the respondents are requested to give answers to a number of questions in a manner that is predetermined by the researcher. (Kumar, 2011) hence a questionnaire is a series of questions targeted for the sample selected so as to gather useful information that pertains to a study area. When administering a questionnaire the use of both closed ended as well as open ended questions should be adopted, (Kumar, 2011).

Closed ended questions give the respondents guidelines of responding without wasting much time though it limits the extent to which a respondent can answer that is confining the respondent to a yes/ a no therefore becoming a barrier into the gathering of other relevant data. On the other hand open ended questions give room to the respondent to expound even other things which might have been omitted by the researcher hence a more detailed response is provided. This is summed by MacNabb (2013) who when defining a questionnaire defined it as a list of questions asked a respondent in gathering data, with the respondent giving an answer through agreeing (closed question) or by way of providing the response (open question). In light of the above, the researcher adopted both the open ended as well as the closed ended questions in order to yield a more comprehensive data.

The tool was implemented in the data collection since it is a less costly way of collecting data especially where a potentially large sample is concerned and it also enables respondents to have ample time to think through the question before responding thereby resulting in a sound answer being given to the questions, (Long street et al, 2012).

3.6 Likert Scale

Vanek (2012) defined the Likert Scale as the real sum of a number of responses or as a scale of answers adopted in questionnaires for the purpose of obtaining the extent of respondents' agreement or disagreement with a statement, (Amaviko, 2014). Each response is allocated an arithmetical score for an opinion and participants may answer in whichever of the following ways: (1) strongly agree (2) agree (3) neutral (4) disagree (5) strongly disagree as depicted by the following table:

Table 3.2 Likert Scale

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Factor	5	4	3	2	1

Source: Wilson (2013)

The researcher is going to use the likert scale because it is a quick way of collecting data that is efficient, inexpensive as well as easy to present and analyse the collected data. The adoption of the likert scale is also motivated by the fact that data collected using this tool is easily quantifiable of which the current study is going to use a quantitative approach, and question answering is made easy on the part of respondents as they are asked if they agree, disagree or they are indifferent and there is uniformity in the questions to all the respondents.

3.7 Validity and Reliability of Research Tools

3.7.1 Validity

Validity is the extent to which a tool of research measures exactly what it purports to measure and if the results of the study can be trusted (Bryman & Bell, 2007) hence a useful tool must measure what it means to focus on so as to obtain set objectives. The research is said to be valid for the reason that only appropriate data was utilized in the research analysis.

3.7.2 Reliability

Janet (2011) defines reliability as the capacity to attain constant results when the research tools selected are reused. Bryman & Bell (2007) defines it as implying the coherence in the study and when findings or results of a study do not change when measurement instruments or methods change, a research is said to be reliable. Instruments employed to obtain data, understanding level of respondents as well as sample size are some determinants of reliability and consideration is to set on the choice of sample, question construction, wording as well as testing the research tools by using statistical models.

3.8 Data Presentation and Analysis

It is important in case studies to acquire information from both their primary as well as secondary sources, but it will remain meaningless until an analysis is carried out on the gathered information hence the primary objective of data analysis, which is described by Lapan et al (2011) as the process that involves carrying out a comparative scrutiny of the gathered data. New insights may be discovered which the researcher might not have the intention to gather when data gathering was been done (Runeson et al, 2012). This analysis of gathered data will enable the researcher have an unambiguous clarification and appreciation of the case (Jones, 2013). A mixed approach to data analysis will be adopted by the researcher through the use of tables, pie charts and bar graphs for presentation and organisation of data for they are easy to understand and they provide a clearer presentation of gathered information.

3.9 Summary

The objective of this chapter was to point out the research methodology employed by the researcher in this study and focusing on research design, research tools together with sampling methods that were up holded in this study. Data gathering, planning, presentation and analysis methods were probed into hence paving way for the forth coming chapter where presentation and analysis of collected data will be executed. Information was obtained from PKF, with interviews and questionnaires being used as data gathering tools and during this time cognisance was given to ethical matters such as seeking permission to gather information relevant for the study.

CHAPTER 4

DATA PRESENTATION AND ANALYSIS

4.0 Introduction

The presentation and analysis of data gathered from the field work is the core principal of this chapter. Questionnaires as well as interview results are the data primary sources that the researcher used in this analysis, where the researcher probe into the effects of non-audit services on auditors professionalism in the context of PKF Chartered Accountants.

4.1 Response Rate

The table underneath portrays the response rate of the administered questionnaires by the researcher

Table 4.1 Questionnaire Response Rate

Category of respondents	Target	Actual	Respondent Rate %
Audit Partners	3	2	67%
Tax Director	1	1	100%
Accounts Clerk	1	1	100%
Audit Clerks	20	18	90%
Audit Manager	1	1	100%
Client Management	4	2	50%
Academicicians	5	5	100%
TOTAL	35	30	86%

Source: Raw data

4.1.1 Questionnaire Response Rate

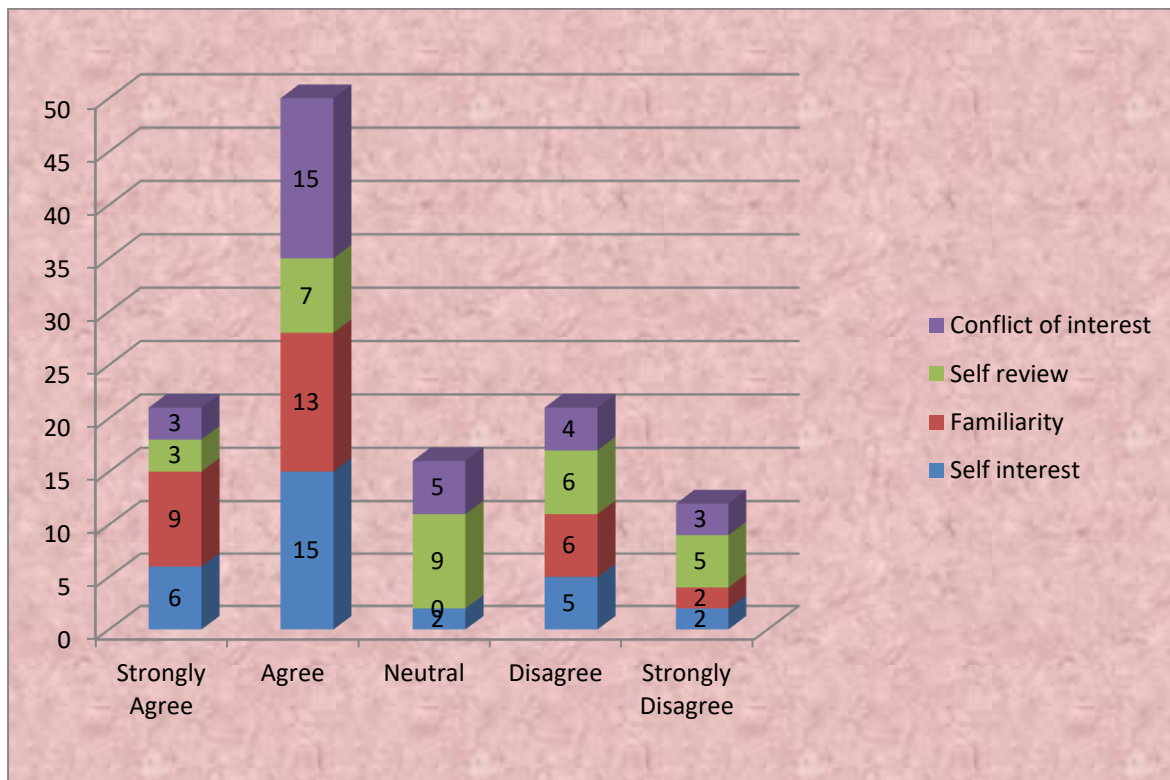
A total number of 35 questionnaires were distributed to PKF Zimbabwe audit staff, clients management as well as academicians and of these 35 questionnaires 5 were not returned giving a respond rate of 30 out of 35 (86%). According to Hugue et al (2013) 60 to 80% response rates are acceptable for generating information about the target population as well as reporting aggregate plus comparative data analysis. Therefore 86% being above acceptable response rate, gathered data was adequate to represent the population hence analysis can be carried out.

