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MANCHESTER

**An Understanding of the Joint Audit Role in enhancing
the External Audit Practices in Kuwait**

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degree of Doctor of Philosophy**

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Dedication

This thesis is dedicated:

To my father Sami Aljouan, who always supported and encouraged me to keep studying and seeking knowledge.

To my uncle Anwar Aljouan, may his soul rest in peace, who always supported and encouraged me to keep studying.

To my mother, may God bless her and keep her, for her endless and unconditional love, prayer, and motivation.

To my wife, for her patience and perseverance during my difficult PhD time, and for taking care of our children when I was away from them.

To my children Salwa, Sarah and Yasmeeen, whose laughter and smiles have fuelled my hope and empowered me during my study journey.

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Abstract

This research evaluates the role of Joint Audit (JA) from a diverse stakeholders' perspective and investigates the effects of JA on the overall audit quality (AQ), it has aimed at examining the effects of a JA on Kuwait's quality of the financial reports. The data were collected using semi-structured interviews and survey questionnaires with stakeholders. The interpretive methodology has been chosen because it contributes primarily to understanding stakeholders' perception of JA and inferring their opinions, ideas, and complexities for this type of audit. The findings demonstrate that most stakeholders believe that JA can add value to AQ by having auditors with diverse backgrounds and experience in the field of audit, which contributes to increasing the AQ. JA also ensures the auditor's rotation, which achieves the necessary neutrality resulting in a high-quality audit. Further, JA stimulates competition among the largest number of auditing firms, leading to more innovation and improved response to the needs of the audit market. This is the general perception of AQ practices and the extent to which respondents agreed with statements regarding measures that can improve the AQ practices. The findings also reveal that JA generates cooperation and friction between BAF and MSF, resulting in a rise in the level of the auditor himself in terms of exchange of information and experience. As well as helping the Kuwaiti audit firms to develop their abilities by using advanced techniques and technology and transferring rare expertise to the auditors, which is reflected positively in the final audit outcome, on the financial level, the JA provides good opportunities for audit firms to gain market share. The JA can help to develop a solid financial market with credibility through the fair and transparent financial report that will enhance the position of the Kuwait financial environment, regionally and globally. However, the findings show that some stakeholders are concerned about downsides, such as coordination difficulties and (free-ride).

The findings also reveal that the JA system is relatively unique. However, it has many benefits for all users of financial statements, particularly decision-makers and investors, because what distinguishes this system is its ability to achieve the best quality of auditing and maintain professional performance quality. Therefore, it has become necessary since first applying this system about 25 years ago. It is the development and improvement of an implementation mechanism, clarifying the roles and responsibilities between auditors and clients, and rights and duties to achieve the best means of development.

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List of Abbreviations

AMF	French Securities Markets Authority
ANOVA	analysis of variance
AQ	audit quality
BAF	big audit firms
CBK	Central Bank of Kuwait
CEO	chief executive officer
CMA	Competition and Markets Authority
CMA	Capital Market Authority
DT	Deloitte & Touche
EC	European Commission's
EY	Ernst & Young
FRQ	financial reporting quality
FTSE	Financial Times Stock Exchange
GAAP	generally accepted accounting principles
GCC	Gulf Cooperation Council
IAS	International Accounting Standards
IASB	International Accounting Standards Board
ICFA	Institute of Certified Financial Analysts
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
JA	joint audit
KAAA	Kuwait Accountants and Auditors Association
KB	Kuwait Bourse
KIA	Kuwait Investment Authority

KPC	Kuwait Petroleum Corporation
KSE	Kuwait Stock Exchange
KWD	Kuwaiti dinar
MCI	Ministry of Commerce and Industry
MENA	Middle East and North Africa
MSCI	Morgan Stanley Capital International
MSF	Medium and small audit firms
OLS	Ordinary least squares
ROA	Return on assets
UK	United Kingdom
US	United States

Chapter 1

Introduction

1.1 Introduction

There has not been much debate about the JA system neither as one of the corporate governance mechanisms, or as a quality enhancement technique. While JA systems are relatively uncommon, this system has existed for around 90 years (Holm and Warming-Rasmussen, 2007). It was justified by the potential reinforcement of auditor independence, and the strengthening of the market positions of the non-Big 4 firms (Hughes, Locke and Humphrey, 2007, Herbinet, 2007, André *et al.*, 2016). Conversely, JA opponents are mainly concerned with the potentially high coordination and organisation costs, as well as the possibility of free-ride and internal opinion shopping without a corresponding increase in AQ (Siddiqui, 2019). The JA system is used in several economies; it is mandatory in some countries, such as France and Kuwait, for some companies listed on the stock market. It is voluntary in Denmark, Sweden, and Saudi Arabia (Groff & Salihovic 2016). The term JA is used to describe a situation in which two auditors who are collectively assigned to plan and perform the audit procedures, including interpreting the results of audit procedures, complete the engagement and issue an audit opinion (Velte and Azibi, 2015). However, the monitoring process between the two firms and the discussion of audit outcomes are of particular importance, as they will ordinarily result in higher AQ (Baldauf and Steckel, 2012). This chapter presented the importance of developing a professional debate about the professional roles of implementing JA regime, and it includes eight major sections. The background and rationale are given in section 1.2. Section 1.3 discusses the research motivation and importance, followed by research aim and objectives in section 1.4. The expected contribution is given in section 1.5. Section 1.6 lists the research questions, followed by a summary of the research methodology in section 1.7. Finally, an outline of the thesis is provided in section 1.8.

1.2 Background and Rationale

Audits play a vital role in the financial environment, as stakeholders rely on the results of this audit process (Abid, Shaique and Anwar ul Haq, 2018, Dyck and Zingales, 2004, Chen and Zhou, 2007). Therefore, the quality and credibility of the auditor's professional performance,

and efforts to improve this performance, have been the focus of many studies and regulative and legislative efforts (for example: DeFond, and Zhang 2014, Abid, Shaique and Anwar ul Haq, 2018, Michas, 2011, Liu, Raghunandan and Rama, 2009, Menon and Williams, 2010, Lu and Sapra, 2009, Comprix and Huang, 2015, Berglund, Eshleman and Guo, 2018). Audited financial reports represent the leading factor used by stakeholders to evaluate a firm's performance and to make proper financial decisions. The AQ and its ability to ensure a credible financial report plays an essential role in reducing information asymmetry and boosting stakeholders' confidence in the business environment (Khlif and Samaha, 2014). Several methods of improving the quality of audit outputs have emerged in several countries, such as the JA, which can be either compulsory or optional (Ratzinger-Sakel *et al.*, 2012). In Kuwait, the management of the Kuwait Stock Exchange (KSE) has prepared new rules to regulate the auditing of companies listed on the market. Under article [161], the board members should appoint at least one external auditor at the general meeting (Alfraih, 2016). In August 1994, the article was amended to require corporations in KSE to have at least two external auditors from audit firms, effective for financial reports from January 1995. This obliged the listed companies to appoint more than one auditor, especially for the purpose of increasing transparency and efficiency in the market and the obligations stipulated by the KSE. The draft resolution stressed that all firms listed on the KSE should have at least two or more auditors from separate accounting offices (Alanezi *et al.*, 2012). The audit firms of the listed companies must comply with international standards of auditing. Additionally, the audit firms must carry out the joint audit in such a way as to ensure that their purpose is achieved through professional procedures and universal principles.

The JA has recently received attention due to two reasons. First is the emergence of many financial issues related to a large extent to external auditing, as it was a significant reason for the existence of these crises. As a result of poor or weak external audit, financial reports were the source of serious financial problems. Recently, has been one of the biggest accounting scandals in the world in recent years. It was a member of the FTSE 100 until the end of last year. The British Financial Reporting Authority has opened an investigation with the accounting and auditing firm EY, which was reviewing and auditing the financial statements of NMC, which is facing a financial crisis that forced creditor banks to impose their custody and take over its management (Kelton, 2020). NMC revealed more than \$ 6.6 billion of debt that had not been disclosed since the group's interim financial statements were announced on June 30, 2019. Serious doubts about auditing the company's financial statements, including

cash balance, asset values and reported profits, as well as debt levels, were the primary reasons that pushed the authority to research the company's position and management method, expressing its belief that NMC had manipulated its budgets intentionally to reduce debt (Thomas, 2020).

Second, there is a global trend to anti-monopoly in the financial world. As it is known, auditing business is one of the profitable and booming industries, but, there is clear control by specific firms (Big four) over the largest segment of the audit market. After failures at builder Carillion and retailer BHS raised questions about AQ, the Competition and Markets Authority (CMA) recommended, to create the strongest possible incentives for highly competent, professionally sceptical audits, that the competition must focus on AQ, and there must be sufficient and suitable choice of viable competitors over the long term. Accordingly, the CMA proposes that audits should be carried out jointly by the two audit firms. This will give challenger firms access to the most prominent clients while allowing for a cross-check on quality, as each auditor reviews the other's job (Sweet, 2019, Jones, 2019)

Locally, after the Kuwaiti Stock Exchange market was promoted from “frontier market” to “emerging market”, financial flows entered as a result of the upgrade, amounting to \$ 2.5 billion, distributed among 17 stocks representing 0.6% of the Morgan Stanley Capital International (MSCI) Emerging Markets Index (Bloomberg 2020). Therefore, the Kuwait government sought to create an entity built on trust and high credibility, as well as gaining the confidence of both foreign and local investors. The regulatory authority in Kuwait is working on developing the activities of capital markets in the state of Kuwait and creating an attractive investment environment that obtains investors' trust. The JA can give the impression for the business community that Kuwait is serious about protecting and increasing their investments. This is done through a number of means, including increasing the credibility of financial statements. The strengthening of confidence in the Kuwaiti Bourse with the credibility of financial information may prompt foreign investors to look at Kuwaiti assets, including stocks. The Kuwait Stock Exchange (KSE) is one of the oldest markets in the region and was opened in 1977. However, it has undergone many financial crises, which may be a concern for investors. Therefore, through laws and procedures, one of which is the JA, it tries to enhance investor confidence (Pacheco, 2019, Bloomberg, 2020).

At the academic level, most studies focus on one aspect of JA, such as the effects of the JA on firm value, auditor independence, and abnormal accruals. In contrast, there has been little

attempt to study other aspects of the JA or to know the views of those dealing with financial reports, as most of the studies did not examine stakeholders' understanding about this type of audit, especially in the Middle East and specifically in Kuwait. By reviewing and analysing previous studies, it became clear that:

1. There is no study specialising in the dimensions and effects of JA in particular; that is to say, this research is so far the first study this type of auditing. JA are practised in several countries, both mandatorily and voluntarily, with the most important of these being France, as it has one of the most important economies of the world. In France, JA is mandatory, so the objectives of the basic application of this accounting system can and must be discussed in comparison with Kuwait.
2. There is a paucity of research and studies on the JA at internal levels. Despite the auditing system having been in place in Kuwait for 23 years, no study or specialized research has explained the dimensions and results of this system.
3. There is also no study related to the impact of JA on stakeholders either directly or indirectly. However, despite the importance of stakeholders in institutional work and in their role as the foundation of any financial business, the stakeholders have not been mentioned in any JA studies. Therefore, this study focuses on the impact of JA on stakeholders, such as shareholders, corporate management, government authorities and audit offices. Furthermore, this study will investigate the effects of the JA and identify the advantages and disadvantages and the expected results of this type of audit.

1.3 Research Motivation and Importance

While there is the general motivation of understanding the influence of JA on stakeholders and audit quality, perception needs more scrutiny. Hence it is needful to establish a thorough understanding of JA. Moreover, it is necessary to study the issues surrounding JA within the context of Kuwait, citing examples of emerging and developing economies (including Kuwait), “To date, empirical evidence on these countries is either extremely limited or non-existing” (Ratzinger-Sakel *et al.*, 2012). In this field, the majority of the papers are Working Papers, which reflects the thinness of the literature in the area. Also, many of the papers are

in French and refer to France and Sweden in the vast majority of the cases. Importantly, virtually all these studies have produced findings with very low explanatory power.

The following elements illustrate the importance of the research:

1. The pivotal importance of auditing in general and of joint audits in particular, namely:
 - A. Helping to control the performance of companies and to ensure their compliance with accounting and financial standards by improving the companies' credibility and firm-specific information (Dyck and Zingales, 2004, Chen and Zhou, 2007).
 - B. The auditor establishing communication between the parties used for financial reporting, such as the executive management and investors, this being one of the audit objectives set by regulators in Kuwait (Al Obeid, 2017, KSE Authority, 2016).
 - C. Including the concerns of all scientific and professional bodies in the last period of the corporate governance policy, as the financial reports quality and the audit is represented as an essential element of governance. For example, the Capital Market Authority (CMA) and Central Bank of Kuwait (CBK) recommendations and laws are intended to improve the level of governance in financial institutions in Kuwait (KSE Authority, 2016 ,Alobeid, 2017, Aljarida, 2015).
2. Acknowledging the importance of financial reports for different users, especially investors and financial analysts, to achieve their various objectives. This requires quality reports to maximize benefit to the user, especially important after the global financial crisis and decline of investor confidence in financial reports (DeFond and Zhang, 2014, Quick, 2012)
3. The attention that audits in Kuwait have attracted from a large number of government officials, particularly in the wake of major irregularities in financial reports and financial crises at the internal level in previous periods (Capital Markets Authority, 2018).

4. The paucity of research and studies on joint auditing at the external and internal levels. Despite the auditing system having been in place in Kuwait for 23 years, no study or specialized thesis has been conducted to determine the dimensions and results of this system and its relationship with stakeholders and users of financial reports.

1.4 Research Aim and Objectives

This study aims to investigate the effects of a JA on the quality of financial report in Kuwait. The objectives of this research, then, are to explore the impact of a JA on stakeholders, by:

1. Identifying the impact of the JA on AQ in Kuwait regarding auditor's performance.
2. Attempting to determine the mechanisms and methods of JA work within the audit market environment in Kuwait.
3. Understanding the views of professionals in the accounting and auditing firms to determine the positive aspects of the JA, as well as identifying any disadvantages that limit the AQ.
4. Determining the compatibility between the reality of JA system on stakeholders and the theoretical framework of auditing as reviewed in previous studies.
5. Identifying the advantages and disadvantages, as well as the strengths and weaknesses, of a JA to develop treatment methods, propose solutions and requirements to address deficiencies, and to improve audit quality in Kuwait.

1.5 Expected Contribution

This study will contribute to the literature by examining how stakeholders view and understand JA in the unique Kuwaiti setting, where a JA is mandatory for listed firms on the KSE. In citing examples of emerging and developing economies (including Kuwait), Ratzinger-Sakel *et al.* (2012) found that "To date, empirical evidence on these countries is either extremely limited or non-existing". Hence, it is necessary to study these issues surrounding JA within the context of Kuwait (Ratzinger-Sakel *et al.*, 2012).

Overall, the present study will make a novel contribution to research on JA cases by improving understanding of the dimensions and effects of joint audits on stakeholders for those responsible for the audit environment in Kuwait. Furthermore, the findings can serve as a guide for researchers to develop the audit field in Kuwait. Finally, this study will increase researchers' awareness of the importance of JA as a field of research, especially in light of the paucity of such research. Additionally, this research makes several contributions to the JA system and AQ literature. First, most previous studies have been completed in a SA (single audit) regulatory market setting. This thesis provides evidence from a setting with a JA requirement. The JA requirement creates a more complex and challenging auditor choice than the typical BAF (Big audit firms) versus SMF (Small & medium audit firms) dichotomy in other settings. Moreover, no previous researchers have examined AQ in a setting with a different set of financial legislations. This thesis investigates the relationship between stakeholders and JA thus making an innovative contribution to the existing literature by proposing a new context to be examined.

Second, unlike other studies that examine AQ in highly regulated environments with apparent recommended or mandated JA practices, such as Sweden, France and Denmark, this research is undertaken in an emerging market. Compared to those environments, Kuwait has a less transparent setting, weak financial regulation and no code of best JA practice. Therefore, examining JA's dimensions and effects on stakeholders in the Kuwaiti setting will provide more insights into the mechanism of JA and the impact on financial report quality, especially after 25 years of implementing this system.

Third, the research findings shall have important implications for Kuwaiti legislators and regulators. These findings raise concerns about the listed firms' JA practices in the KSE and the reported financial data quality. Therefore, KB, MCI and CMA can benefit from improving AQ to ensure more protection is offered to stakeholders in Kuwait.

1.6 Research Questions

To achieve the aim and objectives, the study seeks to find answers to the following questions:

RQ1: To what extent do the various stakeholders of joint audits (audit firms, clients, investors and regulators) in Kuwait converge/diverge in their conceptualisation and characterisation of joint audits?

RQ2: With reference to Kuwait, does the joint audit add value to audit quality?

1.7 Summary of the Research Methodology

This study has adopted an interpretive methodology. It has been chosen because it contributes primarily to understanding stakeholders' perception of JA and to infer their opinions, ideas, and complexities for this type of audit. Where interpretive research attempts are made to understand social reality by the subjective views of the selected participants within context of reality (Cohen *et al.*, 2013). This methodology serves this research in the formulation of new dimensions and narratives of this type of audit, not only because of the scarcity of research on the JA but it is to seek the views of the stakeholders of the JA, who are the key element in this research directly. This research adopts mixed methods approach in order to gain better understanding of the stakeholders' perceptions, as explained in detail in chapter 4. Mixed methods approach provides quality and precise research practice and may be most effective in delivering the desired results. Also, being a well-used tool, these research methods are significantly contributory to achieving objectives for numerous researchers ,(Morse, 1991 Creswell and Clark, 2017). For this research it will assist in understanding the perceptions of stakeholders of the JA priority issues surrounding it. Also, when considering the qualitative as a tool, its proven effectiveness is evidential within the research community. Many environments in Kuwait tend to use verbal dialogue more than written. Additionally, the interview helps to understand the perception of reform for two reasons. Firstly, in providing significant clarity as the questions draw a deep picture of perception of the stakeholders at all levels. Secondly, tone of voice and facial features provide non-verbal indicators that enhance responses and clarify emotions. More importantly, the interview helps to explore new points other tools may not help to know. For two primary purposes, the questionnaires were used in the research. These ways include prioritising outcomes and understanding stakeholders.

Quantitative research utilises survey questions for data collection from the participants sampled. This proves to be an efficient and organised method of data collection from a large variety of participants from varying degrees of financial status (Engel and Schutt, 2016). This study employed a questionnaire to generate responses from stakeholders, giving a full, clear image of their perception of the JA. Broadly, large sample sizes with high levels of numerical data offer statistical strength, while smaller sample sizes and qualitative data provide clarity of interpretation. The survey method applied in this research covered a mid-way approach

between qualitative analysis and numerical data analysis, as it asked a particular question of a moderately sized sample (Grafton, Lillis and Mahama, 2011). To sum up, for a deeper understanding of stakeholders' perception, this study employed an interpretive methodology and a mixed methods approach as it focuses on the varying aspects individuals bring with their expertise and experiences about the JA in Kuwait. This will contribute to reaching the desired research objectives.

1.8 Thesis Outline

The remainder of this thesis is organised as follows.

Chapter 2 presents an extensive literature review, which discusses the key literature on the JA and its impact on the audit process. It begins with discussing major streams of the JA research and a critical review of the dimensions of JA which is mostly concentrated in the French market, the Danish and Swedish because of the application of this type of audit in those countries. Most of these studies focus on the JA effects on audit quality, and process research. The chapter also includes a literature review of the importance of AQ and methods of measuring it. Finally, based on the literature review, gaps in the literature are identified and discussed in this chapter.