4.2 Data Presentation and Analysis

4.2.0 Threats to professionalism as a result of NAS provision

The study aims at establishing if the following threats to professionalism arise as a result of the provision of NAS. Figure 4.1 reveals the results:

Figure 4.1: Threats to professionalism



Source: Primary data

4.2.1 Conflict of interest

Research findings show that 3/30 (10%) respondents strongly agree that NAS provision will lead to conflict of interest while 15/30 (50%) are agreeing, with 5/30 (17%) expressing neutrality. Contrary to the above, 4/30 (13%) of the respondents were disagreeing that NAS provision will lead to conflict of interest and additionally another 3/30 (10%) expressed strong disagreement to this notion. Overall, 18/30 (60%) of the respondents agree that NAS provision will lead to conflict of interest, this means that in actual fact NAS provision leads to conflict of interest as more than half of the respondents, mostly client management and academicians, concurred with this notion and this was also supported by Sori et al (2010) who noted that the joint provision of audit and NAS would create a potential conflict of interest either consciously or otherwise and the client would feel closely associated with the auditor and expect them to compromise their professional standing at the request of management's requirement.

5/30 (17%) respondents show neutrality, meaning that of the total respondents 1/6th consisting mostly audit and accounts clerks, were indifferent about whether NAS provision results in conflict of interest this was in line with Habib (2012) and Adeyimi and Olowookere (2012) whose findings view auditors as integral people of high professional status who are less willing to accept questionable accounting practices and are more likely to report errors and irregularities uncovered during the audit. On the other hand, 7/30 (23%) were disagreeing with this notion implying that these respondents', large part of it being audit managers and partners, viewed NAS provision as associated with positive effects, knowledge spillover effect (Knechel and Sharma, 2012) and cost-efficient producing of NAS by incumbent auditor, (Svanstrom, 2011). Therefore at PKF a mode of 15/30 points towards the notion that NAS provision indeed leads to conflict of interest creeping in and a mean of 3 calculated by,

$\left\{Mean = \frac{\sum(respondents*rating)}{total\ respondents}\right\}$ meaning that on average 3/30 will agree that NAS provision is associated with conflict of interest.

4.2.2 Self review

Research findings has to it that 3/30 (10%) strongly agree, 7/30 (23%) agree while 9/30 (30%) are neutral, whereas 6/30 (20%) are disagreeing and 5/30 (17%) strongly disagree to the notion that NAS provision will result in the self review threat. In total, 10/30 (33%) agreed that joint provision of NAS and assurance services by an incumbent auditor will lead to self review threat, these respondents' consists mostly academicians and client management together with audit clerks. Since less than half of the respondents agree this implies that there is a slight chance that NAS provision will result in self review as opined by Johari et al (2013) and Adeyimi and Olowookere (2012) who said that independence threats in mind and/ appearance and review threat may result where there is a provision of NAS to audit clients especially where previous audit judgments are required to be re-evaluated by the same auditor responsible for those judgments.

9/30 (30%) of the respondents were neutral to this notion meaning that there is an almost equal number to those who agree or disagree to the notion hence high indifferent levels as to the aforementioned notion as supported by Ratzinger-Sakel (2013) who said that due to market-based incentives, like status loss, works as mitigatory measures against self review. On the other hand 11/30 (37%) were disagreeing with the notion meaning that respondents, mostly partners and managers, do not view self review as a threat that will arise from NAS provision this is due to safeguards that audit firms have put in place hence a slight chance of the incurrance of such and is consistent with Sawan (2013) who showed that joint provision of NAS and audit will result in increased audit quality especially for clients with complex tax

issues hence the use of knowledge from NAS provided aids better audit quality. A mode of 10 shows that respondents agree that NAS provision will result in self review threat.

4.2.3 Familiarity

From the findings of the research, 9/30 (30%) strongly agree, 13/30 (43%) agree, none were neutral, 6/30 (20%) disagree and 2/30 (7%) strongly disagree that familiarity threat can result as a reason of NAS provision. Overall, 22/30 (73%) of the respondents (audit and accounts clerks, client management and academicians) agree that NAS provision will cause familiarity threat. This means that as more than half of the respondents consent with this notion, indeed NAS provision result in familiarity threat as was supported by Arens et al (2012) who alluded that long relationship with the client as a result of NAS, could result in familiarity threat and reduced professional skepticism levels potentially threatening auditor independence.

A 0/30 (0%) respond rate is shown for neutrality meaning that respondents were aware that NAS provision will either result in familiarity threat or not. A responds rate of 8/30 (27%) is shown as disagreeing with the notion (partners and managers) as they contended that with auditor rotation after 5 years familiarity is mitigated, this is constant with Svanstrom (2011) and Knechel and Sharma (2012) who instead of seeing a threat from provision of NAS saw increased economic benefit and audit quality that will accrue to a client as a result of lengthy relationships. A mode of 13 points to PKF respondents agreeing that NAS provision will result in familiarity threat and a mean of 3.7 resulted calculated by $\left\{Mean = \frac{\Sigma(respondents*rating)}{total\ respondents}\right\}$, meaning that on average 3/30 respondents agree that NAS results in familiarity.

4.2.4 Self interest

Research findings show that 6/30 (20%) strongly agree, 15/30 (50%) agree, 2/30 (7%) neutral, 5/30 (16%) disagree and 2/30 (7%) strongly disagree and in total 21/30 (70%) respondents