Chapter 3 deals with the theoretical framework development. It illustrates the objectives of the thesis. In this regard, the underlying theoretical framework appropriately fits Kuwait's setting and includes stakeholders and JA. The primary argument, also based on agency theory, describes models and theories of stakeholder protection, A thinking model for guiding the study is discussed.

Chapter 4 is concerned with the research methodology. The chapter outlines the methodology and methods used to answer the research questions to achieve the thesis aims. It provides a discussion of the philosophical assumptions that underpin study methodologies and the rationale to justify using the mixed methods research approach for the present study. Finally, the chapter presents a detailed discussion of this study's research design, including qualitative research design and quantitative research design.

Chapter 5 this chapter is about the context of the research, the State of Kuwait. This chapter aims to provide background about the social, political, and economic developments in

Kuwait. Also, in this chapter, the development of regulations and regulators of the audit activities and background on JA.

Chapter 6 reports qualitative findings. It starts with background information on the interviewees. The chapter then presents the findings for answering the two research questions about the extent of divergence of stakeholders' views about JA (audit firms, clients, investors and regulators) in Kuwait converge/diverge in their conceptualisation and characterisation of JA. The chapter then moves to the JA mechanism and the laws and legislation accompanying this type of auditing in Kuwait.

Chapter 7 presents the results of the descriptive statistics of the study emphasising answering research question one regarding JA add value to AQ with reference to Kuwait.

Chapter 8 explains the main findings of interest to emerging from both the qualitative and the quantitative chapters (Chapters 6 and 7, respectively). In relation to the research objectives, the findings revealed six factors: importance, practices, advantages, disadvantages, legislation, and perforation. This chapter focuses on analysing and integrating the qualitative and quantitative findings to identify the perception of each group of stakeholders (audit offices - investors - government-corporate management).

Chapter 9 summarises the thesis conclusion and implications of the study. In this chapter, attention is given to the theoretical and managerial implications drawn from the research findings. In addition, an assessment of the research limitations and a guide for future research are provided.

1.9 Chapter Summary

This chapter has introduced the main inquiry of this research which focuses on the impact of JA on stakeholders, such as shareholders, corporate management, government authorities and audit offices, and will investigate the effects of the JA and identify the advantages and disadvantages and the expected results of this type of audit. It has presented the research background and rationale for the study, followed by motivation and importance. It has also covered the main objectives of the research, and the expected contribution at both professional and academic levels, followed by the research questions and a summary of the research methodology.

The next chapter presents reviews the existing literature and studies relevant to the research aims and questions.

Chapter 2

Literature Review

2.1 Introduction

This chapter covers a discussion of JA, AQ and its measurements, a critical literature review in relation to JA, the review concept of JA in general, and the dimensions of this system by reviewing the countries that apply it. Concerning audit practices and AQ, there is a discussion of their importance and impact on stakeholders. Therefore, the literature review process is directed by the research objectives and aims. This chapter reviews different methods for measuring AQ, and possible AQ attributes are presented in this chapter. As the emphasis of this study is on the JA concept and its dimensions for the stakeholders, the existing literature addressing the JA, audit and AQ is reviewed. The first section presents an overview of the main streams of JA research. The second section provides a review of the study into AQ. The third section gives an overview of AQ measurements and prior research on the leading way to measure this quality. The gaps in the literature are discussed in the fourth section, and the final section presents a summary of this chapter.

In any business organization, the financial information is considered as a basis for, amongst other things, decision-making as well as an indicator for evaluating the firm's overall performance. Auditing financial and economic information is a tool that documents current and future financial situations to determine a business strategy to assist in achieving organisational goals (Heninger, 2001). Therefore, business operators are interested in the audit profession, and its outputs of financial information. Furthermore, with the various financial crises that have hit the world financial sector, and associated financial collapses in many countries, such as the global financial crisis in 2008, audit concern has increased significantly. In light of the above, many organisations and countries have been concerned about developing the audit mechanism regarding the credibility of the auditor's job and the auditing outcome. Moreover, there is a focus on improving the results of the audit for stakeholders from a comprehensive perspective, and to devise new approaches to achieving an improvement in AQ (Clarkson and Simunic, 1994, DeFond, 1992).

In Kuwait, significant questions were raised about the credibility of the auditor's report on the financial statements of the companies and the quality of the outputs of the external control

process on the financial institutions operating in the Kuwait Stock Exchange, as a result of the collapse of most Kuwaiti companies with heavy economic weight in the early eighties, as well as the association of this collapse with manipulating the accounts of those companies (Craig, 2019, Alfraih, 2017). The audit offices bear part of the responsibility for not detecting these violations. Many concerns have been raised, and investors have begun questioning corporate audit systems, the effectiveness of accounting standards, the procedures applied in companies, and the extent to which auditors were responsible for the collapse (Kuwait Stock Exchange Authority, 2016).

Therefore, the management of the Kuwait Stock Exchange (KSE) has prepared new rules to regulate auditing of companies listed on the market. Under Article (161), the board should appoint at least one external auditor at the company's general meeting. This article was amended in August 1994 to require a company listed on the stock market to have at least two external auditors from different audit firms, effective for financial statements beginning January 1995. This obliged the listed companies to appoint more than one auditor, in order that this would raise transparency and efficiency in the market and meet the obligations stipulated by the stock exchange. The draft resolution stressed that all companies listed on the KSE should have at least two or more auditors from separate accounting offices. The audit offices of listed companies must comply with International Standards Auditing (ISAS). Audit offices need to carry out the JA in such a way as to ensure that their purpose is achieved through professional procedures and universal principles (Alfraih, 2016).

This section discusses the critical literature pertaining to the topic of the research, which involves the generic issues of the JA and its impact on the audit process, which is mostly concentrated in the French market, the Danish and Swedish because of the application of this type of audit in those countries. Most of these studies focus on the relationship of JA with AQ. At the same time, this section also highlights the gaps in the existing literature and explains how this thesis can address those gaps and contribute to the existing body of knowledge. The research will be limited in terms of reviewing the literature on JA and examining the relationship with the users of the financial statements and the potential impact on AQ. Moreover, to determine the conceptual framework for the JA by dealing with the following points:

2.2 An Introduction to JA

With globalization and the expansion of trade in the financial environment, there has been increased concern regarding AQ. Governance and regulation to enhance auditor independence have been made; the primary aim is to restore trust in financial statements quality for stakeholders and related parties (Eilifsen and Willekens, 2007). In the Green Paper, the concept of arranging JA has been discussed as a potential way to promote AQ and to stimulate audit market competition (André *et al.*, 2016, Mazars, 2010).

JA is not uncommon. This audit system has existed for around 90 years (Holm and Warming-Rasmussen, 2007). JAs were justified by increased independence and the minimization of misconduct. Moreover, the JA requirement is a potential way to increase the AQ functions and enhance market competition among auditors (Herbinet, 2007). The JA system is used in several economies; it is mandatory in some countries, such as France and Kuwait, for companies listed on the stock market. It is voluntary in Denmark, Sweden and Saudi Arabia. The JA system was highlighted by a proposal from the European Commission's (EC) Green Paper of 2010. JAs were to be conducted by a Big Four firm and a second-tier auditing company; this move was justified by the oligopoly on the market and the intention to reduce the European market concentration of just a few companies and to introduce AQ standards. As Michel Barnier, Internal Market and Services Commissioner, explains: 'The European Commission's proposals address the current weaknesses in the audit market, by eliminating conflicts of interest, ensuring independence and solid supervision and by facilitating more diversity in what is an overly concentrated market (European Commission 2010).

The JA system was suggested in the Green Paper because a JA can be used to enhance AQ and decrease market monopoly by BAF (Zerni *et al.*, 2012). The expectation is that the higher AQ promoted by JA will enable auditors to afford a higher level of control and monitoring over the reported financial data, which would lead to higher-quality financial statements (Becker *et al.*, 1998), less information asymmetry between principles and agents, and more effective financial and business decisions (Healy and Palepu, 2001, Biddle, Hilary and Verdi, 2009). Furthermore, in June 2008 Internal Market and Services Commissioner McCreevy said:

After in-depth research and extensive consultation, we have concluded that unlimited liability combined with insufficient insurance cover is no longer tenable. It is a potentially huge problem for our capital markets and auditors working on an

international scale. The current conditions are not only preventing the entry of new players in the international audit market but are also threatening existing firms. In a context of high concentration and limited choice of audit firms, this situation could lead to damaging consequences for European capital markets (EC, 2008).

In recent years, there have been a variety of opinions on the economic need for JA. Research has identified many new, interesting aspects of the topic (Ratzinger-Sakel *et al.*, 2012). Karjalainen (2011) has argued that the JA can be defined as a review and audit of financial statements by two or more independent auditors; it involves coordination of the audit planning, shared audit efforts, cross-reviews and mutual quality controls, and the issuance of one single auditor's report signed by the two audit firms who are jointly liable. The audit may be in two different forms: 1) a double audit, where the audit work is performed twice, or 2) a dual audit, where each auditor audits distinct sets of financial data and two distinct auditing opinions are issued (Karjalainen, 2011, Ratzinger-Sakel *et al.*, 2012). Further, in a JA, two separate audit offices are appointed by a client to express a joint opinion on its financial report. It is fundamentally different from a dual audit, whereby one audit firm reviews parts of a group and reports to another auditor, summed up the JA as two independent auditors who audit financial statements with shared audit efforts and one single auditor's report signed by both auditors with joint liability (Deng *et al.*, 2014).

In connection to this, there is an agreement between researchers on the JA definition (Baldauf and Steckel, 2012, Zerni *et al.*, 2012, Alanezi *et al.*, 2012, Lobo *et al.*, 2017). Previous studies define the JA as an audit in which two or more independent audit firms from separate audit organizations are appointed to audit the financial statements of an audit client in a way that involves: developing the audit plan, exchanging information, performing the audit activity jointly, exercising mutual quality controls and making periodic cross-reviews, issuing and signing a single audit report, and bearing joint liability in the audit failure and the case of legal matters.

In a JA, two auditors from different audit firms share the mandate to reach a consensus regarding the auditing view. They work together as the responsible auditor, according to the legal requirements. In other words, the client contracts two auditors from different firms who divide the audit duties and jointly review each other's outcome (und Problemstellung, 1999). A JA is a statutory audit conducted by more than one auditor or audit institution. The two-audit institution is in demand; to share the audit and provide a mutual audit report means sharing responsibility for the audit outcome. This task-sharing means that those audit areas

are covered only once by the audit institution allocated to that particular area. Some international standards have been satisfied by the JA. For example, the Clarified ISA 600 includes ‘joint audit’ in the definition of the Group Engagement Partner. The JA is a way to achieve, entirely and efficiently, the requirements of the standard, considering its practice in some countries. Nevertheless, the ISA 600 does not provide details about this work.

Table 2.1: Summary of the Concepts or Definitions of JA

No.	Definitions	Authors
1.	The participation of two or more independent audit firms in evaluating and forming a unified opinion on the financial statements, so that each firm is jointly responsible for any professional opinion.	Zerni <i>et al.</i> , 2012
2.	Issuance of a financial report approved by more than one audit firm, where each office is fully and jointly responsible for the financial report.	Deng <i>et al.</i> , 2014
3.	Joint planning and implementation between two firms to perform audit work for a specific client, dividing procedures and tasks, finishing by issuing a joint auditor report.	Baldauf and Steckel, 2012
4.	The participation of two audit offices in the audit works with their signature on one report to remedy some of the deficiencies in the audit function.	European Commission, 2010
5.	An advanced form of corporate governance to enhance auditors' capacity and independence.	Mazars, 2010
6.	Two independent auditing offices review a client's financial statements, with joint efforts and with one report bearing their signature.	Ratzinger-Sakel <i>et al.</i> , 2102

It can be concluded that the core of the JA revolves around five points: joint responsibility, signing a single financial report, unified planning by two offices, implementing a single audit program, and finally giving a unified professional opinion, in order to improve AQ and increase the fairness of financial statements.

Governments and regulators in some countries are considering whether to intervene in this market in an attempt to improve AQ, competition and choice. Mandating shared or JA might be one way of achieving this. The JA has been either mandated or proposed in several countries, such as Denmark, France, India, the UK, Germany, Switzerland and Saudi Arabia. However, single audit requirements are still the norm in many countries around the world, including the US, Australia and Canada.

The next section will review some of the countries that have applied either voluntary or mandatory JA.

2.2.1 Denmark

One of the first countries to apply the JA requirement was Denmark, at the beginning of the 1930s. Raj (2011) and Sakel *et al.* (2012) have discussed how the law requires companies registered on the stock exchange to be audited by two audit firms, at least one of which must be state authorized (Danish Companies Act). There were no further regulations on the JA. The law did not specify how the audit work or audit fees were to be shared between the two audit firms. The main aim of this law was to increase the independence of the auditors (Lesage, Ratzinger-Sakel and Kettunen, 2012). Thinggaard and Kiertzner (2008) studied the dimensions of audit fees in the Denmark audit environment. Their results indicate that having two independent firms in a competitive market environment is likely to decrease total audit fees. It encourages the development of new players to enter the audit market, thus reinforcing competition (Thinggaard and Kiertzner, 2008). Nevertheless, in 2001, mandatory JAs were abolished for business years after 2004 (Danish Financial Statement Act, 2001, The Proposal to the Act, 135). The primary motivation for this was to reduce unnecessarily high audit costs. Moreover, audit costs are not equal (Holm and Warming-Rasmussen, 2007).

Reviewing the Danish experience of JA can revolve around two points. The first is to increase the level of independence of the audit entity, which positively reflected on audit quality in general. Second, the JA contributes to encouraging the development of new players to enter the audit market. However, despite the 70-year period of the JA in Denmark, one of the reasons for the abolition of the mandatory system is mainly administrative because the Danish authorities have not addressed the mechanism of regulating the distribution of fees, so that audit fees are not equal between the audit firms.

2.2.2 UK

In the UK, 97% of the 350 largest listed companies are audited by the Big Four firms. Reflecting on that, the competition regulator, the Competition and Markets Authority (CMA), is recommending the introduction of a mandatory JA. In 2019, it published The Future of Audit report, suggesting mandatory JA as part of a broader reform package for most FTSE 350 firms, with at least one of the JA being a non-Big Four auditor. This would encourage

competition and cooperation between audit firms, resulting in improved audit service quality in UK audit environment. On the aspect of audit fees (CMA, 2019), the CMA has suggested that the additional costs incurred by listed corporations could be offset by a lower cost of capital because investors would have higher levels of confidence in the audited financial statements (Doherty, 2019). Doherty 2019, notes that JA can provide tangible benefits to all levels of stakeholders through three main axes: A) it enables companies to benefit from the finance and accounting expertise of more than one audit firm; B) it supports competition and cooperation between JA, ending in raised AQ; C) it reduces the disruption caused when one audit firm is changed by sequenced and smooth rotation of audit firms.

2.2.3 France

France is one of the countries that still applies the JA system, in which all listed consolidated firms must be evaluated by two audit firms. Legal entities that are obliged to publish consolidated accounts are required to appoint at least two statutory auditors [Code de Commerce Art. L 823-20 since 1966] (Velte and Azibi, 2015). France is one of the leading countries in the field of auditing, particularly in JA. Audit regulation in France has its roots in a long tradition of the voluntary use of multiple controllers for large companies. The obligation to appoint at least two auditors did not begin until 1966 (Loi du 24 Juillet 1966, article 223-3). The 1966 Act initially focused on listed firms and non-listed firms with a shared capital value exceeding a certain threshold (Ratzinger-Sakel *et al.*, 2012). Now, it requires that all listed consolidated firms be evaluated by two audit firms. Each auditor must be a neutral party to ensure the interests of all parties and give their technical opinion on the genuineness and validity of the financial statements. The primary objective of the French authorities is to improve the AQ process in order to benefit all parties associated with the entity that has been audited. The mission of audit firms in France is limited to auditing, without anything more such as consulting (Mikol and Standish, 1998). At market level, they are serviced by the international Big Four firms, two other large American-based international firms, a few large French firms, and numerous small French accounting firms (Francis, Richard and Vanstraelen, 2009).

The specificities of the French audit market are mostly regulatory. Auditors act in a highly codified context with regulated professional expertise and qualifications, and restricted access to the exams, profession, peer reviews, probationary period, training and highly-detailed French tax regulations, auditing and accounting (Mikol, 1993, Richard Baker, Mikol and

Quick, 2001). There are fundamental features of the French JA regime, similar to those of many countries that apply this accounting system where the audit mechanism works in an orderly manner. For example, the French auditing law requires that after accepting an audit engagement, the two auditors must agree on their work allocation. After this agreement, they can start to audit the financial statements simultaneously; they typically work this way due to the fixed date for releasing audit reports. After that, preparation of a report on the work of each auditor takes place: office A reviews the work of office B, and office B reviews the work of office A. The report includes the most important observations and points in the financial statements. In the last stage, each auditor signs the audit report on the overall financial statements, not just on the work they have done. Nevertheless, the courts estimate each audit firm's responsibility based on auditing standards. Therefore, any fault found may not be at the same level for each audit firm. For instance, if the audited inventory is misstated, then the audit firm who is responsible for inventory could be held more responsible than the audit firm who simply reviewed the work.

The French Auditing Standard (NEP 100) stipulates that the required audit task should be split between the two auditors on a balanced basis that reflects criteria that may be qualitative or quantitative. If a qualitative basis is adopted, the analysis may be of the levels of experience and qualification of the members of the audit teams, whereas if a quantitative basis is used, the split may be made by reference to the estimated number of work hours required for performance of the audit. Regarding audit fees, there is no requirement that the fees be split equally; they can be distributed as agreed by the estimated number of work hours and levels of qualification. These are the basic features of the French JA system: an independent collection of audit evidence by the two auditors with a review of each other's work, a joint agreement on the report to be issued, and separate and proportionate liability for undetected material misstatements. In France, audit appointments are effective for a six-year period. The auditors are appointed by shareholders; the appointment is resolved at a general meeting. There is no legal requirement for the dates concerning the appointment of the audit firms to coincide. Due to its particular characteristics under the JA requirement, the French audit market environment has received more attention in recent years. Previously published research papers have started to analyse auditor concentration in the French JA environment (Piot and Janin, 2007), auditor choice in the JA context (Francis, Richard and Vanstraelen, 2009), initial audit pricing issues (Gonthier-Besacier and Schatt, 2007) and auditor concentration in the French JA environment.

Francis *et al.* (2009) suggested that the French audit environment aligns with the agency theory expectation that firms with more information asymmetry problems tend to use higher-AQ pairs to mitigate this problem. They state that French firms tend to employ higher AQ pairs to mitigate agency problems, especially firms with concentrated ownership and higher international and public ownership levels., such as information asymmetry between owners and management, and, in particular, problems resulting from regulatory changes and investment decisions. One objective of these regulations is to support auditors' independence; another is to maintain the market competitiveness. However, the audit market in France is classified as one of the less concentrated markets due to the JA requirement (Piot, 2007, (Broye, 2007).

The international Big Four firms are the largest auditing firms in France with regard to total revenues. There are many French auditing firms, both large and small, involved in the audits of French firms (Parthenay, 2004). The 2009 theoretical study of JA by Francis *et al.* notes that 11.5% of listed French companies use two Big Four auditors and at least one non-Big Four auditor to audit the majority of companies. Applying DeAngelo's (1981) size-quality framework to France, high AQ should occur when both auditors are of the Big Four firms, and the quality should be lowest when both auditors are small local auditing firms (DeAngelo, 1981).

One of the most important aims of the JA requirement was to protect the market. The JA system has created a balance in the market between international and local companies. While the Big Four are dominant in France in regard to overall revenues, other auditing firms are well-represented in the audit market, more so than in the United States where the Big Four firms now audit approximately 90% of publicly-listed companies.

The JA in France is surrounded by laws and regulations that help to highlight the positives of this experience, such as the audit fees system, probationary period, and peer reviews. This has helped to highlight the benefits of JA and reduce the disadvantages. It is possible to learn from the French experience that JA can add value to the audit environment if there are helpful aspects such as laws and regulations. In addition to the AQ, the JA contributed to the development of the audit market through creating less concentrated markets and created a balance in the market between international and local companies.

Table 2.2: Summary of JA Experiences

	Denmark	*UK	France
Year of application	1930s	-	1960s
Type	Voluntary	Voluntary	Mandatory
Aims	Independence, Encourages the development of new players to enter the audit market	Encourage competition, improved audit service quality.	Improve the AQ
Effects	Increased audit fees	Supports cooperation, Improve AQ.	The JA system has created a balance in the market between international and local companies

*UK recommendations

2.2.4 Advantages of JA

There has been much debate about the advantages of JA. The majority of scholars have agreed that JA may provide some important advantages such as independence, reduced audit failure, enhancing user confidence, stimulating audit market competition and financial benefits for clients. The JA has received considerable attention as a means to enhance the auditor's independence (Zerni *et al.*, 2012, Marnet, Barone and Gwilliam, 2018) reduce the likelihood of audit failure, and detect material errors resulting from fraud or errors, thereby maintaining the financial community's confidence in the audit profession through professional uncertainty (Francis, Richard and Vanstraelen, 2009, Bisogno and De Luca, 2016) which plays a vital role in enhancing user confidence (Lobo *et al.*, 2017, Baldauf and Steckel, 2012). In this way, the JA also improves financial reporting and benefits for parties relying on audit reports, thereby improving AQ and stimulating audit market competition (André *et al.*, 2009, Herbinet, 2007). Researchers also note that supporting confidence in the financial statements is the focus of the auditor's job (Carcello and Nagy, 2004). The length of the contract between the auditor and the audited company has an adverse effect on the level of professional independence and is reflected negatively in its ability to detect significant distortions in the financial statements (because of the relationship that results from the length of the contract between auditor and client). This gives the JA an advantage in which it is possible to reduce the closeness of this relationship when it is difficult to form a relationship between two parties. JA should guarantee auditor rotation, thus avoiding the problem of discontinuity in terms of knowledge of business operations (Carcello and Nagy, 2004). Okaro

and Ofoegbu (2015) examine the impact of JA on AQ. In their research, they examined the perceptions of Nigerian academicians and auditors in the field of finance and accounting. They find that in the Nigerian context, it is perceived that JA positively influences the AQ and financial report as the participants stated that “four eyes are better than two”, although a JA is associated with higher fees. Moreover, they argue that the benefits outweigh the costs; also, the risk of overfamiliarity with the client can be mitigated by JA (Okaro, Okafor and Ofoegbu, 2015).

The auditing profession operates in an open market; it is based on competition between its members to attract a new client, especially with the increase in the number of audit offices and the number of licensed auditors. The competition between audit offices is one of the successful elements of the JA. Another successful element is its impact on AQ. The impact of JA on the competition between audit firms and the AQ has been of interest in recent studies. The higher the competition between auditors, the higher the ability of the client to change one or two of the available auditors. This positively affects the quality of audits. AQ is one of the areas of distinction between auditing offices. Competition by AQ, as an alternative to price competition, leads to increased customer attraction and supports the credibility of audit reports. Competitiveness in the audit market is a fundamental feature of JA according to many researchers. Bisogno and De Luca (2016) analysed the influence of a JA system on the Italian firm's financial statements quality, investigating the association between the presence of a JA and the occurrence of positive earnings. They used a sample of industrial, non-listed small and medium-sized companies and used logistic regression models to test the research hypotheses. They found that the JA system does positively affect earnings, AQ and the reliability of firms' financial statements (Bisogno and De Luca, 2016). This is because two independent organizations can better resist potential pressure from the controlling owner and management. The presence of two auditors can often provide greater skills, specialisation, and independence. Additionally, a recent study by Badalkaw 2018 uses a survey approach to examine the impact of the JA on the external auditor report, based on an analysis of the audit reports of companies listed on the Egyptian stock market, and seeking the opinions of external auditors and users of financial statements (brokers and financial analysts) in the Egyptian environment. The author demonstrates that the JA contributes to overcoming the difficulties facing individual review and improving the AQ, as well as supporting and promoting auditor independence (Badalkawi, 2018).

Tetlock (1983) and Lord (1992) claim that many arguments support JA's production of high AQ. The most obvious argument for JA is that two pairs of eyes are better than one at ensuring the accuracy of financial statements (so that they can be relied upon for decision-making). Furthermore, the JA is able to generate greater vigilance and conservatism to the stockholder's benefit (Tetlock, 1983, Lord, 1992). In terms of the advantage of cooperation in the field of JA, Abu al-Jabal (2016) examines the relationship between the effect of the relationship between activating JA and improving the AQ. Jabal 2016 focuses on cooperation between two audit offices, provided that one of them is a Big Four firm. The results show a positive impact on the degree of confidence in the initial lists of external owners and investors, only provided that there is a Big Four firm engaged in the audit process (Jabal, 2016). The paper by Zerni (2012) analyses AQ differences between single and JA in Sweden. These audits were voluntary, and the researchers used separate samples and empirical designs for public and private audits. The researchers found that the use of JA was linked to a higher degree of anticipating possible future losses, better credit ratings, fewer losses, lower income-growing abnormal accruals, and lower perceived risk of becoming insolvent within the next year (Zerni *et al.*, 2012). Similarly, Francis *et al.* (2009) investigated French companies that mandatorily employ a JA. An audit by two audit firms leads to a higher level of AQ in the financial reports. The paper identifies a significant correlation between audit fees, abnormal accruals and a high-earning quality (Francis, Richard and Vanstraelen, 2009, Bisogno and De Luca, 2016).

The paper by Alanezi and Alfaraih (2012) investigates the effects of JA on IFRS-required disclosure. The study is based on the 27 IFRSs relevant to the Kuwaiti financial context in the 2006 annual reports of a sample of 33 Kuwaiti-listed financial firms. The study found that financial firms audited by two audit firms were more in compliance with IFRS-required disclosure. The average level of compliance with IFRS-required disclosure for this sample of financial companies in 2006 was 81.6% (ranging from 64 to 94%), The researcher suggests that the level of IFRS-required disclosure is widely distributed between financial firms in Kuwait. Moreover, it was found that JAs lean towards stricter compliance with IFRS and enhanced compliance with required disclosure (Alanezi *et al.*, 2012). In general, it is argued that JA enhances independence because it is costlier for a financial organisation to bribe two auditors. Under the concept of JA, the audit report must be co-signed by both firms, and if one of the auditors refuses to sign, the audit report cannot be released. Consequently, when

the company has to buy off two auditors rather than one, it is much costlier for the company to compromise auditor independence (Deng *et al.*, 2014).

Researchers also note that JA would contribute positively to client relationships, where long auditor tenure may establish a connection between the client and auditor, which may compromise the auditor's objectivity (Carcello and Nagy, 2004). JA can address these issues by appointing two different audit firms; the client firm allows audit firms to rotate, safeguarding auditor independence, and retains the remaining auditor's understanding and knowledge of the client's business operations, thereby avoiding the potential downside of audit firm rotation, which is discontinuity incompetence (Carcello and Nagy, 2004). Francis *et al.* (2009) studied JA choices and their reflection on AQ in France. They found that clients recruiting higher-quality auditor pairs tend to have smaller abnormal income-increasing accruals than the firms that do not use Big Four auditors. This factor is most influential when a client is employing two Big Four auditors. Firms audited by two Big Four firms are less likely to have income-increasing accruals compared to firms audited by one Big Four auditor paired with a non-Big Four auditor. The paper of Francis *et al.* provides evidence that French companies are valued more highly than companies in Belgium, which has a comparable regulatory and legal environment (Francis, Richard and Vanstraelen, 2009). This result suggests that the joint audit process in France improves the credibility of the financial statements in relation to reported earnings and products in higher market valuations. Furthermore, the researchers reported that the audit fees of French companies are no larger than fees from other European countries.

In the same context, Piot and Janin (2005) analysed the French audit environment with respect to auditors' status and AQ. The mandatory JA of all listed companies is perceived to have two advantages: first, a reciprocal check by two audit firms to reduce the risk of information discrepancy; second, strong protection of auditor independence with increased auditor ability to resist managerial pressure. It can be argued that the effectiveness of a JA depends, to a large extent, on the comparable allocation of effort between the two audit firms (Piot and Janin, 2005). Ittonen and Tronnes (2015) examined the impact of JA on audit costs and quality of financial reporting. Their study found that JA leads to an improvement in the financial reports' quality, and concludes that if audit fees are increased, AQ will be increased (Ittonen and Trønnes, 2015). Labo (2017) *et al.* proposed that the application of a JA affects AQ. These results are the conclusion after examining the effect of JA composition on overall

measures of unconditional and conditional conservatism, as well as impairment loss. The researchers documented that pairs consisting of a Big Four auditor and a small firm audit firms' increase Big Four incentives to be conservative. Moreover, they found that Big Four and small audit firms' pairs are more unconditionally conservative and produce greater transparency (Lobo *et al.*, 2017).

In 2013, Alsadam and Aljabral (2013) examined whether Saudi investors require a lower rate of return for investing in companies with two independent auditors as opposed to firms with a single auditor and whether the rate varies through the impact of the mandatory versus voluntary contexts and by the AQ of the two appointed auditors (Big Four vs non-Big Four). Furthermore, they evaluated investors' understandings of JA requirements by investigating the relationship between the JA and cost of equity capital. The authors suggest that investors' perceptions of JA regulation are positive and even stronger compared with the single auditor for two reasons. First, the JA requirements are perceived by investors as a means of diminishing information risk, which leads to the financial influence of investors demanding a lower rate of return. Second, AQ is crucial when appointing the two independent auditors, especially if two Big Four auditors are conducting the JA in the business (Alsadam, 2013).

In their research, Chow, Ho and Vera-Munoz. (2008) and Francis & Yu, (2009) have also noted that JA can create a healthy audit environment between the auditors and client organisations, where the cooperation between the auditors results in access to field-specific knowledge and technical expertise that can lead to better auditing views. Moreover, JA can leverage the opportunity for communication and benchmarking during an audit process before final judgment (Chow, Ho and Vera-Munoz, 2008 ,Francis and Yu, 2009) In connection to this, Bianchi (2018) test the impact of auditors' collaboration in JA engagements on auditor expertise, audit results and knowledge transfer. Bianchi used a sample of Italian private firms whose financial statements were audited by three individual auditors and employed measures from the network research to gain the intensity of interactions between these auditors. The results show that by using JA, auditors improve knowledge and contacts through collaboration, leading to higher AQ. By and large, this study suggests that the JA facilitates knowledge transfer and increases auditor expertise (Bianchi, 2018).

Recent literature demonstrates that the JA is related to high AQ. This conclusion was reached after analysing separate samples and empirical designs for private and public companies in

Sweden, where a sufficient number of companies have a JA on a voluntary basis. The researchers found positive effects from JA on two levels. The first is qualitative, since this kind of scrutiny increases the quality; the choice of a JA is related to substantial increases in the fees paid by the client firm, suggesting a higher AQ. The second level is financial, where JA led to a higher degree of earnings, greater conservatism, better credit ratings, lower abnormal accruals, and lower perceived risk of becoming insolvent within the next years (Zerni *et al.*, 2012).

Similarly, Ittonen and Trønnes (2015) examined whether the voluntary application of JA is connected with AQ, as measured by timely recognition of economic losses, total accruals, abnormal accruals, and the probability of reporting profit. They employed a sample of Swedish and Finnish listed firms from 2005 to 2010. The paper suggested that JA improves AQ on the dimensions of abnormal accruals and timely recognition of economic losses, but not on the dimensions of total accruals and the probability of reporting profit. Notably, the fees to clients do not appear to increase (Ittonen and Trønnes, 2015).

Regarding discovered breaches in JA, the auditors can report breaches in the financial report in a free and credible manner. There are two reasons for this. The first is that in JA, the audit fees are distributed between two different audit firms; consequently, the two different audit firms may take a stronger stand against pressure from the clients and report their opinions. Second, it is less likely that both Big Four or one Big Four and one non-Big Four firms would jointly acquiesce to client pressure and not report the discovered breach than that a single Big Four audit firm would not report the discovered breach and be willing to sign-off on incorrect financial statements. This would require three-party collusion (Zerni, KALLUNKI and Nilsson, 2010, Kargupta, Das and Liu, 2007, Mazars, 2010). The paper by Mahmoud and Badawy (2015) examines the impact of JA on earnings conservatism. This study analyses a sample of 32 firms listed on the Egyptian stock market from 2009 through 2013, uses a proxy for AQ, and examines whether companies audited by two auditors are more conservative than companies audited by a single auditor. The researcher found that companies audited by two independent auditors are more conservative than companies audited by single auditors (Mahmoud and Badawy, 2015).

Benali 2013, examines the impact of JA, especially two Big Four auditors, on the shareholders' confidence. This study analyses a sample of 145 French companies listed between 2005 and 2010. The results of the paper show that JA has a positive effect on the

shareholders' confidence (Benali, 2013) . It is often assumed that JA leads to stricter and more relentless audits, because the auditor intends to reduce the risk of having his successor complain about his low performance upon yearly reviews. The avoidance of organisational blindness under JA is pointed out as negatively influencing the audit efficiency, even under the observation of independence Hence the single long-term auditor trusts his results from previous years instead of anticipating essential changes in the company development and adjusting his auditing strategy (DeAngelo, 1981).

Table 2.3: Summary of the JA Advantages

No.	Type	Advantages	Author
1.	Direct	Independence	Zerni <i>et al.</i> , 2012 Marnet <i>et al.</i> , 2019 Carcello & Nagy, 2004 Bisogno and De Luca, 2016 Deng <i>et al.</i> , 2014 Piot and Janin, 2005 Mazars, 2010 Zerni <i>et al.</i> , 2010 Kargupta <i>et al.</i> , 2007
2.	Direct	Reduce audit failure	Kargupta <i>et al.</i> , 2007 Francis <i>et al.</i> , 2009 Bisogno and Deluca, 2016 Ofoegbu, 2015 Piot and Janin, 2005 Mazars, 2010 Zerni <i>et al.</i> , 2012
3.	Direct	Enhancing user confidence	Lobo <i>et al.</i> , 2017 Baldouf and Stacker, 2012 Abu al-Jabal, 2016 Alanezi and Alfaraih, 2012 Francis <i>et al.</i> , 2009 Benali, 2013
4.	Direct	Stimulating audit market competition	André <i>et al.</i> , 2009 European Commission, 2010 Herbinet, 2007
5.	Direct	Improve AQ	Abdelkawi, 2018 Bisogno and De Luca, 2016 Tetlock, 1983 Lord, 1992 Piot and Janin, 2005 Ittonen and Tronnes, 2012 Alsadam and Aljabral, 2013 Vera-Muñoz <i>et al.</i> , 2006 Francis & Yu, 2009 Bianchi, 2017 Haapamäki, Järvinen & Niemi, 2012
6.	Undirect	Financial benefits for clients	Zerni <i>et al.</i> , 2012 Francis <i>et al.</i> , 2009 Alsadam and Aljabral, 2013 Haapamäki, Järvinen & Niemi, 2012 Ittonen and Tronnes, 2015 El Assy, 2015
7.	Direct	Features for auditors	Vera-Muñoz <i>et al.</i> , 2006 Francis & Yu, 2009 Bianchi, 2017

2.2.5 Disadvantages of JA

There has been also a debate about the JA disadvantages. However, most scholars have agreed that JA may provide some crucial disadvantages such as free-rider; and competition between audit firms during the audit process may lead to inadequate information exchange. In an investigation, Audousset-Coulier (2012) analysed the uniqueness of the French audit market for conducting the audit-pricing case related to the JA requirement. This researcher employed a model derived from Simunic's 1980 seminal work to test the degree to which audit fees are impacted by the number of Big Four under the JA system. The principal finding of this paper was that in a JA context, the option of two Big Four auditors does not lead to the payment of double fees. In other words, when a client firm selects two Big Four auditors, the Big Four premium is split between the two Big Four auditors. Correspondingly, the two auditors share the process and audit risk and bear the responsibility for the audit opinion jointly. Thus, the researcher argues that the selection of two auditors is a sound financial decision for the largest companies because it corresponds to their needs (Simunic, 1980, Audousset-Coulier, 2015).

In research that contradicts these results, there are two central arguments that JAs do not improve AQ. First, it may lead to a lack of cooperation due to intense competition between auditors in the audit. Second, JA may create a potential 'free-rider' problem. This problem can occur if one of the auditors tries to rely on the other auditor's efforts (Neveling, 2007). An investigation by Deng, Simunic, and Ye (2012) examines evidence of audit quality, auditor independence, and audit fees in three regimes: single audits by one big firm, JA by two big firms, and JA by one BAF and one small firm. The study found that the AQ of JA is lower than that of single audits. Moreover, auditor independence is more likely to be compromised under JA. Additionally, the audit fees in JA are less than those under single audits (Deng *et al.*, 2014). In 2013, Khatab investigated whether the JA influences auditor independence and firm values as proxies for AQ. This study employed a sample of 34 firms listed on the Egyptian stock market between 2005 and 2009. The researcher showed that the JA does not affect the firm value or auditor independence (Khatab, 2013).

In the Danish audit environment, Holm and Thinggaard (2010) and Lesage *et al.* (2012) investigated the impact of the JA compared to a single audit as a proxy for AQ. These studies used abnormal accruals models to measure the AQ of companies listed on the Copenhagen Stock Exchange. They found that the single audit is more effective in constraining earnings

management than the JA, whereas there is no significant difference between the level of abnormal accruals in companies audited by one audit firm and the level of abnormal accruals in companies reviewed by two audit firms (Holm and Thinggaard, 2010 ,Lesage, Ratzinger-Sakel and Kettunen, 2012) . In 2015, Velte and Azibi examined the impact of JA on the level of discretionary accruals and abnormal accruals as proxies of AQ. They used a sample of 307 French and German companies listed between 2008 and 2012. Their main finding was that the JA has no significant effect on the level of discretionary accruals or abnormal accruals in either country.

Table 2.4: Summary of the JA Disadvantages

No.	Disadvantages
1.	Free-ride
2.	Non-cooperation of audit firms
3.	No effect on AQ and auditor independence
4.	Higher audit fees

2.2.6 Overview

In conclusion, this growing body of literature suggests that the adoption of a JA system is a positive option to address the lack of credibility of financial and accounting information, in particular, in the preparation of financial reports, and the adoption of high-quality audit standards. Moreover, the JA can support the independence of auditors and enhance the level of accounting treatments required. Overall, few studies have examined the JA issue; however, they have not been able to determine a definite and comprehensive framework addressing the different dimensions making up the relationship between the JA and the stakeholders to provide a measure of the JA experience in Kuwait. Therefore, there is a crucial need to develop approaches to understand the impact of this JA concept in Kuwait audit environment.

Most of the previous studies examined the JA in terms of the impact on AQ, across different methods. In general, most studies have found positive effects on AQ, ranging from a noticeable and clear effect to relatively little impact. However, most of the research methods were to study the effect of the JA by indirect methods such as earning management and audit fee. All these measurement methods vary in measurement accuracy and may be applied in a specific country and cannot consider available data and auditing laws. The information we

can learn from these measurement methods have weaknesses and strengths. AQ is difficult to measure because the amount of assurance auditors provide is unobservable (DeFond and Zhang, 2014).