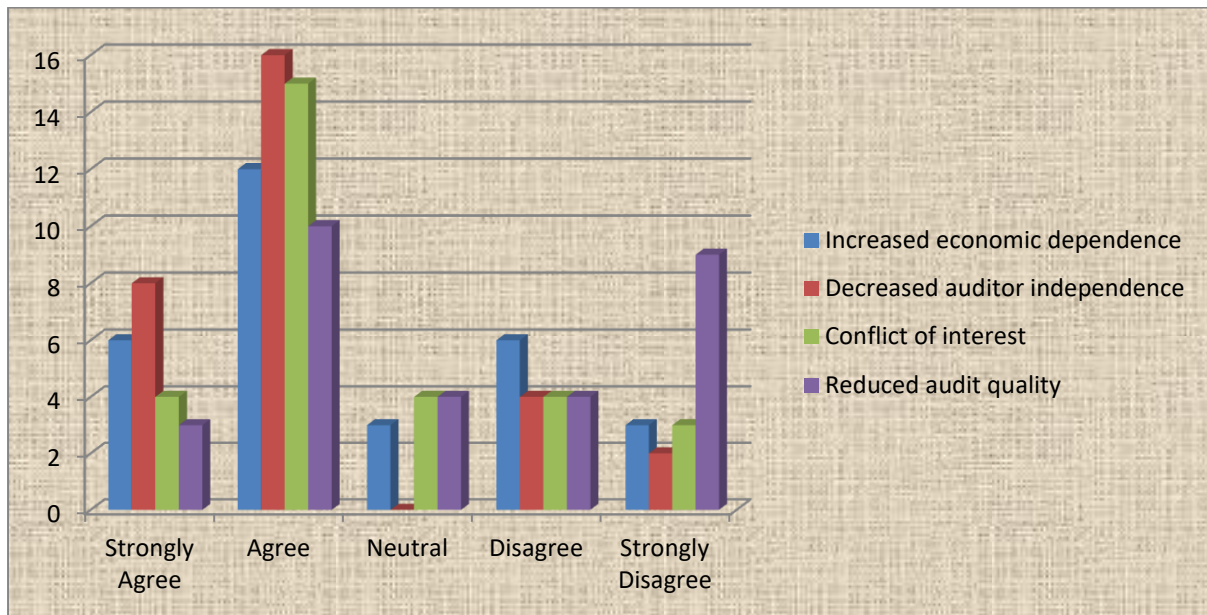
(client managers, audit clerks and partly academicians) agree that provision of NAS will result in self interest threat, and since the majority of respondents are agreeing with the notion, therefore indeed NAS provision will result in self interest as this is in line with Sharma et al (2011) and Johari (2013) who showed that the financial reliance and the concern of losing a client may result in self-interest threat if the auditor's greater part of the total proceeds is from one audit client "client importance" thus resulting in economic dependence. 2/30 (7%) shows neutrality which were mostly academicians who couldn't figure the real effect of self interest meaning that they were indifferent as to the effect of NAS.

Contrary to this 7/30 (23%) were disagreeing with the notion, this means that very few respondents (partners and managers) disagree with the fact that NAS provision leads to self interest as supported by Li (2010) who found out that as a result of long-term relationships there is a positive relationship between client importance and auditors' judgments due to knowledge spillovers where the incumbent auditor provides both assurance and non assurance services. A mode of 15 shows that respondents at PKF agree that NAS provision will result in self interest threat and a mean of 3.6 calculated by, $\left\{ Mean = \frac{\Sigma(respondents * rating)}{total\ respondents} \right\}$ shows that on average 3/30 of the respondents agree that NAS provision will result in self interest threat.

4.3.0 Provision of NAS by incumbent auditor will result in the following stakeholders' perceptions:

An investigation was undertaken in order to ascertain the target population's views as regard the perceptions of a variety of stakeholders regarding the provision of non-audit services by an incumbent auditor and the following were their responses:

Figure 4.2 NAS provision and stakeholders perceptions



Source: Primary data

4.3.1 Increased economic dependence

According to the research findings, 6/30 (20%) strongly agree, 12/30 (40%) agree, 3/30 (10%) neutral, 6/30 (20%) disagree and 3/30 (10%) strongly disagree. Overall, 18/30 (60%) (all other respondents' excluding partners and managers), agree that NAS provision will increase the economic dependence of auditors hence compromised professionalism this means that with the majority of respondents agreeing to this fact, therefore NAS provision will be perceived as leading to economic dependence of an auditor as seconded by a questionnaire survey conducted by Wines (2011) which revealed that stakeholders perceive a breach in the auditors professionalism when providing NAS due to the economic bond that results between the client and the auditor and NAS fees dependent of the auditor causing the auditor to compromise independence. 3/30 (10%) of the respondents were indifferent about the issue and were mostly client academicians who couldn't comprehend fully effects of NAS.

A respondents rate of 9/30 (30%) minority of the respondents (partners and managers) were disagreeing with the notion that provision of NAS will lead to an increase in economic

dependence meaning to say these believe NAS just like any other service will not lead to economic dependents as supported by Sawan et al (2013) whose results showed that the majority of his questionnaire and semi-structured interviews respondents, did not agree that NAS provision will result in economic dependency and conflict of interest rather it is believed to improve audit quality through knowledge spillover. A mode of 12 points to the fact that PKF respondents are convinced that the joint provision of NAS and audit will be perceived as increasing economic dependence of the auditor and a mean of 3.4 calculated by, $\left\{ \text{Mean} = \frac{\Sigma(\text{respondents} * \text{rating})}{\text{total respondents}} \right\}$ shows that on average 3/30 will agree that NAS provision will lead to increased economic dependence.

4.3.2 Decreased auditor independence

The findings of the research shows that 8/30 (27%) strongly agree, 16/30 (53%) agree, 0/30 (0%) neutral, 4/30 (13%) disagree and 2/30 (7%) strongly disagree. Overall, 24/30 (80%) of the respondents (all other, except partners) agree that a decrease in auditor independence will be perceived where an incumbent auditor provides both NAS and audit, meaning to say that, with majority consenting that this perception will hold true hence a conclusion that NAS provision will indeed lead to perceived decrease in independence this is in line with Wang and Hay (2013) whose findings shows that auditors tend to be too sympathetic and understanding on the accounts of the client when they have been too close to the client's directors, managers as well as employees hence perceived as compromising their objectivity in performing their audits therefore reduced audit independence.

A 0/30 (0%) neutrality shows that respondents understood that provision of NAS leads to perceived decrease in auditor independence. In contrast to the above 6/30 (20%) of the respondents (mostly audit managers and partners) disagree with the above notion as they argue that stakeholders will see the mitigatory measures that enhances independence and this is in

line with Sori et al (2010) who pointed out that auditors that provide both NAS and audit to a client, though under one control, these services are provided from different departments and personnel “Chinese Wall” hence independence, review of work and better segregation of functions are enhanced. A mode of 16 shows that respondents of PKF agree that there is a perceived decrease in auditor independence when NAS are provided and a mean of 3.8 calculated by, $\left\{Mean = \frac{\Sigma(respondents*rating)}{total\ respondents}\right\}$ meaning that on average roughly 4/30 will agree that there will be a perceived decrease in auditor independence when NAS are provided.

4.3.3 Conflict of interest

4/30 (13%) strongly agree, 15/30 (50%) agree, 4/30 (13%) neutral, 4/30 (14%) disagree and 3/30 (10%) strongly disagree are the research findings. Altogether, 19/30 (63%) of the respondents consent to the fact that provision of NAS will cause stakeholders to perceive conflict of interest this means that more than half of the respondents, mostly clerks and client management, consent with the notion hence a conclusion that perceived conflict of interest will result from NAS provision. This is in line with the findings of Sori et al (2010) who noted that the joint provision of NAS and audit services would create a potential conflict of interest either consciously or otherwise and the audit client would feel closely associated with the auditor and expect them to compromise professional standards at the request of management. 4/30 (13%) of the respondents were neutral which were morely academicians and partly client management who were indifferent about perceived conflict of interest by stakeholders.

Conversely, 7/30 (24%) of the respondents (audit managers and partners) were differing the notion, meaning to say though being the minority of the respondents their view was outnumbered hence hold no validity though they argue that positive effects will be perceived as supported by Svanstrom (2011) who showed that instead of conflict of interest joint provision of NAS and audit often results in the audit team attaining information concerning the client’s

business and operations thus helping in the assurance engagement and in the long run auditor becomes more cost-efficient producer of NAS. A mode of 15 points to the fact that respondents consent to the fact that NAS provision causes a conflict of interest to be perceived by the stakeholders and a mean of 3.4 calculated by, $\left\{Mean = \frac{\sum(respondents*rating)}{total\ respondents}\right\}$ means that on average 3/30(10%) will agree that perceived conflict of interest will result.

4.3.4 Reduced audit quality

The outcome of the field work shows that 3/30 (10%) strongly agree, 10/30 (33%) agree, 4/30 (13%) neutral, 4/30 (14%) disagree and 9/30 (30%) strongly disagree. Overall results shows that 13/30 (43%) consent with the fact that joint provision of NAS and audit will lead stakeholders to perceive a reduced audit quality meaning to say less than half agree with this view as supported by the findings of Habib (2012) who said that the level of client-specific NAS fees consequently leads to diminished financial reporting quality as a result of economic dependence on a client as well as self interest on the part of the auditor causing laxity on the performing of the audit by the auditor. 4/30 (13%) of the respondents were neutral meaning to say they were indifferent as to the perceived effect of NAS on audit quality as supported by Ratzinger-Sakel (2013) who find no significant relationship between the level of NAS fees and the propensity to issue a going concern opinion this maybe as a result of market-based incentives such as reputational loss.

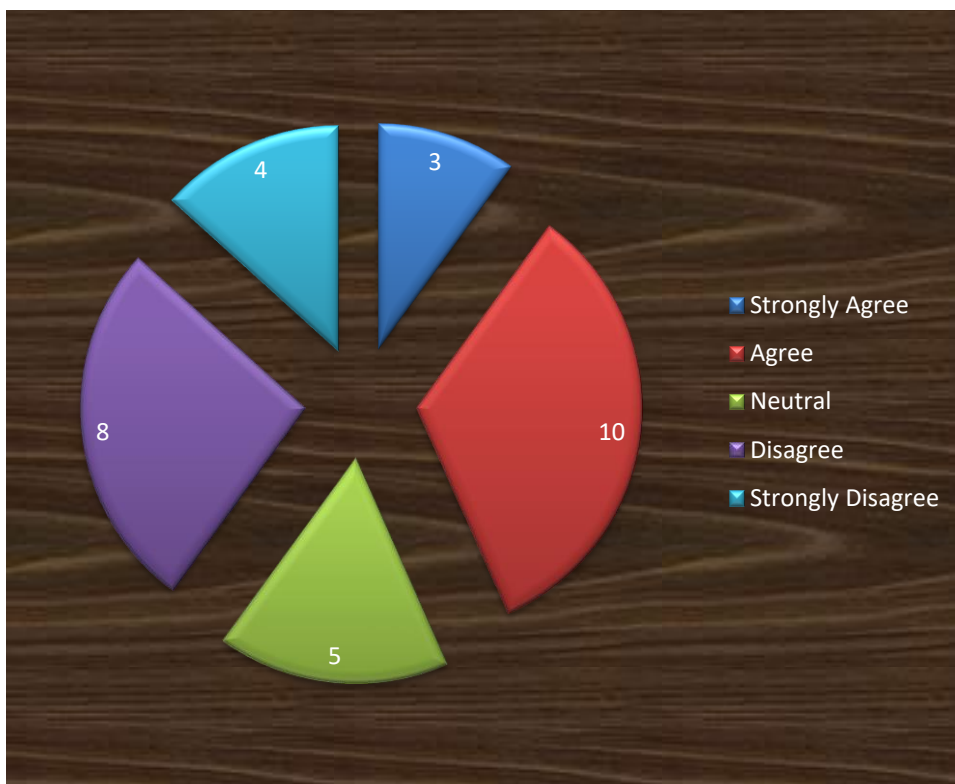
Conversely, 13/30 (44%) disagree that NAS provision will lead to stakeholders perceiving a reduced audit quality but rather an enhancement of audit quality meaning to say that less than half also disagree with the notion as supported by movers of joint supply of NAS and audit like Gleason and Mills (2011) who contended that the joint provision of these services increases audit quality due to auditors' reputational incentives, synergies as well as knowledge spillovers. Equilibrium of those agreeing and those disagreeing to the notion shows that

respondents understood that NAS provision can either positively or negatively result in audit quality hence no conclusive result has been drawn as to the stakeholders perception on audit quality as a result of NAS. A mean of 2.8 calculated by, $\left\{Mean = \frac{\sum(respondents*rating)}{total\ respondents}\right\}$ means that on average 2/30 (7%) either agree or disagree with the notion that perceived reduced audit quality will result from NAS provision.

4.4 NAS provision will positively influence audit quality

Due to the literature review debate on the effect of NAS provision on audit quality and an inconclusive result, an investigation on the target group was launched in a bid to ascertain the effects of NAS provision on audit quality and the following were the field results obtained from the respondents:

Figure 4.3 NAS provision positively influences audit quality



Source: Primary data

The findings attained from the respondents reveals that, 3/30 (10%) strongly agree, 10/30 (33%) agree, 5/30 (17%) neutral, 8/30 (27%) disagree and 4/30 (13%) strongly disagree. An overall position shows that 13/30 (43%) of the respondents agree that the provision of NAS will positively influence audit quality, meaning to say less than half of the respondents mostly audit managers and partners agreed with notion this is in line with Sawan et al (2013) questionnaire survey where most of the respondents were convinced that the provision of NAS to audit clients gives the auditor vast experience of the client's industry as well as more access to the client's accounting system, thereby functioning in a complimentary capacity hence increased auditor's knowledge of the client thereby enhancing the probability of problem discovery resulting in increased audit quality. 5/30 (17%) of the respondents were neutral to this fact, meaning to say they were indifferent as to whether NAS positively or negatively influences audit quality, like Cook and Omer (2012) who could not unearth evidence of a link between tax services and audit quality hence concluded that provision of NAS has no effect whatsoever on audit quality.