2.3 Audit Quality

This section provides a definition of AQ from various perspectives and highlights the issues surrounding it. It also discusses the importance of AQ. For example, high AQ ensures that financial statements are more useful in reflecting the economic performance, and hence higher AQ may enhance the value relevance of financial statement information for the stakeholders and general users (Lee and Lee, 2013). These are essential for all concerned institutions, shareholders, administrations, regulatory authorities, clients, and anyone who deals with this entity which has been appropriately audited. These elements also highlight the importance of the auditor's role, particularly in banking and financial institutions (Titman and Trueman, 1986). The nature of the work in these organizations and their vital roles in the national economy are in the interests of many parties. Auditing took a turn after various financial crises hit the financial sectors in the world and associated financial collapses occurred, such as Enron 1997, the crisis in the United States from 2001 to 2002, the WorldCom in 2002, and the global financial crisis in 2008, the effects of which are still in place (European Commission 2010). Many companies went bankrupt worldwide. The financial auditors were partly responsible for these crises, due to their lack of professional and ethical actions (Quick, 2012). This has led to a shake-up of the auditor's reputation: audit firms, accounting firms and auditors in the world have gained a poor reputation (Commission, 2010). One example is Arthur Anderson, which audited the financial statements of Enron and WorldCom; Arthur Andersen's name has disappeared from the audit market (Weber *et al.*, 2001).

The primary objective of auditing is to express a neutral technical opinion on the fairness of the financial statements regarding the outcome of the business and its financial position assuming they are prepared in accordance with either Generally Accepted Accounting Principles (GAAP), International Financial Reporting Standards (IFRS), or the national accounting framework. The audit of financial statements is essential; the independent external auditor is a tool that serves many parties who are heavily dependent on audit findings. The stakeholders, banks, government agencies, managers, investors and regulators

are the most important users of these financial statements. Therefore, the appointment of an independent and impartial auditor is necessary to assure everyone that the entity they are reviewing is following accepted accounting principles and standards. It is assumed that an auditor will provide reliable financial statements that satisfy the expectations of the beneficiaries.

The auditing profession is a social function that is based on the performance of the auditing service (Herrbach, 2001). This service is an economic commodity and is based on mutual trust between auditor and related parties (DeAngelo, 1981, Nguyen, Vu and Yin, 2020). Financial statement users increasingly rely on the audited financial statements as a source of information suitable for various accompanying decisions. The auditor is increasingly responsible to third parties for fulfilling the need for procedures that ensure the AQ and provide reasonable assurance that the audit outcome has been implemented with a high degree of efficiency, economy and speed, this gives more credibility to the work (Fan and Wong, 2005). Our era has witnessed rapid transformations that have prompted many financial institutions and bodies to provide quality products and services. The unity of competition and high level of customer and beneficiary expectations require these institutions to pay attention to the development of tools that increase the quality of the product. Like any field, auditing is interested in raising the quality of its services through several mechanisms in order to achieve the most benefits on professional and commercial levels (Watts and Zimmerman, 1983 ,Dye, 1993)

AQ has received considerable attention from researchers in the field (DeFond and Zhang, 2014). The reason for this is that AQ is a primary basis for stakeholder confidence in financial and non-financial information and plays a supporting role in contributing to economic growth and financial stability (Li, Song and Wong, 2005). According to the traditional point of view, the AQ is consistent across most audit firms, as audits are performed according to accepted audit standards. However, much subsequent research and practices oppose the traditional point of view (Davidson, Desai and Gerard, 2013, Francis, Maydew and Sparks, 1999, Lin and Hwang, 2010). In order to understand AQ, several research studies have investigated the relationship between the AQ and the factors affecting it (Dechow *et al.*, 2011, Lennox and Pittman, 2011). Duff (2004) argues that AQ is high when the persons responsible for it are at a good level of professionalism. Duff bases such opinions on the levels of technical knowledge, expertise and skills the auditors possess in the delivery

of the best possible services to their clients (Duff, 2004). The identification of factors that affect AQ is particularly crucial now, after the emergence of financial problems which were linked to the credibility and quality of the external auditor’s work in some of the largest enterprises in the world (Francis, 2011, Knechel, 2016) . Figure 2.1 illustrates the AQ framework.

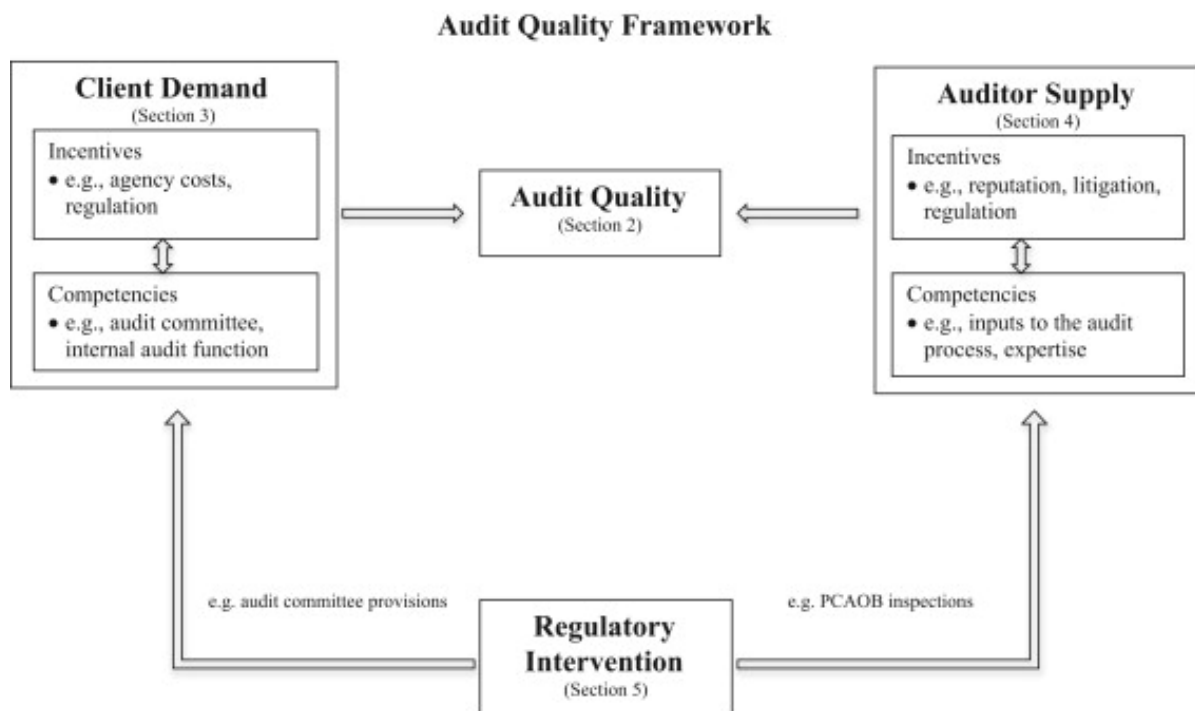


Figure 2.1: Audit Quality Framework (Source: DeFond & Zhang, 2014)

Organisers have gathered to identify critical elements of AQ. For instance, in the US, the Advisory Committee on the Auditing Profession (2008) was established to advise the US Treasury Department on the auditing profession. Likewise, in the UK, the Financial Reporting Council released the AQ Framework (2008); and in Australia the Treasury released AQ in Australia: A Strategic Review (2010). Regulatory changes are evidence of significant interest in the quality of the audit process.

There is no specific definition among researchers of the concept of AQ because the audit services provided to clients are different from physical goods. Audit services cannot be tested in advance (Bing *et al.*, 2014). There is difficulty in measuring the audit’s quality after the completion of the audit because there are no specific standards for audit service or direct results. De Angelo (1981), whose theories in the field of auditing are generally accepted as valid, defines AQ as detecting breaches in clients’ accounting systems and reporting them.

Other researchers have suggested different definitions of AQ. For instance, some define AQ as a measure of the auditing ability to reduce the bias of accounting information and improve its overall accuracy (Carey and Simnett, 2006). Another writer defines AQ as the accuracy of information provided by auditors to stakeholders (Deis Jr and Giroux, 1992). It is also defined as a counterpart of information accuracy of the auditor's report and the capacity of the auditor to exclude and detect crucial faults and contraventions in the information disclosed by financial statements (Butler, Leone and Willenborg, 2004). O'Keefe (1994) defines AQ as specialisation in auditing the client's industry, the more the auditor's specialization in the knowledge of the client industry, the greater the AQ (O'Keefe, Simunic and Stein, 1994). Becker *et al.* (1998) considered the possibility that auditors might issue non-clean reports concerning financial statements that may contain crucial faults (Becker *et al.*, 1998). Schwartz (1997) explained AQ as 'the possibility that the auditor will find appropriate evidence to support his or her report when the overall state of the audit environment is inadequate' (Schwartz, 1997). Deis and Giroux (1992) consider AQ 'the probability that the auditor will disclose weaknesses and gaps in the financial system and report them' (Deis Jr and Giroux, 1992). Teoh and Wong (1993) define AQ as 'the process that results in more credible financial reports to stakeholders (Teoh and Wong, 1993). Finally, it is suggested that AQ, from the view of many professional organisations, is the degree of auditor compliance with a professional standard issued through such organisations (Francis, 2004).

Based on our evaluation of these papers, we conclude that no definition paints a complete picture of AQ, and there is little consensus among researchers regarding the AQ definition. In our view, AQ is defined in discovering and reporting any breach in the client's financial system. There is no agreement on a practical definition of AQ and a common understanding of the philosophy of auditing. This is because the auditing profession has the following characteristics (DeAngelo, 1981):

1. It is intangible: Audit activities, as a service, are difficult to quantify and measure in advance, unlike tangible material goods.
2. Difficulty of measurement: It is difficult for the beneficiaries of an audit to measure the quality due to the lack of specific standards, lack of experience with the client and the absence of a regulatory body that sets clear standards for AQ.

3. Difficulty of comparison: The perception of quality of service lies in the comparison between the expectations of the beneficiaries and the actual performance of the service provided, or a comparison of the audit to that of another firm on the same level, such as the Big Four.
4. Customer satisfaction: Quality is always associated with customer satisfaction. However, in auditing, the audit results may not be consistent with the client's opinion. For example, the transfer of profits and the concealment of losses may not be noticed by the client, which may result in customer dissatisfaction with the process in general.

For these reasons, audit quality is difficult to judge. This is not only a problem for the financial statement's users, but also the auditor. This topic is being discussed with the goal of narrowing the expectation gap that creates AQ complaints (Parasuraman, Zeithaml and Berry, 1985, Vanstraelen, 2000, Herrbach, 2001)

Researchers are aware that there is no agreed definition of AQ (DeFond and Zhang, 2014). However, this paper will use De Angelo's definition of AQ. De Angelo (1981) has established two conditions to measure the quality of auditing: 1) the audit should detect the material distortions, errors, and gaps in the financial statements, and 2) stakeholders should be informed of these deviations and this information should be included in their report. It is clear that the first condition depends on the ability of the auditor to detect imbalances in the financial statements. The second requirement of reporting misstatements and errors in the audited financial statements is measured by the auditor's independence. An auditor who is more independent has a higher ability to report errors discovered in the financial statements (Colbert and Murray, 1998, Knapp, 1991). Deis and Giroux see this second condition as 'the likelihood that the auditor will detect or report weaknesses or gaps in the customer's accounting system' (Deis Jr and Giroux, 1992). Some researchers may agree with this meaning. AQ is the probability of discovering errors and violations of relative importance (DeFond and Zhang, 2014). The higher the likelihood of detecting these errors, the higher the quality.

AQ is a broad concept, but can be defined as the probability that material misstatement of the financial statements will be disclosed and reported through the audit facility (De Angelo 1981). Despite the multiplicity of definitions that deal with defining the AQ, a distinction must be made between the AQ and the quality of auditor. The evidence is seen in what recent

studies have shown about the failure of large audit offices to carry out the tasks assigned to them. Therefore, the AQ should refer to the quality of service provided by the auditor and not the quality of the auditor.

2.3.1 Audit Quality under the Agency Concept

Under agency theory, it is necessary to take into account the existence of conflicts between the parties of the agency stakeholders inside the organisation (Jensen and Meckling, 1976). There must be an auditor to help reduce these conflicts between different interests in the agency. There are several studies (Knechel, 2016, Van Raak and Thürheimer, 2016) that focus on the concept of AQ. De Fond argues that there is a relationship between AQ and the agency's conflicts, explaining that the owners and creditors represent useful control devices for the entity they finance (DeFond and Zhang, 2014). The more owners there are and the more significant the amount of credit, the higher the motivation is to monitor the behaviour of the organisation and demand a higher AQ of the entity. The management of the entity also requires the highest level of AQ to increase the credibility of financial information.

2.3.2 Audit Quality and Audit Risk

It has been pointed out that there is an inverse relationship between AQ and audit risk (Watts and Zimmerman, 1983). To achieve quality in the audit process, the auditor seeks to minimize the risk by reducing the non-disclosure risk. This is achieved through improved performance. Willingham and Jakobson (2006) have proposed that quality is present when the risk of protection is reduced to an acceptable level; audit risk should be as low as possible. Another researcher suggests that the auditor should minimize risk when planning and implementing the audit process (Knapp and Knapp, 2001).

2.3.3 The Importance of Audit Quality

The greatest challenge for stakeholders is to understand the importance of AQ itself, because the audit elements are often too complex to be measured and may not be visible to the financial statements' users. AQ is important because the primary product of an audit is the auditor's report, which stakeholders depend on for their decision-making and policy formulation (Taylor and Glezen, 1994). Thus, review quality is a common interest for all the beneficiaries of the audit process.

Previous empirical research indicates that a high AQ adds value for stakeholders by providing assurance that the financial statements honestly reflect an accurate image of the financial institution (DeFond and Zhang, 2014). In a study administered by the Institute of Certified Financial Analysts (ICFA), a global association of investment professionals, 72 percent of respondents said that the auditor's report is essential to their analysis and use of financial reports in the investment decision-making process (2010). Michel Prada, Chairman of (IFRS) Foundation Trustees, claimed in his speech about the AQ of public company audits that AQ has become a global issue for standard setters, regulators, and investors (Prada, 2007). He argued that investors rely on the financial statements provided by public firms when making investment decisions. Prada also noted that auditors are vested with the essential responsibility of bestowing relevance and credibility upon such statements. If auditors fail to deliver high AQ, investor confidence may plummet, resulting in negative consequences for local economies and capital markets (Prada, 2007).

High AQ improves the reliability of the financial reports. This improved reliability arises from a greater assurance that financial statements faithfully reflect the firm's underlying economics. There has been greater interest in improving AQ due to increased litigation against audit firms, which has created a dilemma in the audit business. Although many stakeholders rely on the auditor's opinion while making their decisions, there are always risks regarding the submitted opinion's appropriateness to the circumstances presented. Incorrect views increase the risk of prosecution (Krishnan and Krishnan, 1997).

AQ is a common interest for all parties that benefit from it. The auditor is interested in completing the audit process with the highest possible quality to clear his responsibility to the other parties, and to improve profits, reduce costs, and retain the client. AQ is one of the most critical factors affecting the change of auditors in many companies (Gul and Krishnan, 2002). In this regard, it is important for customers to complete the audit process with the highest AQ in order to increase confidence in the financial statements (Al Omari, Barnes and Pitman, 2012). The stakeholders want their economic decisions to be based on reliable sources and free of any errors with material impact. Improving AQ leads to increased public confidence in the fairness and credibility of the financial statements. In addition, the exact nature of stakeholders' perceptions of AQ varies, especially with the development of financial reporting standards, auditing standards, technology and regulations. However, the importance

of AQ is centred on meeting the needs of financial statements users in knowing the correct content of the entity's financial statements.

The paper by DeFond & Zhang strongly suggests that high AQ would enhance the reliability of financial data and allow users and investors to make more precise estimates of the business's value. Furthermore, AQ adds value for stakeholders by ensuring that the financial statements faithfully reflect the value of their investment (DeFond and Zhang, 2014). The purpose of the AQ is to attest that financial statements give a fair and true view in all material respects in accordance with the relevant financial report framework. AQ is a major factor in building a foundation of strength for the financial future, supporting decision-making. AQ is to be considered as an assistant factor to shape the standards that will give financial and psychological guarantee to stakeholders.

In this regard, it is possible to distinguish between two approaches:

1. **Professional approach to the concept of AQ:** Professional organisations adopt this approach which is based on linking the AQ performance to the degree of auditor's commitment to the professional standards set by these organizations, because the generally accepted auditing standards of GAAS are designed to ensure the minimum quality of the auditor's performance. Therefore, the extent of the audit firms' compliance with the standards must be positively related with the quality of performance and implementation of the audit process and the AQ.
2. **Detecting errors and fraud as a tool for AQ:** This approach refers to the operational quality of the audit in the degree of the auditor's discovery of errors and irregularities that may exist in the financial statements.

Based on an evaluation of these research studies, it can be concluded that no single category paints a complete picture of AQ. It is clear that there is almost unanimity in the importance of AQ to the users of financial reports regarding their importance to investment decisions, decision-making, and policy formulation. However, there is a difference among researchers in finding a specific AQ definition. Despite this difference, there is a common point in these definitions, which is that to discover the fundamental errors in financial statements is considered a reference point to reach AQ. Research indicates that the AQ focuses on the

following areas: compliance with professional standards, and enhancing the possibility of detecting violations in the financial statements.