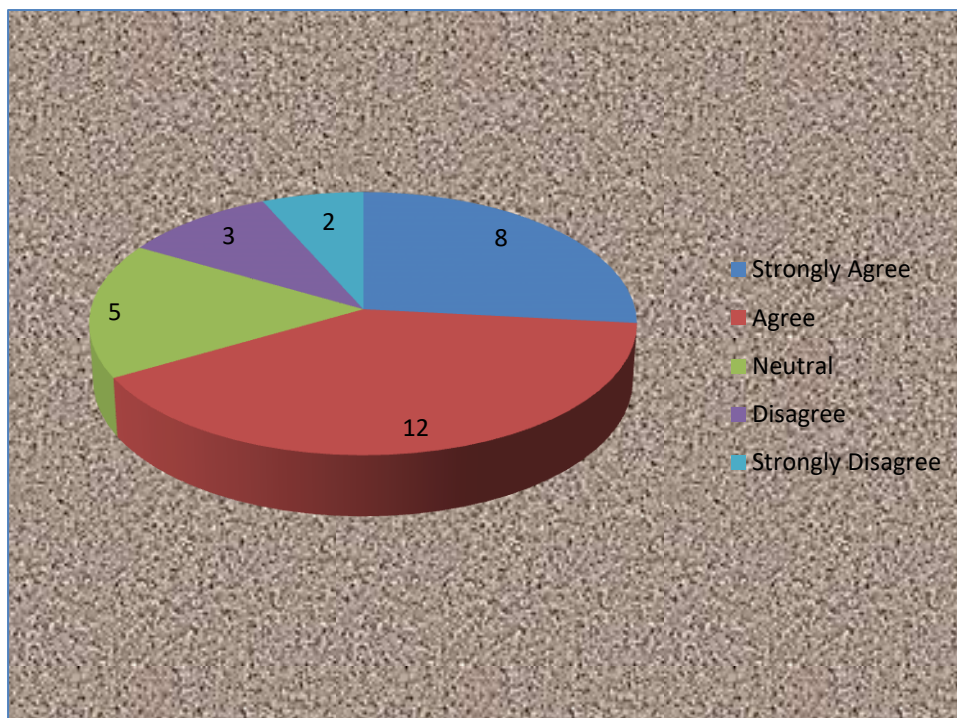
Contrary to the above, 12/30 (40%) of the respondents disagree that NAS will enhance audit quality, meaning to say also that less than half of respondents, academicians and partly client management, disagree with the notion, this was in line with the findings of Ye et al (2011) who states that in providing NAS there is proof of a reduced possibility of an auditor issuing a going concern opinion, where there is a going concern deficiency auditors' will seldom give a qualified opinion where they provide both audit and NAS, this is basically as a result of prioritization predicament on public interest as well as firm's economic interest on the audit client thus resulting in an inappropriate opinion given hence audit quality is compromised. Hence this equilibrium effect has caused no conclusive result to be drawn from respondents as to the effect of NAS on audit quality. A mode of 10 shows the consent of respondents that NAS provision positively influences audit quality and a mean of 3 calculated by, $\{Mean =$

$\frac{\Sigma(\text{respondents} * \text{rating})}{\text{total respondents}}$ } means averagely 3/30 (10%) agree that NAS positively influences quality.

4.5 High NAS fees negatively influences reporting transparency

Literature review debate about the influence of high NAS fees on financial reporting transparency has instituted the need for the researcher to analysis its effect using the target group and the following results were obtained.

Figure 4.4 High NAS fees negatively influence financial reporting transparency



Source: Primary data

Research findings shows that 8/30/ (27%) strongly agree, 12/30 (40%) agree, 5/30 (17%) neutral, 3/30 (10%) disagree and 2/30 (6%) strongly disagree. All in all, 20/30 (67%) of the respondents agree that high NAS fees negatively affect client’s financial reporting transparency, meaning to say the majority of the respondents mostly partners, audit managers and clerks, agree that high NAS fees will negatively impact financial reporting transparency therefore, indeed NAS negatively influences reporting transparency. This is in congruency with

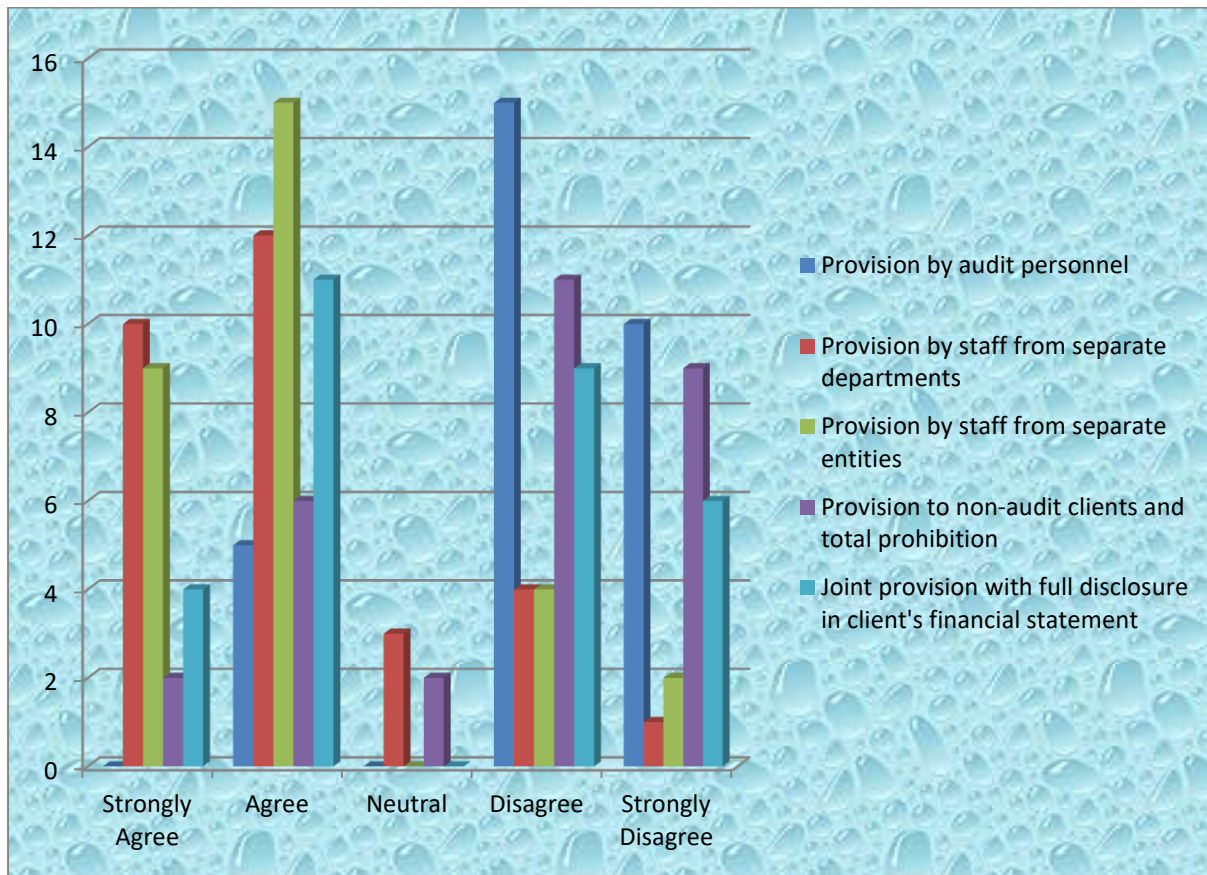
Dart (2011) who said that NAS bring audit firms extra revenue based on the associated fees of which, if these fees from a client are relatively higher than audit fees, this will result in economic dependence by the auditor causing the auditor to fail to stand up to the client's management so as to retain the additional income from NAS thereby compromising independence, professional ethical standards as well as transparency in financial reporting of the client.

5/30 (17%) of the respondents were indifferent about the issue especially client management who perceived NAS fees as any other charge levied for the service provided. In contrast 5/30 (16%) of the respondents disagree that high NAS fees compromise reporting transparency, meaning to say minority of the stakeholders disagree with the notion as alluded to by Lim and Tam (2010) who states that, low economic dependence on NAS fees will enhance auditor's professional ethics and judgments hence reporting transparency and audit quality are enhanced. A mode of 12 points to the fact that high NAS fees will negatively influence the financial reporting transparency of the client as well as compliance with professional ethics demand and a mean value of 3.7 calculated by $\left\{Mean = \frac{\Sigma(respondents*rating)}{total\ respondents}\right\}$ means that on average 4/30 (13%) will agree to the above notion.