2.4 Audit Quality Measurement

The ability to correctly measure and assess AQ is of importance to users of financial statements and stakeholders. This is reflected in various recent initiatives on AQ indicators through regulators, which primarily rely on publicly available information to measure and infer AQ (IFAC, 2014, PCAOB, 2015). Nevertheless, these available measures could not capture actual AQ. Measuring AQ has been a controversial issue in academic discourse for quite some time (Bing *et al.*, 2014). The difficulty of defining a referential AQ concept is mainly due to the difficulty in measuring the quality of the return, because it does not specify factors that affect the quality of the return and the standard indicators. Moreover, it is not easy to define what encompasses AQ, as perceptions vary across stakeholders (Knechel *et al.*, 2013). For example, stakeholders at large may consider audits to be of high quality if the financial report is free from fundamental misstatements, and reflects an accurate picture of their investments' economic position (Carson *et al.*, 2013). Auditors may consider audits to be high quality if risks have been sufficiently considered and processed as part of an effective audit plan, and if the audit has been performed according to accounting professionalism and auditing standards (PwC, 2015, Christensen, Elder and Glover, 2015). Finally, regulators might instead deem audits as high quality if conducted and documented according to accounting standards, and if auditors provide sound auditing accounting views based on valid information (GAO, 2003). Figure 2.2 demonstrates AQ considerations:

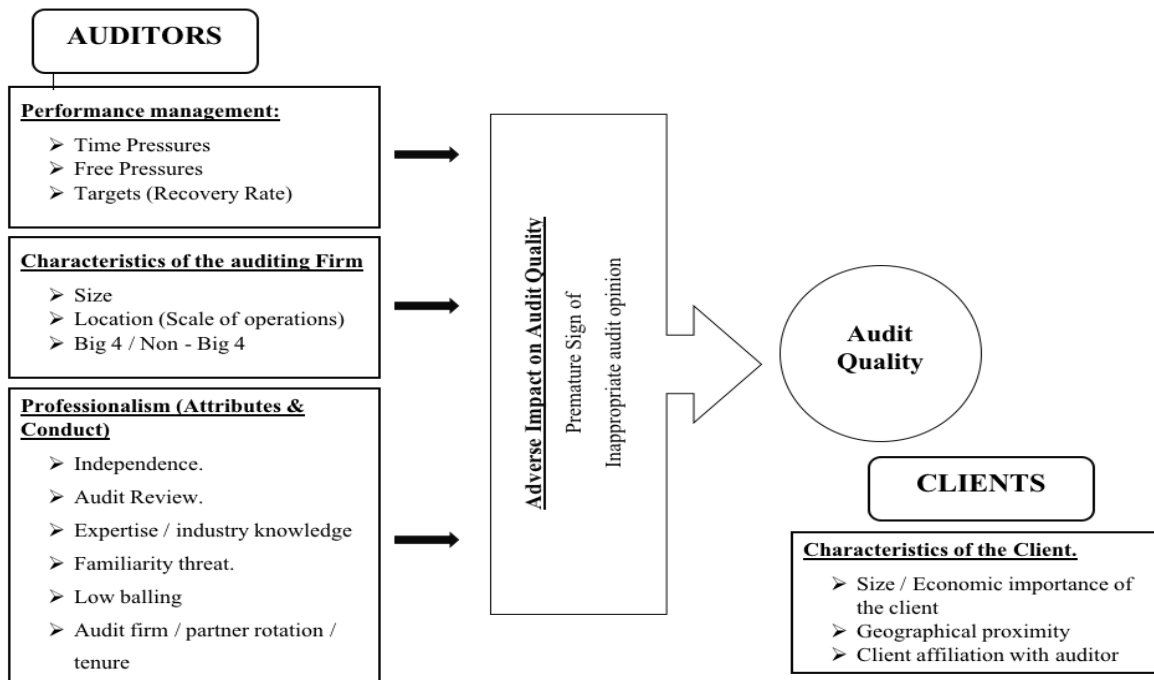


Figure 2.2: Demonstrating Audit Quality Considerations (Source: Financial Reporting Council’s Audit Quality Framework (FRC, 2008))

The difficulty in measuring AQ is due to two reasons. First, during the audit process, AQ is subject to several judgments and viewpoints; as was previously mentioned, these judgments are based on the needs of each group of stakeholders, and different stakeholders hold diverse views about what encompasses AQ (Donovan *et al.*, 2014). Second, the audit outcome is not directly observable; audit failures might not be revealed until years after an audit has taken place, or not at all (Causholli and Knechel, 2012). The AQ measurement is further complicated because audit stakeholders and researchers typically need to rely on publicly available information. Consequently, audit study uses various alternative but sometimes distant and indirect proxies for AQ, since researchers without access to better data must measure AQ. The more commonly used proxies for AQ can be categorised into input-based proxies and output-based proxies (DeFond and Zhang, 2014). Figure 2.3 illustrates these aspects of AQ:

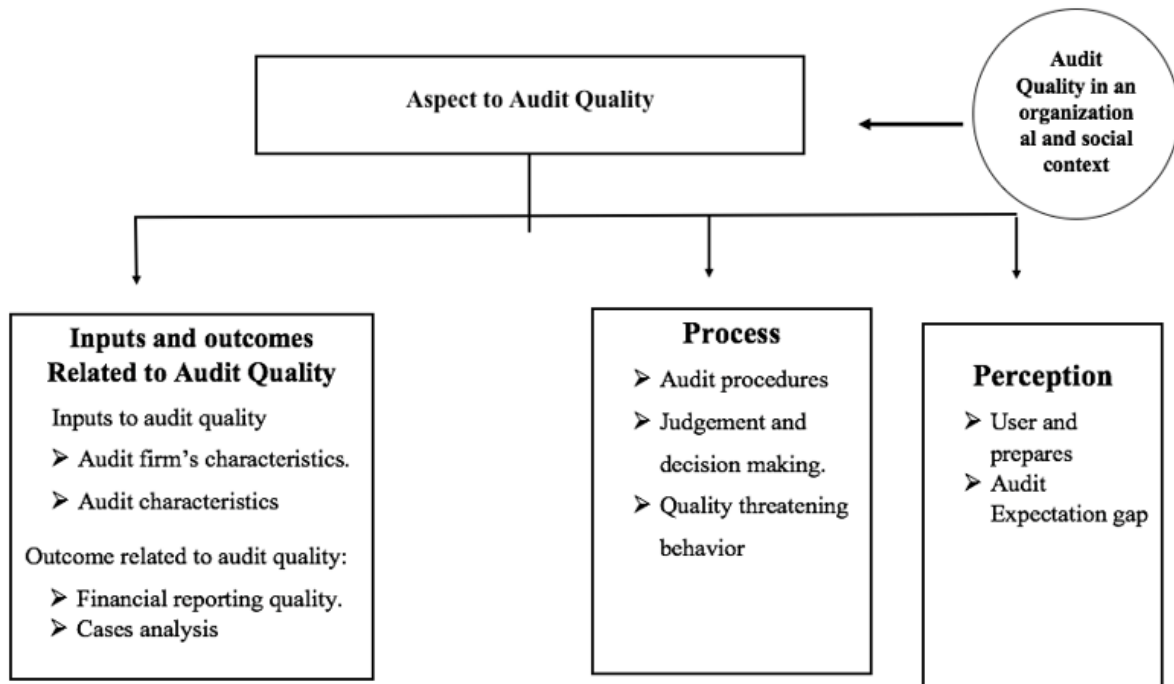


Figure 2.3: Audit Quality Aspects (Source: Financial Reporting Council's Audit Quality Framework (FRC, 2008))

The AQ measurement is further complicated because audit researchers and stakeholders typically need to rely on available data. Thus, audit studies use various alternative but indirect proxies for AQ.

Output-based measures typically cover (A) material restatements, preferably initiated by the auditor (B) perception-based measures such as the earnings response coefficient, stock price reactions to auditor related events, and cost of capital measures. (C) financial report characteristics such as the use of signed or absolute discretionary accruals, the Dechow-Dichev (2011) measure of earnings quality (Dechow *et al.*, 2011).

Input-based measures refer to the auditor, such as auditor independence (DeFond, Raghunandan and Subramanyam, 2002), industry expertise (Reichelt and Wang, 2010), auditor tenure (Myers, Myers and Omer, 2003), compliance with professional standards (DeAngelo 1981), number of clients (DeAngelo, 1981; Watts and Zimmerman, 1981), skills and experience (Bedard, Johnstone and Smith, 2010), size (Choi *et al.*, 2010), and reputation (Francis and Wilson, 1988, Lennox, 1999, Willenborg, 1999, Khurana and

Raman, 2004). Thus, auditor characteristics and behavioural features of the audit will be fundamental root causes of AQ.

Table 2.5: Input-Based Measures

Study	Measures
Bedard <i>et al.</i> , 2010	<i>Inputs:</i> Engagement-level indicator i.e. audit and training hours, personnel assignment, fee audit and partner tenure, individual auditor industry specialization and tailoring of audit tests to reflect client risk; Firm-level indicators i.e. industry specialization, tenure, independence, size, compensation plans. <i>Outputs:</i> enforcement releases detailing individual acts, accuracy of audit opinion, accounting and auditing, litigation and related costs, peer review results, internal inspection results, inspection activities and report results.
Knechel <i>et al.</i> , 2013	Knowledge of a client, industry experience, audit committee oversight, compliance with auditing standards, audit firm ethics, economic independence of the auditor, rotation of audit partners, and audit inspection
Raak and Thürheimer, 2016	<i>Inputs:</i> client characteristics and contextual factors (discretionary accruals and earnings characteristics) <i>Output:</i> internal quality review reports, waived misstatements, the size of required adjustments to be made by the client, and inspection reports to audit firms by oversight bodies (PCAOB)
Rajgopal <i>et al.</i> , 2018	DA, AbsDa, Total Accruals, Rstmt, SmlProfit, SmlBeat, GC, Big N, Audit fee ratio, audit fee city ratio, tenure, new client, top 20 city, auditor Firm Diff, city specialist, and industry specialist.

The difficulty of measuring AQ has led many researchers to use Output-based measures, such as audit firm size as a surrogate. BAF are assumed to have the potential to produce a credible and high-quality audit because of their available resources. As such, BAF are more likely to be associated with precise information than MSF (Titman and Trueman, 1986, Beatty, 1989). Many studies have tried to identify factors that measure AQ. However, Krishan and Schaur summarized the measurement factors as follows: the size of the auditing facility, the failure and the litigation against the audit office, the impact of tampering and competition in the audit market, industrial specialization, and the level of auditors (Krishnan and Schauer, 2000). There are two ways to measure the quality of a product: one directly, and the other indirectly, through the use of alternative means (such as product goodwill or plant fame). Recent studies provide growing evidence that auditor characteristics influence audit outcomes (Gul, Wu and Yang, 2013, Robert Knechel, Vanstraelen and Zerni, 2015, Lennox,

Wu and Zhang, 2014, Aobdia, Lin and Petacchi, 2015). However, auditors generally do not act in isolation: they interact with peers across multiple engagements. Other factors and determinants affect their output in general, and their AQ in particular. Following the major factor in Input-based measures are:

2.4.1 The Audit Firm Size

The audit firm size is one of the measured characteristics of AQ. Many studies consider the size of the office an essential part of assessing the AQ. For example, DeAngelo explained that the size of the auditor is used as a measure of the AQ because big auditors are expected to have greater competencies on the financial and professional levels and stronger incentives, such as maintaining clients (DeAngelo 1981). These factors contribute to providing high-quality audit service. Another study by DeFond and Zhang (2014) uses auditor size as a proxy, due to the high AQ in large offices that results from increased experience in managing the audit process. The literature in the field of auditing uses auditor size as a proxy for AQ because BAF are expected to have stronger incentives and greater competencies to provide high AQ. The use of Big Four firms as an indicator of AQ is thoroughly researched, and there is comprehensive evidence that Big Four auditors tend to deliver higher AQ (DeFond and Zhang, 2014).

By reviewing the above studies, it can be inferred that BAF are motivated to perform better audits because they have a good reputation that they do not want to risk losing. They also have financial resources and human resources that can attract employees who will provide better auditing. BAF offer greater legal certainty to the client because they reduce their exposure to legal prosecution due to having more experience. The size of the auditing firm is one of the most critical factors in measuring AQ, as it is positively correlated with the quality of the audit. This determination of size as a proxy to measure AQ is based on three central assumptions, as discussed below (Dang, 2004).

2.4.2 Independence

The auditor's independence is one of the fundamental pillars of AQ. Independence is defined as 1) the ability of the auditor to cover and detect corruption and fraud without any external pressures affecting his or her decisions, or 2) the ratification of incorrect financial statements under the pressure of any party of stakeholders. The auditor is independent when he or she is

in a position that is not dependent on the client or stakeholders. The auditor must be independent in his or her thinking and the introduction of his or her opinion on the financial statements, must express his or her opinion on the financial statements honestly and fairly, and must not allow any outside considerations to influence their opinion (Aliu, Okpanachi and Mohammed, 2018, Saputra, 2015). Wright and Wright (1997) claimed that auditor independence is at the heart of the integrity of the audit process. Therefore, when audit firms and stakeholders negotiate issues about a financial report, maintaining the integrity of the independent audit function is mandatory for auditors (Wright and Wright, 1997).

Generally, BAF are less exposed to dependence issues. There are two distinct reasons for this. The first is that BAF are less dependent on particular clients since BAF have several clients, and so auditor fees from one client represent a very small amount of the gross income, which enhances their independence. The second is that there are special properties in the business environments of small audit firms that lead to the loss of independence, such as the small volume of clients, a personal approach to performing audit services, and close relationships with the clients (Shockley, 1981). Palmrose's (1988) paper shows evidence that BAF minimize their exposure to litigation by enhancing their independence. Their independence is reflected in high-quality auditing in contrast with small audit firms (Palmrose, 1988). Goldman and Barlev (1974) define 'auditor independence' as the ability of the auditor to resist management's attempts to interfere with their business and pressure the auditor to make a particular decision, both of which increase the possibility of audit failure (Goldman and Barlev, 1974).

2.4.3 Reputation

The reputation of an audit firm carries the name of the firm within the audit market. Firms with good reputations tend to provide quality services by giving credibility to the audited financial statements. The auditor should act in a manner consistent with the reputation of the profession and should take into consideration the application of accounting standards. The reputation is expressed by increasing the number of clients and audit firms size (DeAngelo, 1981, Watts and Zimmerman, 1983). The auditor reputation is a driver for auditor quality, and better AQ service allows the audited firms to reduce the asymmetry between stakeholders and management (Lennox, 1999, Willenborg, 1999, Francis and Wilson, 1988, Khurana and Raman, 2004). The reputation of the audit office is a significant asset that is acquired through practice and the ability to provide quality services. In the same context, Oliveira *et al.* (2006)

suggest that big, well-known auditing firms encourage companies to disclose more information as they seek to preserve their own reputation, develop their disclosure expertise, and ensure that they retain their clients (Oliveira, Rodrigues and Craig, 2006). De Angelo (1981) has shown that an auditor's reputation for AQ is valuable for stakeholders who might use audited financial statement information in their decision-making. When investors are unable to directly observe AQ and determine whether the reported data is an unbiased indicator of firms' financial performances, auditor reputation serves as a necessary proxy for the AQ and accuracy of client financial statements (DeAngelo, 1981).

An audit organisation's reputation is a combination of many interrelated factors: codes of conduct and ethics, compliance with professional standards, experience in client activity, professional experience of the firm's members, good communication between the firm's members and clients, the length of work by the professional audit office, the audit firm size, engagement with an international audit office, assessment of customer acceptance and continuation of the audit, and litigation against the auditors. Anderson and Zeghal (1994) and DeAngelo (1981) have pointed out that BAF are usually highly reputable, because they provide high AQ services and make fewer errors than small audit offices. The good reputation of an audit firm is an important indicator that affects the share of offices on the market and increases audit fees (Anderson and Zéghal, 1994).

Accordingly, Francis and Yu (2009) and Choi *et al.* (2010) argue that audit office size is a primary determinant of AQ. DeFond and Zhang (2014) use auditor size as a proxy for AQ because big auditors are expected to have stronger incentives and greater competencies to provide high-quality auditing. As stated earlier, the use of size as an indicator of AQ is one of most thoroughly researched areas in auditing literature (DeFond & Zhang, 2014). As such, auditor size is a useful proxy for AQ, and this readily observable quality indicator is available to the public. This reputation effect motivates companies to choose Big Four audit firms. The goal is to become associated with established brand names in the hope that this will reinforce the credibility of their accounting figures (Piot, 2004, Choi *et al.*, 2010).

2.4.4 Legal Responsibility

Any shortcomings in the audit process create a dilemma for the auditor. One of the main problems is the filing of a lawsuit due to financial losses resulting from stakeholder decisions that were based on financial statements containing undiscovered errors and irregularities

(Tucker and Zurich, 1993, Dennis, Engle and Stephens, 1996). Although the failure of the audit process may be related to the organization that has been reviewed, it is often associated with the auditor's poor management. Examples of poor management include an auditor's non-compliance with the accounting standards generally recognized in the preparation of the financial statements and a failure to prepare audit report and express an opinion accordingly. A number of studies have investigated legal advocacy as a factor that has a negative impact on quality (Carcello and Nagy, 2004).

Specifying a group of measures can be dependent upon measuring AQ under the auditor's legal liability. The auditor responsible for auditing a client's financial data is obliged to show care not only towards the client but also towards any other person involved (Tucker and Zurich, 1993). Dopuch, King and Schwartz (2001) highlight that legal responsibilities and financial sanctions require the auditor to change his or her strategy for the best. Excessive caution may affect the authenticity of financial information and result in damage to stakeholders. This could fall under legal accountability (Dopuch, King and Schwartz, 2001). However, the risk of those sanctions leads to an increase in the intensity and variety of exerted efforts.

A number of researchers have investigated the role of AQ in the field of the auditor's legal responsibility; these studies indicate that there is a correlation between AQ and the compensation level imposed upon the auditor (Dye, 1993, Palmrose, 1988, Melumad and Thoman, 1990, Schwartz, 1997, Zhang and Thoman, 1999, Dopuch, King and Schwartz, 2001). The researchers suggest that an auditor's commitment increases under the threat of paying for auditing failure, which creates an incentive for the auditor to work and report honestly and subsequently increases AQ (Melumad and Thoman, 1990). DeFond, Raghunandan and Subramanyam (2002) argued that threatening auditors with litigation gives them a solid incentive to maintain their interest in AQ. Thus, legal responsibility encourages the auditor to perform a high-quality audit (DeFond, Raghunandan and Subramanyam, 2002).

AQ measurements vary, and each proxy has a different theoretical underpinning. With respect to models, there are different methods of measuring AQ using the same proxy. Moreover, the same proxies can measure quality in different ways. Some studies adopt various proxies to investigate one specific research issue. However, the outcomes are inconsistent. One proxy can reflect certain aspects of AQ, and particular indicators have some limitations. When all proxies are combined, an overall image of AQ can be found. Variations

in stakeholder perspectives of AQ suggest that no single element should be assumed as being dominant in views on AQ. This implies that a deeper understanding of the nuances of the topic needs to be developed through studying AQ more holistically.

In conclusion, the generality of these studies mostly agrees with the AQ standards that focus on the type of audit entity. Thus if certain specifications are available to the auditor, such as audit experience, auditor size, skill, less legal advocacy, less failure, auditor characteristics, and independence, the output of the audit process is mostly high quality (Fortin and Pittman, 2007, Francis, Maydew and Sparks, 1999, Chaney, Jeter and Shivakumar, 2004, Khurana and Raman, 2004, Mansi, Maxwell and Miller, 2004, Lennox, 2005, Choi and Wong, 2007, Carcello and Nagy, 2004, Gul, Wu and Yang, 2013).

2.5 Critical Evaluation of JA: Research Gap

This section identifies the potential gaps and their importance in the current literature related to the JA and stakeholders; gap analysis has been conducted after reviewing the literature related to JA. First of all, the literature review confirms that there are various JA, but research is still lacking to make a comprehensive study to address JA dimensions on stakeholders and users of financial statements (Zerni *et al.*, 2012, Francis and Yu, 2009). This study addressed another important mechanism which is an AQ under JA system; Jabal (2016) further highlights: “There are cooperation two audit firms by JA which will positive impact, (e.g. auditors cooperation) which may also be interesting for future research to study”. Hence, this thesis examines the auditors' views on the mechanism of dealing with JA. Further, Abu al-Jabal recommends the competition between auditors, the higher the ability of the client to change one or two of the available lecturers. This positively affects the quality of audits.

Moreover, few papers have focused on the stakeholder perspective for JA in Kuwait, or the general framework for the dimensions of this type of audit. To the best of the researcher's knowledge, built on reviewing the relevant literature, to date only Alshammari (2014) has considered some aspects of governance influence under JA system. His research focused on “the three unique governance mechanisms of the recently developed Kuwaiti market: audit pair choice (JA), dominant block holders and the adoption of Islamic business principles (Alshammari, 2014). Alanezi and Alfaraih's (2012) study also aimed to investigate the effects of JA on IFRS-required disclosure in Kuwait (Alanezi *et al.*, 2012). However, those studies examined this perspective and relationship by collecting secondary data, which offers limited

explanations concerning how these JA can influence stakeholders. Consequently, the motivations for this thesis are to develop a comprehensive empirical database and contribute to the existing literature by collecting primary data (interviews and questionnaires).

Furthermore, understanding the impact of JA on AQ may help Kuwaiti regulators make a decision to develop and strengthen two laws and audit legislations in order to create a healthy economic environment. The majority of the previous studies only employed a dichotomous dependent variable (earnings conservatism, abnormal accruals and earnings quality) as the proxy for AQ due to limited data (Francis, Richard and Vanstraelen, 2009). Nevertheless, there are other AQ indicators that the researcher can use (DeFond and Zhang, 2014). In other words, increasing the confidence level can be improved through employing accurate factors for measuring different features and aspects of AQ. Additionally, most prior empirical researchers have used evidence from developed context data, such as Sweden, Denmark and France (Karjalainen, 2011, Ratzinger-Sakel *et al.*, 2012 Baldauf and Steckel, 2012, Lobo *et al.*, 2017). It can be clearly perceived that the Kuwaiti Code, focused on audits in Kuwait, has attracted interest from a large number of government officials, particularly in the wake of major irregularities in financial reports and financial crises at the internal level in previous periods (Al Obeid, 2017; Aljarida, 2015; Capital Markets Authority, 2018). It is designed to protect stakeholders and develop the economic environment in alignment with the national financial vision. The Kuwaiti legislators seek to safeguard and protect the stakeholders' rights in general, and financial report users' interests in particular. The research value thus comes from the goal of exploring the JA dimensions on AQ. This research further expands the literature base in audit and may show how JA influences AQ.

The effect of the AQ arises from the dependence of all stakeholders, such as creditors, government authorities, investors and shareholders, on the auditor's statements, as they make financial and economic judgments based on these financial statements (Prada, 2007). Furthermore, according to Hussainey (2009), shareholders and investors depend on the AQ to make their investment policies, improving their abilities to predict the company's prospects. Therefore, this thesis will be helpful to all these constituencies of shareholders and investors (Hussainey, 2009). This means a contemporary topic has emerged that concerns the AQ, enhanced corporate governance standards, and financial statements credibility (Lee and Lee, 2013). However, since JA are commonly supposed to be linked with business evaluations, mechanisms to improve the level of transparency of financial information have become a

fundamental player in business development and are essential for preventing financial fraud. Moreover, there is a lack of empirical evidence concerning how stakeholders perceive the relationship between the JA and AQ, especially after the promotion of the KB, where there must be noticeable developments in the Kuwaiti firms regarding establishing several rules, regulations and principles to organise the Kuwaiti economic environment and some standards regarding the auditing and accounting profession.

In general, JA is a unique system and not implemented in many countries. Therefore, there is no literature that studies it directly or studies that try to know the vision of users and those dealing with JA. Two types of literature have reviewed JA. The first were studies that examined JA in general for their potential advantages and disadvantages. These studies were examined through secondary data, and there are many ambiguous points, such as how to increase auditors' independence through JA. There is nothing about what could result from this independence. Also, regarding the impact on the audit market, there were no details about the JA's implications for the market. These studies were obtaining secondary data for some audit firms' revenues and summarizing them in the form of final results. However, there is no realization of how JA can create market opportunities. Moreover, some aspects have not been touched upon definitively, such as the JA mechanism and the procedures to be followed during the audit. The second type are studies that were conducting the study of the impact of JA on the AQ through indirect methods such as earnings conservatism, abnormal accruals and earnings quality as a proxy for AQ. These methods may not give a clear picture of the addition of JA to the quality of the audit output, because these proxies need factors that may not be available in some companies and cannot be circulated.

To sum up, the above review of the existing literature has helped to identify the research gaps and shape this research debate. Consequently, a new research topic emerges in response to several needs. The gaps in the existing research are identified as follows.

1. There is no study specialized in the dimensions and effects of JA in particular, and thus this research is so far a pioneer study for this type of auditing. Although it is practised in several countries, whether mandatory or voluntary, and particularly France, which is one of the most important economies of the world. France applies JA as mandatory, which implies a view on the objectives of the basic application of this accounting system which must be discussed in comparison with Kuwait.

2. The paucity of research and studies on the JA at the internal levels. In Kuwait, with the implementation of the system of auditing in Kuwait for 23 years, no study or specialized research has yet explained the dimensions and results of this system.
3. There is no study related to the relationship between the JA and the stakeholders either directly or indirectly. However, despite the importance of stakeholders in institutional work, and them being the base of any financial business, the stakeholders have not been mentioned in any JA studies. Therefore, this paper focuses on the relationship between JA and stakeholders such as shareholders, corporate management, government authorities, or audit offices. Furthermore, it investigates the effects of the JA and what are the advantages and disadvantages and what are the expected results of this type of audit.

A review of the JA literature reveals a scarcity of studies related to the effect of JA on stakeholders, AQ and audit market with various measures of AQ yet to be thoroughly investigated, particularly in Kuwait. Although the issues might have been examined in a different country, such findings may not apply to Kuwait audit backgrounds, given the capital markets size differences, regulatory and financial environments, the cultural differences, as well as the effectiveness of stakeholders' protection in the Kuwaiti context.

2.6 Chapter Summary

This chapter commenced with the JA definitions and descriptions explanation, and also explained the prior research that connected explicitly to the JA and stakeholders by identifying the importance and impact on stakeholders. It has offered a review of the studies on JA and the mechanisms that can probably affect the level of AQ. It also provides the dimensions of this system by reviewing the countries that apply it. Further, it defines AQ from various perspectives and highlights the issues surrounding it. It also discusses the importance of AQ, and illustrates how this research expands and connects with previous studies. The literature review was a comprehensive argument regarding the role and function of AQ for financial users. It has presented and reviewed AQ measurement and the factors through which it is possible to increase this quality, including auditors and qualifications and internal and external audit factors in terms of their effect on AQ. The concepts of this measurement are explained in this chapter. The next chapter provides a detailed discussion of

the research methodology employed to conduct the empirical part, collecting data, and philosophy.

The next chapter will provide an overview of the theoretical framework adopted to achieve the stated aims and the rationale behind using that framework.

Chapter 3

Joint Audit Theoretical Framework

3.1 Introduction

The use and justification of the agency theory perspective will assist in the building of a theoretical framework that appropriately fits the country of Kuwait's setting and includes stakeholders and JA. The primary argument, also based on agency theory, describing models and theories of stakeholder protection, will explain the need for change to AQ levels and how the agency theory may support these practices to promote change. Additionally, how the use of agency theory as a framework for describing processes, essentially improves AQ, As the use of theory may explicate how some factors influence the circumstances (Creswell, 2013). The agency theory focuses on protecting the stakeholders (shareholders, regulators, audit firms, etc.) by employing some monitoring mechanisms (auditors) to reduce agency problems, which leads to the protection of the stakeholders' businesses, as explained in detail in this chapter. The beginning of the chapter presents chapter background. In the second section of the chapter, it presents the discuss both the research objectives, and research questions. This is, followed by an overview of theory and accounting, including signalling theory, stakeholder theory, credibility theory and agency theory in the third section. The fourth section focuses on selecting a theoretical framework. Finally, the chapter ends with a reflection and conclusion.

3.2 Background

The preceding chapter provides an extensive literature review of the JA studies, The role of JA, AQ measurement, and AQ in stakeholders' business. Essentially, the theory and research queries have arisen from the theoretical framework that has served to explicate. Therefore, the research will undertake two empirical questions. following. Firstly, the extent to which the various stakeholders of JA (audit firms, clients, investors and regulators) in Kuwait converge/diverge in their conceptualisation and characterisation of JA? The second examines how the joint audit add value to AQ in Kuwait?. It is vital to understand that JA affect the interests of stakeholders and business prior to qualitative and quantitative assessments being carried out. The perception of stakeholders, policies, controls and guidelines of the JA has been focused by theoretical foundation. Financial reporting and how that may impact on audit

quality will also be addresses. Also, the nature of the external audit scope is linked to these critical controls. The perception of stakeholders, policies, controls and guidelines of the joint audit has been focused by theoretical foundation. Financial reporting and how that may impact on audit quality will also be addresses. Also, the nature of the external audit scope is linked to these critical controls.

How the world works and relates to systems and objects can be explained by the concept of theory. When making decisions the process of elimination is extremely helpful. Using this process, theories, when offered may determine our rational view about objects. Nevertheless, where and when or even how to decide to act or make choices, can-not be obtained by a theory alone (Chambers, 2003). Stakeholders, such as; creditors, managers and shareholders, to name a few, introduce policies that are significantly impacted by AQ. The AQ participates largely in diffusing possible discord and serving to build valued working relationships between agencies through quality auditing service.

3.3 Research Questions and Objectives

The following questions are given to find the answers and achieve the objectives of the study:

RQ1: To what extent do the various stakeholders of joint audits (audit firms, clients, investors and regulators) in Kuwait converge/diverge in their conceptualisation and characterisation of joint audits?

RQ2: With reference to Kuwait, does the joint audit add value to audit quality?

Chapter 2 identifies research gaps. stockholders' perceptions specifically, therefore, the current study will attempt to provide more evidence about these disparities in the existing JA literature, explicitly with deference to the developing countries: Kuwait being the focus of this section. Hence, four objectives are established as follows:

Research Objective 1: Identifying the impact of the JA on audit quality in regard to the auditor's performance.

Research Objective 2: Attempting to determine the mechanisms and methods of JA work within the audit market environment in Kuwait.

Research Objective 3: Understanding the views of professionals in the accounting and auditing firms to determine the positive aspects of the joint audit, as well as identifying any disadvantages that limit the AQ.

Research Objective 4: Determining the compatibility between the reality of the JA system on stakeholders and the theoretical framework of auditing as reviewed in previous studies.

Research Objective 5: Identifying the advantages and disadvantages, as well as the strengths and weaknesses, of a JA to develop practical methods, propose solutions and requirements to address deficiencies, and to improve AQ in Kuwait.

The first and third objectives are founded using basic notions of quantitative research. In contrast, the second, third, fourth and fifth objectives in using a qualitative approach seek to deliver excellent accounts of stakeholders' perception about the JA. However, these four objectives are also attainable by combining quantitative and qualitative approaches due to their nature. Also, a quantitative research method was used to obtain descriptive information of the extent that JA adds value to AQ. Though, when collecting and analysing data, a qualitative research method was employed to deliver insights and explanations for research objectives. To add specifics, some discussion around research methodology can be found in Chapter 4.

3.4 An Overview of Theory and Accounting

Explaining theory, Hendriksen (1970) notes that in order to determine a theory, a general framework of reference must be the basis. This is achieved by the ability of the human mind to structure rational thinking and implement a mix of sensible and theoretical principles (Hendriksen and Breda, 1970). Also, the work of a theory is to align with human behaviour in providing explanation and guidance with regards to observable facts (Unerman and Deegan, 2011). Likewise, an explanation by the Financial Accounting Standards Board explains theory as; being observable phenomena, forming a consistent set of connected principles that work towards establishing constant standards (Collin *et al.*, 2009).

Watts and Zimmerman (1986) are considered the leading theorists of positive accounting theory. These authors make clear that the accounting theory concentrates on the relationships and organisations people might operate under, such as stakeholders, top-management,

principles, shareholders, and other agents. However, more details will be explored in the next section. The basic knowledge acquired by having accounting information is relied and acted upon by agents and may lead to undesired consequences. For example, the data acquired may evidence loss, meaning the probability of extra cost and irregular data input causing information asymmetry depends upon those loss consequences. Therefore, agents may choose to conceal some information in their favour (Watts and Zimmerman, 1986).

Research in an audit field does not have a theoretical base at this time. Nevertheless, the study found four main audit theories that are applicable in describing the relationship between stakeholder and external audit that will be reviewed to assess how applicable that may be to the research questions. Therefore, four theories will be explored as follows; stakeholder theory, signalling theory, agency theory and credibility and attribution theory will be explored. Additionally, the discussion of auditing theories will describe the possibility of either complimenting or competing with each other, as illustrated about respectively below (Watts and Zimmerman, 1990).

3.4.1 Signalling Theory

The signalling theory is a tool that attempts to combat information asymmetry by signalling information to the other party (Morris, 1987). In practice, joint party cooperation using signalling may expose information otherwise not accessible. Therefore, signalling theory is becoming increasingly popular following its use in the labour market to business management research due to reducing asymmetry (Bergh and Gibbons, 2011, Guest *et al.*, 2021). Thus, the ‘big four’ firms are recognised as providing superior quality auditing in contrast to counterparts, resulting in a higher perception of AQ. Consequently, corporations and clients are ready to pay more for big audit firms (sellers); and the signalling factor for a higher standard of audit quality are the fees charged.

3.4.2 Stakeholder Theory

An explanation of the stakeholder theory may be best described using the example of the impact an environment has on an organisation or person (Freeman and Dmytriiev, 2017). Stakeholder individuals and groups are affected by the work of the institution, whether advantageous or negatively having entitlements arising from the activities of this institution (Miles, 2019). However, the role of investors produces expectations of organisational

accountability to stakeholders and shareholders. As a result, the stakeholder's relationship is maintained and managed by several aspects and conditions. The Stakeholder theory includes the enhancement of performance measures (Orij, 2010). Moreover, Stakeholder theory focuses on creating economic value. It is through individuals who voluntarily or through a particular link, improve their condition. Management, in this case, develops stakeholder relationships and creates a connection where everyone works hard to generate value for the company.

The stakeholder theory deals with the idea that shareholders and stockholders, and conflict of interest as owners are not seen as the only people with a vested interest in the firm. Therefore, conflict of interest may cause issues due to other parties' involvement such as government bodies, suppliers and so on (Tricker and Tricker, 2015). The focus then is on protecting the needs of all parties as rightfully wishing to protect their interests. Such as business funding. (Hoque, Covaleski and Gooneratne, 2013). However, alongside stakeholder theory is often agency theory as although the different focus may work well in juxtaposition as the focus is more on financial and accounting immorality matters. Whereas stakeholder theory is useful to uncover the immoral practices harming investors, society, and shareholders and governments, (Culpan and Trussel, 2005).

Three approaches for the stakeholder theory are as follows: The descriptive approach, the normative approach, and the instrumental approach (Freeman *et al.*, 2010):

- A. The normative approach centres itself on individual and group rights and social responsibility. Also, provides justifications for why companies should consider stakeholder interest.
- B. This normative is based on relating corporate performance to stakeholders and actively predicts specific practices before obtaining results.
- C. The descriptive approach which analyses and elucidates supervisions relationships with the external world, as well as confirms whether companies will consider stakeholder interests or not. In other words, this approach focuses using theory concepts in relation to observed reality. These approaches centred in justifications for why companies should consider the interest of stakeholders and all parties concerned in the interests of the institution (Donaldson and Preston, 1995).

Clarkson (2016) categorizes stakeholders into two groups: primary shareholders and secondary shareholders, shareholders: Primary shareholders are those with ownership rights in the organisation. Secondary shareholders are less essential, but their actions can affect the company's business. The stakeholder theory addresses the relationship between stakeholders and counterparts in the peripheral environment. Economic, managerial, technological, social, and political factors are company resources that may be influenced by stakeholders (Clarkson, 2016). Therefore, organisational factor also plays a key role in the company and stakeholder relationship. Wolfe and Putler, 2002 suggest that heterogeneous stakeholders may exist differing in rationales thereby allowing for the risk of conflict (Wolfe and Putler, 2002). In turn, conflict may weaken the possibility of bringing these distinct groups together to reach and agree on joint conclusions whilst considering all point of view and optimise the decision-making. (Miles, 2019). Robert ,1992 has discussed that the stakeholder theory approach must acknowledge and consider stakeholders are interdependent individuals having opinions and goals underpinning their reasoning. It is therefore important to recognise and make distinctions between them in order to balance existing demands and conflicts that may arise. Generally, one stakeholder is analysed against audit firm factors; the concept of principal-agent arises again and subsequently framing this study by the agency theory (Roberts, 1992).

3.4.3 Credibility Theory

When multiple estimations of risk are probable the Credibility theory is an excellent tool for auditors to conduct a data examination. Utilizing tools, policies and procedures of Credibility theory assists in the statistical inference of more accurate decisions (Agostini, Talamo and Vecchione, 2010). In turn, when implemented credibility theory will support stakeholders in the direction of limited claims and losses while providing analysis. Also, a firm may appreciate the knowledge that credibility theory aids in reducing asymmetry concerning management and stakeholders and in turn providing a fair statement of its economic value (Nichols and Smith, 1983). Stakeholders rely on the economic image projected from an organisation in order to trust financial statements. Therefore, it is suggested that credibility theory when added to a firms auditing should be the primary goal and hence a fundamental service (Ajao, Olamide and Temitope, 2016).

3.4.4 Agency Theory

The model of a contractual relationship involving an agent (management) and a principal (shareholder), are the factors on which the agency theory depends. Principal's delegate fundamental interests' tasks to be performed by an agent (Jensen and Meckling, 1976) . Also, Audit firms have a place in this framework in that by providing financial information for the board of directors, they may validate a managements financial information (Bromwich, 1992).

However, the theory has been originated in the last decades of 20th century. This is the reason that the theory is considered relatively recent, and it is the same period that witnessed the emergence of other accounting theories such as leader theory, game theory and positive theory. Thus, the agency theory confirms that the management's choice of accounting methods and policies. These methods affected only by its relative effects on income according to its preferences without taking into account any of the favourites of other stakeholders in the unit. The most important basic assumptions of the theories of (Cohen and Holder-Webb, 2006). (Nikkinen and Sahlström, 2004) are given below:

1. Have on the basis of awareness and wisdom, the agents and principals are distinguished as a person. The interests and differences are known by both the parties. However, the purpose of both parties is to maximize the benefits expected. the decisions and actions are based on the benefits expected.
2. The agent is more worried about his benefit rather than the principal's interest that is why he maximize his benefits. Several interests of conflicts arise with this maximization of benefits by agent. However, the chances of conflicts are minimized with the help of guarantees facilitated by incentives.
3. The principal which is a shareholder, and the agent which is the company management have several conflicts of interests. However, the common interests and its existence should not be neglected between them. the success and continuity of the company is very necessary which needs to settle down conflicts. In this way, both parties should have the maximum benefits without any conflicts. The activities of the company could be improved with joint efforts of both parties. Therefore, there are chances of risks for the future of the company when both the parties have common interest and common attitudes. Therefore, both the parties will try to minimize risks with the help of their concerted efforts.

4. Although both the principal and the agent have their own capabilities, to understand the accounting information and other information related to the company's activity. These capabilities are not necessarily equal, but rather uneven, and the scale in most cases tilts with regard to this issue in favour of the agent.

This gives special importance to the role of audited financial statements and the role of the auditing profession in providing an element of credibility for those data. The agency theory gives special importance to formulating the terms of the contract between the company and the owners; this is to ensure that the chances of conflict between them are reduced.

Several groups benefit from agency theory to achieve various purposes, such as facilitating decision-making processes, applying control over management and explaining the different processes that have a relationship with financial information (Nikkinen and Sahlström, 2004).

The following are the primary beneficiaries:

- A. Management: represented in the various interests and divisions that make up the institution and all those in charge of running it and those concerned with making decisions within it. This category (management) is considered more fortunate in terms of obtaining the desired accounting information by an agent as it is based on operating the data financial system. Also adapt the processing tools according to the peculiarities of the demand for information for the various departments, at the expense of the relevance and reliability of the information compared to the demand for it from external parties.
- B. Shareholders, investors and financial analysts: The shareholders and the owners are interested in appointing an agent to assess the overall performance of the management in achieving their goals related to profitability and maintaining the integrity of the financial position of the institution. Thus, the possibility of its continuity in all environmental, technical and competitive conditions under which the institution operates.