4.6.0 Practices that are considered the best in the provision of NAS

As a result of an outcry about the transparency of NAS provision by auditors a lot of debate has been evidenced in the literature review, hence, there was a need for the establishment of the best practice that will enhance this transparency and safeguard auditor professionalism as well as enhance the audit quality. So as to establish this best practice the researcher used the target group to examine and evaluate different practices that can be adopted for the effective provision of NAS and the following results were obtained.

Figure 4.5 Best practices for NAS provision



Source: Primary Data

4.6.1 Provision by audit personnel

Research findings show that 0/30 (0%) strongly agree, 5/30 (17%) agree, 0/30 (0%) neutral, 15/30 (50%) disagree and 10/30 (33%) strongly disagree. Overall results show that there are 5/30 (17%) respondents (client management) that agree with the fact that provision of NAS by audit personnel is the best practice that auditors can adopt as the best way to provide NAS. This means that an insignificant number of respondents agree to the notion meaning they feel audit personnel as the rightful people to offer NAS this supported by Gul (2011) who argued that auditors are professional people, enough to perform their duties without bias being bound/guided by their ethics and standards and they are under a lot of pressure to safeguard their independence that the pressure to lose it. None were neutral meaning respondents understood the effect of NAS provision by the audit personnel.

Contrary, 25/30 (83%) disagree with the notion that NAS provision by audit personnel is the best practice for the provision of such. This means that the majority of respondent (all other excluding client management) disagree with the provision of NAS by audit personnel, therefore, provision of NAS by audit personnel was ruled out as the best practice for NAS provision this is in line with the findings of Wines (2011) who showed that there is a lack of segregation of duties which can result in errors and frauds go undetected due to the absence of an independent reviewer since both functions will be performed by the same personnel and familiarity threat will creep in due to long relationships with client causing laxity on the performance of duty by the auditor (Mironiuc, 2013). A mode of 15/30 points to the respondents who disagree that provision by audit personnel is the best practice for the provision of NAS and a mean of 2 calculated by, $\left\{Mean = \frac{\Sigma(respondents*rating)}{total\ respondents}\right\}$ means that 2/30 respondents disagree.

4.6.2 Provision by staff from separate departments

10/30 (33%) strongly agree, 12/30 (40%) agree, 3/30 (10%) neutral 4/30 (13%) disagree and 1/30 (4%) strongly disagree. The overall result shows that 22/30 (73%) agree that the provision of NAS by staff from separate departments can combat the negative effects of joint provision of NAS. The majority of respondents (audit managers, partners and academicians) perceive this as a best alternative way of NAS provision, therefore as a conclusion this is considered as an alternative for NAS provision and is in line with Dodor and Dardy (2012) who articulated that it is good to have separate departments that perform audit and NAS rather than having “one person wearing two hats” for it is difficult for one to detect own errors therefore by having two departments it is highly probable that errors will be detected if some other independent person (department) looks into the work done by another hence segregation of function, (Sori et al, 2010).

3/30 (10%) of the respondents (mostly client management) were neutral hence indifferent if this provision by staff of a different department will yield positive results, whilst 5/30 (17%) academicians, disagree with the notion as they couldn't see the difference with the provision by the audit staff since these two departments will be under the same control implying a minority group of respondents were against this notion as supported by a small minority interviewed by Sori et al (2010) that disclosed that provision of NAS by a separate department would still threaten auditor independence and they maintained their levels of skepticism about the ability of the audit firms in ensuring total segregation of duties since most firms try to attain economies of scale by allocating idle staff to any department within the same firm that require their services. A mode of 12 points to the fact that respondents agree that this might be an alternative way of providing NAS by firms and a mean of 3.9 calculated by, $\left\{ \text{Mean} = \frac{\sum(\text{respondents} * \text{rating})}{\text{total respondents}} \right\}$ means that on average 4/30 of the respondents will agree that this is a better way of NAS provision.

4.6.3 Provision by staff from separate entities

Research findings show that 9/30 (30%) strongly agree, 15/30 (50%) agree, 0/30 (0%) neutral, 4/30 (13%) disagree and 2/30 (7%) strongly disagree. All in all, 24/30 (80%) agree that provision of NAS by staff from separate entities is a best alternative way of providing such services, this implies that the majority of the respondents are of the conviction that this is the best alternative way of NAS provision as supported by Sori et al (2010) interview results that showed that interviewees consent that the provision of NAS by separate entities would safeguard auditor independence due to the structure of audit and non-audit firms, hence greater transparency in financial reporting (i.e. Chinese Wall). This separation of duties from different entities would make each entity act independently and perform checks and balances on each

other's work therefore acting as a deterrent to auditors against compromising their independence.

No respondent was neutral on this issue showing that they understood the need for segregation of functions, whilst 6/30 (20%) disagree with the above notion mostly client management, but being of the minority group their viewpoint hold no water, this was supported by contenders such as Svastrom (2012) who argued that economic benefits that accrue as a result of joint provision of audit and NAS such as knowledge spillover will be lost due to the separation of providers of these services resulting in it becoming too costly and time consuming for the auditor to frame audit opinion. A mode of 15 shows that respondents agree that this provision of NAS by separate entities is an alternative that can be employed but other benefits would have to be forgone. A mean of 3.8 calculated by, $\left\{Mean = \frac{\Sigma(respondents*rating)}{total\ respondents}\right\}$ means that on average 4 /30 respondents agree that this is an alternative that can be used.

4.6.4 Provision to non-audit clients and total prohibition

2/30 (7%) strongly agree, 6/30 (20%) agree, 2/30 (7%) neutral, 11/30 (36%) disagree and 9/30 (30%) strongly disagree are the result of the research findings. Overall position shows that, 8/30 (27%) agree that provision to non-audit clients and total prohibition is a better alternative that firms can adopt in NAS provision, this means the minority respondents composition agree with the notion that this is an alternative to NAS provision hence cannot be considered as an alternative. This is in line with interview responses that Sori et al (2010) got which might be a sign of the need for auditors to concentrate on their main function (audit service) and not involve themselves in the provision of NAS to audit clients as this would reduce the risk of conflict of interest and ensures fair competition amongst audit firms. 2/30 (7%) were neutral as they were considering this way to be too stringent for the auditor when there are other possible alternatives to overcome auditor independence issues (Sori et al, 2010).

20/30 (66%) of the respondents disagree with the above notion as understood the economic benefits that can be lost by such a method, this means that this has been ruled out as an alternative way since the majority of respondents consent not to it being a best practice. This was as Svansson (2012) puts it, that a loss in other economic benefits that accrue to an organisation as a result of joint provision of audit and NAS such as knowledge spillover, better understanding of the client industry, business and system which will result in better audit quality all will be lost if provision of NAS is prohibited and cost-cutting measures in the provision of audit services will also be lost resulting in more time required by an auditor to come up with an opinion as well as search costs will increase. A mode of 11 points to the fact that respondents (mostly partners, managers and clerks) disagree that this is a best alternative way of NAS provision and a mean of 1.9 calculated by, $\left\{ \text{Mean} = \frac{\sum(\text{respondents} * \text{rating})}{\text{total respondents}} \right\}$ means that on average 2/30 disagree with the notion.

4.6.5 Joint provision with full disclosure in client's financial statements

Results show that 4/30 (13%) strongly agree, 11/30 (37%) agree, 0/30 (0%) neutral, 9/30 (30%) disagree and 6/30 (20%) strongly disagree. Overall, 15/30 (50%) agree that the joint provision of NAS with full disclosure in client's financial statement is a better alternative method that audit firms can adopt this means that half of the respondents perceive it as an alternative way for the provision of NAS, which is in line with Chang et al (2013) who believed that compulsory NAS fee disclosure enhances independence as well as audit quality for such an exposure could notify stakeholders about auditor's attachment in clients' companies hence considered a more transparent approach to NAS provision, (Sori et al, 2010). There are no respondents that are neutral about this issue this means that respondents are either agreeing or disagreeing and none is indifferent.

Conversely, 15/30 (50%) of the respondents disagree with the notion, meaning that half of the respondents disagree with the notion hence they do not consider it as an alternative way of NAS provision. This is supported by Cain et al (2011) and Koch and Schmidt (2010) who said that mandatory disclosures can cause auditors to give more biased advice as they would morally feel licensed to do so, as they would have disclosed conflicts of interest. Equilibrium of those agreeing (audit managers, partners, and client management) and those disagreeing (clerks and academicians) shows that this way of NAS provision is highly debatable hence no conclusion can be drawn. A mode of 11 shows that respondents agree to the fact that provision with disclosure can be an alternative NAS provision way PKF can use and a mean of 2.9 calculated by, $\left\{Mean = \frac{\Sigma(respondents*rating)}{total\ respondents}\right\}$ which means that on average 3/30 of the respondents agree with the notion.

4.7 Interviews

Three interviews were successfully conducted for this study.

Question 1 - What are the effects of NAS on auditor's professional status?

During an interview session with the audit partner, he pointed out that auditor's professional status is hinged on the principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior as supported by IFAC (2012) hence NAS provision can impinge on some of these principles such as integrity and objectivity hence compromising auditor's professionalism. Another interviewee pointed out that a number of threats will result from the provision of NAS which will affect the auditor's professionalism such threats include conflict of interest that have seen PKF being too close to its clients and clients end up desiring favors from its auditor hence conflicting interests which will at times cause intimidation threat to creep in whereby the client speaks of changing the auditor the next year and this have seen PKF losing clients.

The interviewee went on to speak of other threats such as self review, self interest, advocacy as well as familiarity that will impinge auditor's professionalism. Another interviewee was of a different view when she said that NAS if properly and transparently provided will not impinge auditor's professionalism as she considered it as a necessary evil to the enhancement and satisfaction of the client. All the respondents opined that professionalism is the cornerstone of the audit function a viewpoint that is supported by Adeyimi and Olowookere (2012).

Question 2 - What are the effects of individual types of NAS on auditor professionalism that an auditor can provide to a client?

The tax director in the interview session started by defining NAS as all other services provided by an auditor and are not considered as audit and NAS services can be broken down into management advisory services (MAS) and compliance related services (e.g. tax and accounting services). The interviewee went on to highlight examples of NAS that an audit firm can provide with their related effects on professionalism for example, taxation (including tax compliance and tax planning services) can result in a self review threat, recruitment and human resources result in self interest, mergers and acquisitions result in advocacy etc and this was line with Salehi and Moradi (2010) who highlighted the various services.

The audit partner also highlighted that there are a number of non-audit services that have been banned though not so much effected here in Zimbabwe such services includes bookkeeping, internal audit, human resource plan, management functions only but to mention a few for these were highly associated with the threats to auditor independence supported by Ebimobowei (2011) who highlighted all the services that were banned by the Sarbanes Oxley Act of 2002. The other interviewee (client management) could not properly differentiate NAS but only spoke of tax services saying tax planning and compliance services help them comply with ZIMRA regulations and pay tax due in time. All the interviewees highlighted that the ban for

some NAS was premised on the principles that auditor cannot function in the role of management, audit his own work and cannot serve in an advocacy role for its client as opined by (Salehi and Moradi, 2010).

Question 3 - How do these effects of individual NAS affect audit quality and resultant opinion?

The audit partner highlighted that the effects of individual NAS, that is advocacy, self review, self interest and familiarity will negatively affect audit quality and opinion formulation in the sense that gathering of audit evidence that will enable the auditor to produce quality audit and enable him/her to formulate the opinion will not be done fully due to the above mentioned threats hence a lack is noticed in quality and opinion for example due to familiarity or self interest of an auditor to a client the auditor may not qualify accounts or where there is need for a going concern opinion might not issue one due to these effects as opined by Ye et al (2011) who said that where auditors offer both services to a client they will seldom qualify their accounts.

The tax director opined that the effects of these individual NAS will cause an auditor to act in the way of management and cause an auditor not to be able to stand up to management due to the fear of losing whatever gains the auditor has been receiving from serving the client and client management can use this as an intimidation tool against the auditor this was in line with what Salehi and Moradi (2010) alluded to. Both interviewees highlighted that the threats created by NAS offering will cause an auditor not to perform functions with due care and competently.

Question 4 - If there are any effects of NAS on professionalism and audit quality, should NAS then be entirely prohibited so as to salvage professionalism and quality?

The audit partner revealed that NAS provision should not be entirely prohibited though it has its negatives but besides bringing in extra revenue for PKF the total prohibition of such will mean loss of economic benefits that's accrue to a client as result of the provision of such, such benefits include better audit quality as result of spillover effect, cost-efficient in the performing of an audit and formulation of the opinion, this view is in line with that of Svanstrom (2012). Another interviewee said that NAS provision is a necessary evil that companies cannot do without and especially being provided by the incumbent auditor due to his knowledge of the firm's industry, business and system thereby enhancing auditors judgment and ultimately enhanced audit quality.

Another interviewee (client management) pointed out that outright prohibition of NAS will be too stringent to the auditors when in actual fact there are other possible ways of providing NAS which will not affect auditors' independence and he went on to say that this prohibition will result in increased cost such as search cost for auditors to perform these duties. All the interviewees acknowledged that there exist a hazard on independence where NAS are provided nonetheless they disagree with the idea of outright ban of NAS provision as they consider it to be a necessary evil.

Question 5 - What are the best practices that can be adopted for the effective provision of NAS that will ensure the safeguarding of auditor professionalism?

The audit partner highlighted that NAS can be provided by a separate department of a firm though reporting to the same partner as that of audit service or a different partner for this will enable the segregation of function and enables the review of work by an independent person hence increased error and fraud mitigation. He also highlighted that provision of NAS can be done with full disclosure in the client's books for transparency's sake and accountability purposes hence this NAS fee disclosure will enhance independence as well as audit quality.

The tax director also reiterated what the audit partner had said and went on to add that provision can also be done by staff of a different/ separate entity for greater transparency and segregation of function though she pointed out the effect of such an arrangement such as the loss in economic benefits that can accrue to the client from the joint provision. The interview with the client management revealed that though he couldn't name or say the provision they as management can prefer the researcher managed to salvage that client management mostly prefer working with the auditor they have been working with who understand their industry, business and operation system unlike explaining this all and over to the new auditors.

All the respondents highlighted the need for clear cut/ transparency in the provision of NAS in this way NAS can be provided without prejudice on audit independence and also proper segregation of functions should be enhanced to enable proper review of work by an independent reviewer.

4.8 Chapter Summary

This chapter descriptively analysed and interpreted gathered data and the presentation of gathered data through interviews and questionnaires in form of charts and graphs. Results are in support that the provision of NAS to audit client negatively influences auditor professionalism. The subsequent chapter will be the research terminus hence recommendations provisions will be focused on.