They are thus concerned with observing management behaviour and trying to influence it to direct it in accordance with the company's objectives, and here the matter relates to supervisory decisions. As for the category of investors, they use the tools of the agent (financial report) in making decisions about the shares that it will buy or keep, and those that it sells, in addition to determining the appropriate timing

for buying and selling. Here, decisions are of an investment or regulatory nature, or both. With regard to investment decisions, the focus is on choosing a portfolio of securities that is compatible with the investor's tendencies, the direction of financial risk, returns, dividends and liquidity.

- C. Lenders and Creditors: The benefit of this category from agent lies in the possibility of predicting the institution's future conditions, especially with regard to its financial management and profitability, enabling them to make decisions around whether to lend or borrow. Also, cash flow and financial forecasting are a requirement under lenders and creditors. Therefore, in order to keep current operations running at an expected level, an assessment must be made of information relating to generating sufficient cash flow and fulfilling obligations to capitol rights owners.
- D. Suppliers and customers: Suppliers grant the corporation short-term credit, and in making such a decision, they rely heavily on the information provided by the agent. Where can resort to the financial statements to search for evidence of this, in addition to his direct interest in their ability to pay his debts when they are due.
- E. Governmental bodies: The information received from the agent (financial statements) is used by many state bodies either to achieve oversight, to plan, or to guide decisions. This information helps them in issuing legal legislations and evaluating the performance of economic units (Nikkinen and Sahlström, 2004).

Table 3.1: Summary of Agency Theory’s Main Features

1.	Key idea and Objective Purpose	Maximizing and minimise: Stakeholder’s wealth agency cost /risk-bearing costs, respectively.
2.	Key components	Contract between manager and shareholders, Manager as shareholders agent.
3.	Explanations the Role and the primary assumption Human	Monitoring role - protect stakeholders Self-interest, risk aversion
4.	Focus of Theory and Organizational Assumptions	Shareholders safest interest - Manager Self-interest Managers/Shareholders information asymmetry
5.	Author(s)	Adam Smith- agency issue Jensen and Meckling (1976) agency theory as a solution.

(Source: adapted from Eisenhardt (1989) and Jensen and Meckling (1976))

3.5 Selecting a Theoretical Framework

This theoretical framework will justify the reasons for utilizing the Agency theory when researching relationships between JA and stakeholders. Agency theory is an essential tool for examining and understanding the conflict of interest with management (Heath, 2009, Mahdavi *et al.*, 2011) and is also appropriate in explaining the role of monitoring.

The government of Kuwait seeks to protect stakeholders' businesses in keeping with agency theory by employing JA to reduce the issues firms may encounter. Though, previously Kuwait's JA have drawn much negative attention through major irregularities in financial reports, of financial crisis amongst a substantial amount of government officials (Al Obeid, 2017; Aljarida, 2015; Capital Markets Authority, 2018).

Relevantly, auditing literature evidence two main responsibilities of the JA (Zerni *et al.*, 2012, (Francis and Yu, 2009). Role one; whilst guided by agency theory administrative actions are monitored (Carcello and Nagy, 2004). Role two; the likelihood of audit failure may be reduced and material errors exposed (André *et al.*, 2016, Herbinet, 2007, Jensen and Meckling, 1976, Pant and Pattanayak, 2010).

The Agency theory whilst providing foundations also ascertains that external auditing assists to enhance confidence and promote reliability in the financial report (Jensen and Meckling, 1976), as well suggests a base for accountability which helps to demonstrate the advance of the audit (Grant, 2003). In this study, information asymmetry is a situation where the power wielder (the managers) has more of the relevant information than the stakeholders (shareholders, regulators, audit firms etc.), causing passive stakeholders to undertake poorly informed decisions. The agency problem occurs when the agent (management in this case) acts in their own self-interest to the detriment to the principal (shareholders).

The predominant implementation of agency theory may essentially improve financial reports from external auditors (Fan and Wong, 2005, Watkins, Hillison and Morecroft, 2004). For Example, separation and control are what set apart contemporary companies showing a clear distinction of ownership to management brought about for the process of a business's functioning.

Agents (managers) are appointed by shareholders (principals) to run business operations for shareholder benefit. However, when the agency theory is implemented a conflict of interest

between the two functioning bodies is exposed. Thus, due to the nature of the position of managers the opportunity to glean benefits and line their own pockets are often taken. An increase in personal gains such as, entertainment, lavish cars, and so on, putting the firm at risk as well as minimising shareholders potential wealth may prove detrimental for a firm (Jensen and Meckling, 1976, Fama and Jensen, 1983).

Moreover, the stakeholders' position prevents close observation of management information also due to the separation of control and ownership. Consequently, resulting in undisclosed information of agents leading to financial calamity and misjudged investment decisions. Notwithstanding this shareholder accrue some costs to offset conflict of interest (Fama and Jensen, 1983). When implemented the internal and external monitoring mechanisms may hamper opportunistic behaviour from management (Jensen and Meckling, 1976). The precise work of the efficiency of the board of directors and an audit committee results in good financial reporting outcomes as provided in empirical research (Herbinet, 2007). To further reduce information asymmetry another method of monitoring cost is endured by the shareholders employing the work of independent external auditors. The management prepares the scrutiny of financial reports Regarding fairness and truth, this in turn lines up with appropriate financial reporting standards and enhances credibility around managements financial information supplied (Lin and Hwang, 2010, Piot, 2004, Watts and Zimmerman, 1986). Finally, agency theory highlights the necessity of external auditing as an external monitoring mechanism. Financial report quality. If the AQ is higher than the indication will help the company employs the joint audit system agency theory is upheld.

In summary, the Kuwaiti authorities use of agency theory objectives is to address potential conflict of interest that may otherwise negatively impact a firm's transparency and accountability. The prime focus of this research is the role of monitoring mechanism linked to the work of (external audit) and owners (stakeholders). According to agency theory, independent auditors' role is a vital component of a successful financial system. The independent audit as external party helps to reduce the agency issue by providing reasonable assurance that the financial reports are prepared truthfully and honestly by auditing the company's financial statement (Wanda, 2004, Ojo, 2014). External auditors are required due to the separation of ownership from management within companies to lessen agency issues (Mahdavi *et al.*, 2011). Wong and Fan 2005, agree connecting and monitoring helps play external auditors the role to alleviate the agency conflict between the outside shareholders

and investors. The extent and nature of the agency theory position demonstrated suitability for this research; this research also analyses JA as a resolution to the agency issue (Fan and Wong, 2005).

The role of the audit firms as an independent party examines the validity and reliability of a company's financial information provided by the administration. The stakeholders are not aware of day-to-day business transactions. Therefore, stakeholders appoint external auditors as independent agents as the credibility of financial evidence given by management may lack independent external audit transparency. Stakeholders hire external auditors to review financial information and reassure this information's accuracy; they then report back to the stakeholders (Fan and Wong, 2005; Halbouni, 2015) . As agency theory indicates, there is no trust on the owner's part of managers to provide accurate financial information; they need external auditors, who are independent of these managers, to discover errors and violations in financial statements (Halbouni, 2015, Jensen and Meckling, 1976, Pucheta-Martínez, Bel-Oms and Rodrigues, 2019).

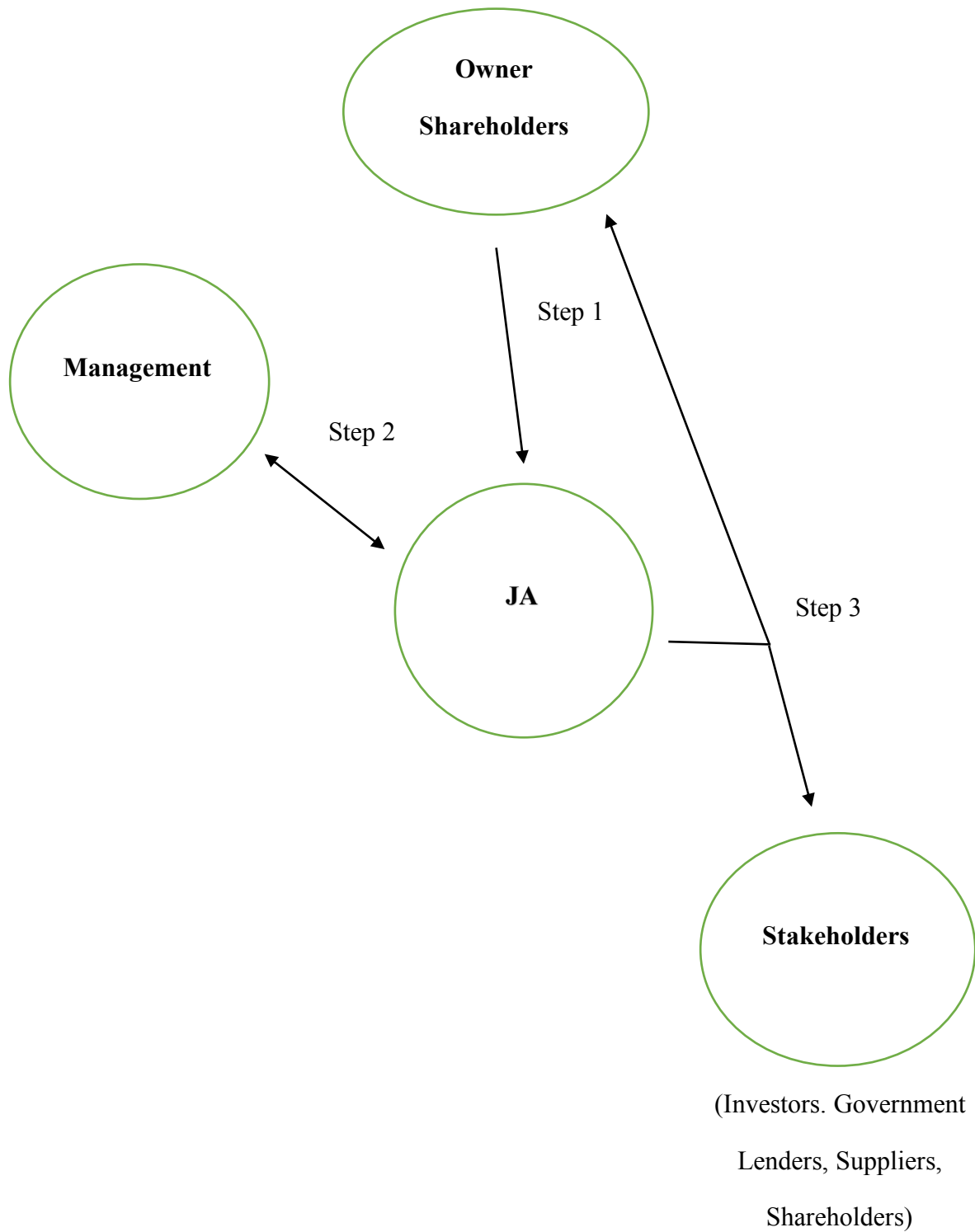


Figure 3.1: The Theoretical Framework (Source: The current study)

3.6 Chapter Summary

This chapter discussed the roles of the external auditor on controlling and monitoring the agents from the perspectives of the agency theory. The discussion has discovered a lack of studies on specific theory that can explain audit practice and the role of auditors in ensuring the AQ. It also has explained the application of several accounting theories in audit practices. Based on what have been discussed, the agency theory can be used as theoretical framework for explaining the perception and understanding stakeholders about JA and AQ. This chapter also has explained the need for JA as a solution in resolving agency problems. This chapter has provided the theoretical framework which helped to explain the JA role under the agency theory. It has reviewed the main audit theories and their implications; it also provided justification for employing agency theory as a theoretical lens for this research in line with the Kuwaiti context, the research purpose and previous literature.

For the purpose of this research, the relationship between stakeholders and management as agent “agency relationship”; relationship between stakeholders and audit firms as independent agents “assurance role”; the relationship between management and audit firms “investigative role”. The assurance role involves providing auditor report and reasonable assurance to the stakeholders about the reliability of the financial statements, while investigative role involves scrutinizing the transactions and accounts that these accounts reflect the real financial condition and results of the company (Garrow and Awolowo, 2018).

Chapter 4

Research Methodology

4.1 Introduction

Research is not simply gathering of information which has previously been suggested, but an essential and integral part of any research effort is the methodology and methods used.

The research paradigm and plans also are meant to address a wide range of research questions clear research objectives are achieved. By using the most appropriate methodology and methods, research objectives become attainable. Methodology, methods and paradigms serve to answer an extensive amount of research questions that achieve objectives explaining the process of research practice. The plan seeks to bring understanding and clarify the connection of methods and proposed research questions.

This chapter is meant to discuss and justify the research design and methods and make clear reasons for interpretive methodology application and mixed methods. It is argued that the methodology embraced by this study is the most appropriate for achieving its objectives. The main aim of the current study is to understand the stakeholder's conceptual practices for JA in Kuwait. This chapter begins by presenting a rationale as to the choice of research methodology, followed by the research philosophy then research approach for the study, concluding with an outline of the logic for this present study's methodology. The chapter will also explain research data collection methods was obtained in section 5. Thus, section 6 discusses research design, whilst section 7 outlines the research populace and sample. The chapter will also demonstrate Ethical considerations in section 8. Finally, the chapter summary will be presented in section 9.

4.2 Research Methodology

The section aims to discuss and justify the methodology used in this research. Methodology is one of the most critical processes in the research. Saunders *et al.* (2019) explained the research methodology as a thing that the researcher carries out to discover phenomena in a systematic process (Saunders, Lewis and Thornhill, 2019). Thus, increasing their understanding According to Frank Crossan (2003) the methodology is critical in as much as it can help the researcher to specify the research methods to be used in a study (Crossan, 2003).

Likewise, Collis and Hussey (2014) supposed that the objectives and research questions are vital elements in determining a suitable methodology. The logical sequences and pattern of research is included in this study. In this way, the description, exploration, and interpretation could take place in the study (Collis and Hussey, 2014). Research methodology can be defined as ways of obtaining, analysing and organising data (Polit, Beck and Hungler, 2004). In the same context, Mackey and Gass 2015 defines research methodology as a theory of how an inquiry should proceed. Also, on the research questions, the methodologies depend (Mackey and Gass, 2015). According to Creswell and Tashakkori (2007) the complementing group of methods which are coherent have the ability to fit to deliver data and findings that suit the researcher purpose make up the role of methodology (Creswell and Tashakkori, 2007). Scientific researchers depend on whole studies that theoretical methods are applied by defining the subject of research, collating materials and producing concrete honest results (Creswell and Clark, 2017). However, the variety of methods used depends on the scientific fields of knowledge and objectives of research. Following the most important of these methodologies:

4.2.1 Interpretive Phenomenology

This type of methodology is attempting to make sense of the impact of life's experiences on individuals and how they are interpreted. Moreover, Interpretive Phenomenological methodology is inductive in nature, with no pre-existing hypothesis, but aims and objectives focus on obtaining meanings that participants attach to their experiences' (Reid, Flowers and Larkin, 2005). However, the collection of data is impacted by individual values and perspectives and interpretivism has also the disadvantage attached due to the subjective nature of the approach and the possibility of researcher bias. However, a positive view of the implementation of this methodology regarding qualitative research areas, includes a great level of depth of study. Primary data generated via interpretive phenomenological might be combined with a high level of validity because data in such studies tends to be honest and trustworthy (Collins, 2010, Myers, 2019).

4.2.2 Ethnomethodology

Ethnomethodology collates data to assess people's preservation of a sense of reality in situations by the use of social interaction. Then, characterize them in light of the quantitative or qualitative scientific methods available. Through the analysis of discussion, a strict set of

techniques whereby systematically recording and monitoring what happens when people react in real life (Hester and Francis, 1997). Bogdan and Taylor (1975) explain ethnomethodology as being a process of how persons may attach understanding to a situation in which they find themselves. The methodology used by Ethnomethodology's test the ways people explain ambiguous, typical, and customary actions and apply abstract rules and common-sense understandings in situations in order to appear regular. For researchers dealing in special cases, the meanings of actions are always problematic and ambiguous (Bogdan, Taylor and Taylor, 1975).

4.2.3 Grounded Theory

Grounded theory is an attempt to develop a set of patterns and structures for conducting qualitative research. By using inductive strategies for analysing data. The method used in research does not allow for a pre-existing theory or hypothesis but makes room for the emergence of a theory by way of data collection (Heath and Cowley, 2004). According to (Charmaz 2008), the grounded theory could be moved due to the researcher further into the realm of interpretive social science. The process takes place without assuming the existence of a unidimensional external reality (Charmaz, 2008). However, the aim of the grounded theory to define the area of study and develop sufficient theoretical conceptualisations of conclusions. Also, grounded theory seeks to understand how companies deal with issues that arise from within the business environment. Existing patterns and theories cannot offer the explanation that the grounded theory may reveal as the research question can be studied at a high level of depth. However, this methodology requires a rigorous method of data collection and data analysis (Saunders, Lewis and Thornhill, 2019).

4.2.4 Ethnography

Ethnography as a research methodology to examination people within their cultural settings and the social interaction of groups. Ethnography is defined through the active and prolonged involvement with the local context being studied. The main purpose of ethnography is to provide comprehensive accounts of different social phenomena (Hammersley and Atkinson, 2019).

4.2.5 Justifying the Methodology

Based on the above, the interpretive methodology has been chosen because it contributes primarily to understanding stakeholders' perception of JA and to infer their opinions, ideas, and complexities for this type of audit. Where interpretive research attempts are made to understand social reality by the subjective views of the selected participants within context of reality (Cohen, 2007, Scotland, 2012). This methodology serves this research in the formulation of new dimensions and narratives of this type of audit, not only because of the scarcity of research on the JA but it to seek the views of the stakeholders of the JA, who are the key element in this research directly.

In particular, this methodology helps in obtaining an answer to the first question of this research, so that stakeholders are dealt directly with the researcher by semi-structured interviews to gather views and experiences that help to formulate elements that form a final form of stakeholder perception of the JA. According to (Ernest, 1998) Interpretive methodology is often not concerned with searching for specific answers, but to understand a social case. So, this question does not look for specific answers, but about reaching comprehensive ideas and then summarizing them to a number of points to determine the most important aspects of the perception of stakeholders. Regarding the second question, this approach helps to draw some ideas from the stakeholders into points that are used as elements in the questionnaire, through which the second question is answered. Where in Interpretive methodology quantitative data add more precise explanation and clearer understanding of the phenomenon of interest (Ernest, 1998, Creswell and Clark, 2017).

4.3 Research Approach and Philosophy

4.3.1 Research Approach

Having identified the methodology that best suit the purpose of this research, the next step is to identify the most suitable approach. In the research, the two main approaches are identified are the inductive approach and the deductive approach (Saunders, Lewis and Thornhill, 2019). According to Creswell, 2003 and Sekaran, 2003. There are two deductive approach, inductive approach, and research approach (Sekaran and Bougie, 2003, Creswell and Clark, 2017).

Therefore, deductive approaches and inductive approaches constitute different categories of thoughts (Dolan and Goel, 2004). According to De Vaus in 2013, the deductive approach, the theory testing begins with the broad and arrives at the particular (De Vaus and de Vaus, 2013). Logical conclusions are achieved with this approach (Sekaran and Bougie, 2003). Quantitative data is then the process for testing the theory (Bryman, 2016). A theory becomes the result of the research while using the inductive approach, i.e., the generalization inferences are included in induction from individual finding. Through collection data, observing, concluding, and analysing, the process starts (Becker, Bryman and Ferguson, 2012). The logic of what the researcher is claiming as well as evaluating the argument constitutes the inductive debate. the following three points are recommended by Greener (2011) Point 1, the observations were accurate, inclusive and regular, point 2, the casual links between two events appear to be strong and influential, point 3 whether the circumstances the argument refers to is similar or the same as the perspective in which it was conceived (Greener, 2011).