CHAPTER 5

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter will highlight research conclusions resulting from preceding chapters regarding to the effects of non-audit services on professionalism. The chapter will be furnished with, a synopsis of the research findings, recommendations as well as conclusions on issues identified in the study. Moreover, this chapter aims at highlighting areas which the researcher in his own opinion feels are considerable for further future research.

5.1 Chapter Summaries

5.1.1 Chapter 1

Chapter one serves as an introduction to the background of study which is the effects of non-audit services on auditors' professionalism within the context of PKF. It went on to show the research/ problem statement being threats of advocacy, self review, familiarity, self interest and conflict of interest as well as economic depends on NAS fees that arise due to NAS provision. It also highlighted the main research question being 'What are the effects of the provision of NAS on auditors professionalism' and objectives of the study being that of investigating the effect of NAS on professionalism, reviewing varying perceptions of different stakeholders, effect of NAS on audit quality as well as client reporting transparency and also to try and establish the best practice for the provision of NAS. Significance of the study to the firm, university and the student were also highlighted as well as delimitations of place (PKF), period (2010 to 2014), people (partners and clerks) where highlighted. Geographical, time and sample limitations were also noted as well as assumptions like timeous responding of interviewees were noted, closing this chapter is a summary.

5.1.2 Chapter 2

In chapter two the research reviewed literature of other various scholars which regard to effect of NAS on auditor professionalism for years between 2010 and 2015, in which instance the researcher take on literature of scholars such as Sori et al (2010) who made suggestions to alternative way of NAS provision such as provision by staff from separate departments/entities, provision to non-audit clients or total prohibition and so on, Knechel and Sharma (2012) who spoke of the knowledge spillover effect that come about as a result of joint provision of NAS and audit services, Svanstrom (2011) who highlighted the economic benefits that accrue from a lengthy relationship through provision of NAS as the auditor will become a cost efficient producer of NAS hence increased audit quality, only but to mention a few who in their capacities researched on NAS, professionalism and their related issues. This chapter's core objective was hinged on the research objectives of; NAS and effect on professionalism, stakeholders' perceptions on NAS provision, NAS and effect on audit quality influence of NAS on client reporting transparency and establishment of a best alternative for NAS provision.

5.1.3 Chapter 3

Chapter three's aim was to concentrate on the research methodology adopted in the research in order to gather data and a mixed methodology was adopted for the purpose of this study. A descriptive study design was adopted in the research in obtaining as well as analyzing of gathered data in line with the effects of NAS on professionalism. It further delved into population and sampling aspects of which a sample of 35 staff, (65% of the target), from PKF was selected for primary data gathering using interviews and questionnaires as data collecting tools and a likert scale model was used for administering of questionnaires and justifications were given.

5.1.3 Chapter 4

Chapter four's objectives were premised around the presentation, interpretation as well as analysis of questionnaires and interviews gathered data of which a response rate of 86% and 60% on questionnaire and interviews respectively was attained. Data findings were later presented on tables, pie charts and bar graphs and a mean was calculated as well as showing the mode as measures of central tendency and interpretation of results thereof was done.

5.2 Research findings

This research found out that, as a result of gathered data, NAS provision will result in threat to professionalism and such threats includes; advocacy, self review, self interest, familiarity as well as conflict of interest and on the other hand improved audit quality can be enhanced due to this provision as a result of knowledge spillovers and improved knowledge of the client business. Other findings are that high NAS fees negatively influences the client reporting transparency and also will lead to an auditor becoming economically dependent on the client resulting in compromised professionalism. It has also been established that the preeminent substitute to prohibiting the provision of NAS by audit firms was an appropriate segregation of functions between audit members that execute NAS and those that perform audit function and this can be done in two ways that is either through separate departments or separate entities.

5.3 Conclusion

Based on the findings enshrined in the gathered and analysed data that was focused on addressing research questions and objectives, the researcher draws a conclusion that NAS provision by an incumbent auditor has a negative effect on auditor's professionalism. Nonetheless, there are other positive effects that are derived from joint provision of NAS and audit hence the need to salvage the provision of NAS.

5.4 Recommendations

Based on research findings as well as conclusion above, the researcher recommends that NAS ought not to be provided to audit clients and where it is provided proper safeguards have to be put in place so that professionalism is maintained. Additionally, NAS fees should not exceed audit fees and in a bid to retain public confidence, auditors must constantly evaluate their status in the society and take essential measures when their assessment point out a below expectation position.

5.5 Areas for further research

Areas that were considered as necessary for further research were recognized as a result of other problems that came to light during the duration of the research.

Further studies may involve:

- ❖ Investigation of auditor independence subject between firms that pay low amounts of NAS fees and firms that refrain from purchasing NAS from the incumbent auditor all together.
- ❖ Investigations of companies that have to obtain modified going concern opinion and observe whether the acquiring or non-purchase of NAS obstruct the incidence of an issue of modified opinion.
- ❖ Since there exist no universal meaning of audit quality, future studies may perform research studies concerning the universal definition of audit quality.

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APPENDIX A
LETTER OF INTRODUCTION



Midlands State University
Department of ACCOUNTING
P. Bag 9055
Gweru

08 April 2015

Dear Sir/Madam

RE: RESEARCH PROJECT ASSISTANCE

I am a 4th year student-at the Midlands State University pursuing a B. Comm. Honours degree in Accounting I am carrying out a research on *The Effects of Non-Audit Services on Auditors Professionalism*. This is in partial fulfillment of the requirements of the **Bachelor of Commerce Honours degree in ACCOUNTING** that I am currently undertaking.

I kindly ask you to assist by completing the questionnaire attached-to-this-letter. The information you provide as well as your personal views will be treated with confidentiality and used for the purpose of this research only.

Your contribution to this research is greatly appreciated

Yours faithfully
Magama Isheunesu

APPENDIX B
QUESTIONNAIRE

Respondents are hereby requested to fill in the applicable areas in the questionnaire and uphold confidentiality by **not** mentioning their name.

Place a Tick [√] where applicable

1. The following are threats to professionalism that arise as a result of the provision of NAS:

Factor	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Self interest					
Familiarity threat					
Self review threat					
Conflict of interest					

2. The provision of NAS by incumbent auditor will result in the following perceptions by stakeholders:

Factor	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Auditor's increased economic Dependence					
Decrease in auditor independence					
Conflict of interest					
Reduced audit quality					

3. Audit quality will be positively influenced by the provision of non-audit services by an incumbent auditor

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

4. High non-audit service fees negatively influence transparency of client’s financial reporting and compliance with professional ethics demand

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

5. The following practices are considered the best practices in the provision of NAS

Factor	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Provision by audit personnel					
Provision by staff from separate departments					
Provision by staff from separate entities					
Provision to non-audit clients and total prohibition					
Joint provision with full disclosure in client’s financial statements					

Comments.....

Signature.....

THANK YOU FOR YOUR SUPPORT

APPENDIX C:

INTERVIEW GUIDE



Questions:

- 1) What are the effects of NAS on auditor's professional status?
- 2) What are the effects of individual types of NAS on auditor professionalism that an auditor can provide to a client?
- 3) How do these effects of individual NAS affect audit quality and resultant opinion?
- 4) If there are any effects of NAS on professionalism and audit quality, should NAS then be entirely prohibited so as to salvage professionalism and quality?
- 5) What are the best practices that can be adopted for the effective provision of NAS that will ensure the safeguarding of auditor professionalism?