Moreover, there is another third approach, which is abductive. The abductive approach is a logical procedure where the researchers choose a guess or hypothesis that would most fit the given facts. The researchers start with the facts finding and then proceeds with major explanations about phenomenon. A criminal investigation and medical diagnosis are the most area of application of abductive reasoning (Saunders, Lewis and Thornhill, 2019).

Table 4.1: The Three Approaches

	Induction	Deduction	Abduction
Generalisability	More specific compared to more general	More general compared to more specific	Dependant on interactions of both general and specific
Logic	The use of principles draws experimental conclusion	True principles result in true conclusions	Principles are used to draw testable conclusion
Theory	Generate and build	Falsify or verify	Generate or modify existing theory to modify existing one or build a new one.
Use of data	To investigate a specific phenomenon, identify possible themes, and draw a framework	To evaluate hypothesis for a specific theory	To investigate a specific phenomenon, identify possible themes, and test it in the framework

(Source: Adopted from Saunders, Lewis and Thornhill, 2019)

The induction approach observes firstly using set principles followed by the researcher's interpretation of the data, patterns, regularities, and specific phenomenon. These deep readings identify themes (Thomas, 2006). To this end, semi-structured interviews will be adopted to answer questions pertaining to this research. Furthermore, the study uses individuals' own perspectives, backgrounds, experiences, and belief system when considering the patterns and regularities under investigation. Due to the depth of investigation needed with contributing parties the exchange of information between the participants and the researcher is thorough which the inductive approach provides. Many qualitative studies have made use of this approach for that reason (Ritchie *et al.*, 1994, Dey, 2003).

According to Johnson in 2015, the researcher may in practice understand and deliver more subjective views regarding JA due to the use of qualitative research. In qualitative method, the findings will provide factors that the use of a questionnaire can then convert into elements or points dependent upon each financial user. These tools will then prioritise the perception and understanding according to each group of stakeholders. The two main points are revealed and determined due to this perception.

1. The most essential view would be shown for each group of stakeholders, such as auditors.
2. It will help measure the factors that affect the AQ under the JA system.

The choice of research approach would have the justification for the choice of the research approach a conclusion that the correct approach is the inductive approach. Therefore, diverse and in dept research is required for uncovering data. In this way data could be analysed and collected.

4.3.2 Philosophy

Several research philosophies are linked to the decision to use this particular research design as they draw the structure of assumptions and beliefs. According to Saunders in 2016, the development of knowledge is guided by it. The research philosophy relates to the enhancement of experience, the nature of reality, its characteristics, and how the researcher views it. It is the According to Saunders in 2019, it is the personal view of researcher constitutes acceptable process and knowledge (Saunders, Lewis and Thornhill, 2019).

The two main research philosophies in the accounting literature are interpretivism philosophy and positivism philosophy (Blackmon and Maylor, 2005). These two major philosophies were different in their beliefs and assumptions about the nature of the knowledge (reality). Such assumptions will underpin the methods and strategies employed by the researcher. However, there are many ways for thinking about research philosophy, of which the most notable are axiological assumption, ontological assumption, and epistemological assumptions.

Interpretivism refers to the study of a phenomenon in its natural setting with the researcher interacting with what is being researched. According to Saunders *et al.* (2019), interpretivism requires a small sample and data collection and analysis often involve in-depth qualitative data obtained through investigations. As this research concerns with views and experiences of the study sample, the epistemology philosophy of this research will lean towards interpretivism. The researcher needs to consider the axiological assumption of the research as the analysis process of research is highly affected by the researcher's values that mean: the researcher is completely involved with what is being investigated (Collis and Hussey, 2014).

By contrast, ontological beliefs are concerned with the nature of reality and questions the notion that it is changing, stable or multiplying (Cresswell, 2009). This philosophy considers two aspects which are Subjectivism and Objectivism. The aim of the study is to which allows giving a comprehensive picture for the JA from stakeholder's views to the understanding of the JA concept in Kuwait. In other words, this process implies different reactions of involved actors that lead to their 'individual' perceptions about the topic matter. Thus, the ontological aspects of this research will lean towards subjectivism.

Additionally, Epistemological relates to the theory of knowledge including its scope, methods, and its validity. These beliefs involve the concept of justified belief and opinion. It is about how to answer, "what is considered acceptable knowledge" and "how we know it" (Saunders, Lewis and Thornhill, 2019). The researchers who are concerned with observable and predictable outcomes are said to have a positivistic position. This researcher adopts what Saunders *et al.* (2019) notes is a test of theories using science with highly structured and measurable data. Furthermore, the researchers' values do not influence the result. Positivistic research usually involves large samples and is associated with quantitative data and statistical analysis (Holden and Lynch, 2004).

As philosophies provide unique and valuable insights to understand out world, it is essential to note that adopting a favourite is not a necessity (Saunders, Lewis and Thornhill, 2019).

Table 4.2 provides a brief summary of these philosophies and their assumptions.

Table 4.2: Philosophies and their Assumptions

Philosophical Assumption	Positivism	Interpretivism
Assumption about ontology (The nature of knowledge or reality)	Nature of reality is objective	Nature of reality is subjective
Assumption about epistemology (Knowledge (reality), how it is obtained and accepted)	Investigator is independent of what is being investigated	Investigator is interacting with what is being investigated
Assumption about axiological (The role of values)	The research is neutral in its value and is unbiased.	The research is laden in its value and may biases.

(Source: Collis and Hussey, 2014)

As the overall objective of this study, is to develop an understand and interpret the perception of stakeholder about the joint audit, using perspective, views, and thoughts of the financial users, so the research is considered as a social sciences and the conception of the real-world practice, therefore, the interpretivism philosophy is accepted for this study, even though, the quantitative approach was also used in terms of survey questionnaire to validate and confirm the collected data from interviews.

To sum up, interpretivism philosophy was chosen for two reasons. First there are several ways in which a word could be interpreted as recognized by interpretivism. it means that multiple realities are present and one picture cannot give only one point of view (Saunders, Lewis and Thornhill, 2019) . This is the basis of the research, which is to understand the perception of all stakeholders of the JA and not only one of them, in order to interpret the phenomenon of JA from their different point of view. Second, multiple research method could be used to integrate interpretivism philosophy such as qualitative and quantitative methods where this is the methods used in this study to reach to understand the perception of the stakeholders through the qualitative method and then confirm the results by the quantitative method.

4.4 Choosing the Methods for the Present Study

In this section, will outlines the research process, and then moves to justify the research design, the data collection and analysis methods. Since this study focuses on the understanding perceptions of stakeholders to the JA, I will use both quantitative and qualitative (mixed method). Mixed method approach to research made important contributions to the auditing literature. However, Creswell (2017) defines mixed methods research as follows:

The qualitative and quantitative data could be used in mixed method approach. In this way, two forms of data will be integrated, and the philosophical assumptions will be involved in distinct designs. The combination of quantitative and qualitative approaches will help in research problems to provide complete information due to the core assumption.

Furthermore, Teddlie and Tashakkori 2009 state that merging interviews and questionnaires in one research jointly combines the depth and breadth needed for a complete and thorough research. A complete image of a study subject can address the range of study questions and in doing so gives insight that can improve knowledge development in any phenomenon or case under study. However, implementing mixed methods research involves collection and analysis of both quantitative and qualitative data. So, it is useful to merge both sets of findings at a certain stage of the study to draw conclusions from the qualitative and quantitative findings (Tashakkori and Teddlie, 2010). Through undertaking this integration, an excellent understanding of the research topic provides more detailed answers to study questions, via depth and breadth of the mixed method (Creswell *et al.*, 2011, Creswell and Clark, 2017).

4.4.1 Quantitative Research

The quantitative research relies on practically researching the use of questionnaires to gain the required result (Denzin, 2000). The quantitative approach is defined as research method that analyses social phenomenon by following a number of statistical processes.

Experimental observation and quantitative analysis may be combined whereby data is collated using a fixed and measurable reality. However, honesty and consistency play a major role in numerical comparisons and data through statistical analysis (Iacobucci and Churchill Jr, 2010, Gorard, 2001, Connolly, 2007, Creswell, 2021). Some studies have evaluated this approach as a method to explain and measure using calculations. Correspondingly,

quantitative data collection methods are based on mathematical calculations and numbers. Furthermore, Quantitative data collection methods rely on structured data collection for mechanisms of random sampling. According to Bryman, A. & Bell, E. 2015 These findings are not difficult to present, compare, generalise, and summarize. Therefore, the quantitative method concentrates on investigation and the detection of cause or effect based on numerical data (Bryman and Bell, 2015). Individual objective social facts exist and are isolated from the feelings and beliefs of individuals according to this type of method. Also, statistical methods are often used in data collection and analysis (Cohen, Manion and Morrison, 2011, Leedy and Ormrod, 2014).

However, The advantages of quantitative research (Saunders, Lewis and Thornhill, 2019):

- A vast number of bodies, such as psychology, marketing, economics and other fields make suitable use of quantitative research.
- Quantitative research tests and interprets experimental variables and limits the appearance of interceptor variables.
- The quantitative approach originated from status school. Relationships between the variables of this approach allow the researcher to identify the causes, extract the results, and interpret the potential solutions.
- Many researchers prefer a quantitative approach if the information is available on the topic to be studied.

Notwithstanding, the quantitative approach is one of the methods in which the researchers personal bias may impact the phenomenon he/she is studying and therefore subject to errors in measurement and sampling. Therefore, disadvantages of the quantitative approach include possible bias and a detachment from impartiality. In general, mixed quantitative research aims to test some hypotheses that relate to describing a particular reality by building relationships and measuring some variables that are connected to the study sample to solve the research question. Furthermore, the mixed methods design tends to draw on the strengths of both the quantitative and qualitative models and are well-suited to address the research questions requiring rigorous examination (Harwell, 2011). Also, using mixed methods to investigate a phenomenon can lead to more certain results. In this context, quantitative and qualitative approaches are usually viewed as different approaches to study the same phenomenon and are capable of answering the same research questions.

To sum up, where this study is an account of the theory of JA, qualitative approaches facilitate quantitative research in exploratory studies (Saunders, Lewis and Thornhill, 2019). The researcher can be presented with preliminary evidence about the research community and the subject of the study, thus helping to formulate hypotheses and construct measurements. In contrast, quantitative approaches facilitate qualitative research, especially when explaining and developing interpretations of results as we have indicated earlier. In other words, the combination of quantitative and qualitative research provides the researcher with a general and comprehensive picture. As described in the above argument, the current research is designed on the quantitative and qualitative method, therefore allowing a comprehensive picture of the joint audit from stakeholder's views. Where qualitative approaches will provide preliminary information about the research community and the subject of the study. In contrast, quantitative approaches will explain and developing interpretations of results. In other words, the combination of quantitative and qualitative research provides the researcher with a general and comprehensive picture. Significantly, this approach, employs a mixed method process in this research meaning the use of qualitative data to confirm and adding connotation to quantitative data. Also, quantitative data confirms and tests the results of qualitative data (Johnson and Onwuegbuzie, 2004).

4.4.2 Qualitative Research

The qualitative method looks at first-hand observations of the data, such as, attitudes, behaviours, and experiences of its subjects. This is achieved by implementing several methods, such as interviews and first-hand observations (Creswell, 2021). Also, Qualitative research observing certain characteristics that describe the phenomenon accurately using philosophical thought, culture, expressions. Notwithstanding, the use of texts, language and sample study as a worthwhile representation of notions which are highly descriptive. Gephart 2004, suggests that the research could be rehumanize through qualitative research. The meanings and human interactions can hight the theory to underline relationships and phenomenon among variables that are often addressed in the field (Gephart Jr, 2004). Furthermore, according to Lewis (2003), a clearly defined purpose is achieved by good qualitative research. However, the approaches and research questions have coherence between them (Lewis *et al.*, 2003). However, the qualitative approach is characterized by:

- The qualitative approach is characterized by the ability of its unique case orientation of the phenomenon, study, analyses details without the need to collecting large amounts of data sampling.
- The qualitative approach is characterized by direct study of the sample, change during the study and the ability of the researcher to be open to that change in his/her study of the phenomenon.

Studies that have evaluated this method as that mainly concerned with gaining on describing phenomena and events by a deeper understanding through the words, actions, and images of the study sample (Monette, Sullivan and DeJong, 2013, Polonsky and Waller, 2018). Rich data is provided by qualitative methods in the real life of people. The sense of behaviour is more understandable in situations with wider context. According to De Vaus in 2002, the qualitative research is very reliant, which becomes the reason of its criticism. Therefore, qualitative research is a basic method in scientific research in various sciences. This method focuses on describing phenomena and events through deeper understanding. The researcher relies on a non-random sample i.e., a sample intended to collect data to achieve the objectives of the search through effective tools such as observation and interview (De Vaus, 2002). The characteristics of the qualitative approach are the flexibility it has, the possibility of completing the research, and the modifications and developments in the future. It also provides the researcher with important data because of the freedom he gives to the research sample. One of the disadvantages of the qualitative approach is that the researcher may not identify with all the aspects of the phenomenon, or generalize its findings, due to the small study sample. Furthermore, the researcher may need to travel between many places and spend vast time on the case study. However, issues of description, explanation, and interpretation are addressed suitably in qualitative research, and importantly, qualitative research uncovers in-depth processes of what participants experience and how they interpret their experiences.

On the whole, qualitative research forms judgment from the view that thinks of social reality is socially constructed form, and typically viewed in opposition to positivism. The nature of qualitative research is to study meaning apart from manners, whereby individuals describe the social environment around them and is concerned with creating rather than the test theories. Complex accounting realities and processes require designed qualitative research in order to be adequately understood (e.g., Merchant and Stede, 2006, Gendron, 2009).

Qualitative studies provide a wealth of accounts for sure phenomena based on textual data

that contribute to a higher understanding of the process through analysing events (Maxwell, 2012). In order for stakeholders to perceive a deeper understanding and to address these requests, a qualitative research approach is adopted in this study in order to focus on the explanation individuals bring about their expertise and experiences about the JA in Kuwait. This will contribute to reaching the desired research objectives.

4.5 Data Collection Methods

The research methods are the means of collecting data and information in order to provide strong answers accompanied by evidence for scientific research questions. Undoubtedly, academic studies and scientific research need appropriate methods that are consistent with the researcher and his scientific methodology that apply in the study, which is in the process of providing honest and realistic answers to the questions posed by the scientific study. Moreover, research methods are all the real way used by the researcher to reach certain information and facts about the phenomenon under study. The importance of research methods is evident when the researcher relies on them to gather and analyse information. The main role of the methods is to facilitate the research process and collect information on the subject of research. The researcher may use these methods individually or in combination, depending on the nature of the research, objectives and the possibilities available (Saunders, Lewis and Thornhill, 2019). Following the most important methods use in academic research:

4.5.1 Focus group

For research proposals, several group discussions are carried out which is known as focus group. the focus group is referred to a group where people with similar characteristics and backgrounds are present. These are six to 10 people in number. According to Creswell in 2003, together these people discuss about scientific purposes and predetermined topics. Have according to Jewkas and Cornwall in 1995, This type of research is known as scientific research or qualitative data collection (Cornwall and Jewkes, 1995) . Other professionals also argued on this topic. Mukherjee, Zabala, and Huge argued in 2018, in conversation research, the use of focus group discussion is wide unlike other techniques (Mukherjee *et al.*, 2018). The promising and cost-effective alternatives are perceived in focus group discussion in participate research, which direct ideas on the topic of the study can be generated more quickly and generally at a lower cost, compared to other methods (O. Nyumba *et al.*, 2018). Focus groups can be used alone as a means of data collection, or with other qualitative

methods. In some cases, focus groups may be used to support quantitative data before or after surveys. In general, it is advisable to rely on focal groups before drafting the questionnaire to clarify and modify its items according to the results discussions. The people for participants who are traditionally suspicious of research have an ideal way of participating in focus group research enforcer facing emotions and meanings, which is not found anywhere rather than in a group. In this way, stressful relationships are built in focus groups between the participants and researchers (Liamputtong, 2011).

4.5.2 Case Study

Research by way of case studies is useful for basic administrative and social sciences. Specific times and places are used as a focus by this method. The sample of the study limits the results of a case study, only without generalizing the results (Starman, 2013). Certain situations define a case study as an in-depth descriptive presentation or a realistic model for the purpose of research. It is also concerned with the prevailing cultural and institutional values (Simons, 2009) . According to Mesec in 1998, Analysis and description of a case or individual to identify forms, variables, orders, and structures of interaction is known as a case study. The case study requires a detailed presentation of all its elements, interactions and variables, as well as an accurate description of the case being studied or evaluated (Mesec, 1998). Moreover, addressing the aspects of the human and material condition within the context of the case. The case study aims to explain the causal links that led to an issue, so there is a need to research in-depth the reasons that can only be obtained by reliable persons in the fieldwork to collect data and determine the objectives of the research. In the case study, the researcher should have the skills required to study the case, such as asking the right questions, the ability to derive meanings and meanings from the answers given by the respondents. Also, the researcher needs the skill of listening to the respondents and the ability to cope with any new developments. In the case study, the researcher should have the skills required to study the case, such as asking the right questions, the ability to derive meanings and meanings from the answers given by the respondents. Also, the researcher needs the skill of listening to the respondents and the ability to cope with any new developments (Thomas, 2011).

4.5.3 Interview

The interview is one of the most essential methods of much research endeavours. In every scientific research, the researcher uses a study method that is suitable for his research in order to extract the information and reach the results of the study (Patton, 2015, Castillo-Montoya, 2016). On observations, documents, and interviews, the qualitative research depends (Creswell and Clark, 2017). There are several methods to collect data in qualitative research, although interviews are the most suitable in qualitative studies. Where the interview is an effective tool in cases where information cannot be accessed through studies or to access a comprehensive and integrated image reflects the reality of the phenomenon better than the image reflected in the questionnaires. The experiences and perspectives of the social world that respondents describe are examined and explored by researchers with the use of interview methods connected to the process of obtaining of qualitative data. for example, according to Szczerbinski and Wellington in 2007, Several methods are unable to reach at a point of information that interviews are able to reach (Wellington and Szczerbinski, 2007). Verbal interaction allows the interviewer to gain information from the respondents using interactive dialogue, therefore, affording the opportunity for respondents to share their feelings, thoughts and life experiences from their perspective to obtain some qualitative data (O'Dwyer, 2011, Maxwell, 2012).

4.5.4 Observation

Participant observation, as it is sometimes referred to, is the critical method of anthropology. Anthropology may consist of techniques, direct observations, informal interviews, collective discussions, and notes. Observation gathers data by watching events, behaviour, and physical characteristics in their natural setting (Berger, 2015). According to Cowie 2009, observation is a more intensive and involved way of gathering information (Cowie, 2009). In the same context, Berger (2015) defines it as a qualitative research technique that provides the opportunity to study people in real life situations (Berger, 2015). In this method, the researcher is the central part in the research process that because observation depends primarily on the researcher and his strong senses, vision, and hearing. Furthermore, the observation method can generate a lot of information which the investigator must synthesise (Wimmer and Dominick, 2011). The researcher uses the observation if he wants to collect data directly and on the nature of the research problem where the researcher may find some emotions or reactions not found in the case of using other methods, such as questionnaire or

interview. Participant observation normally takes an extended period of time , a few months to years of research. An extended length of time means that the researchers gain more accurate and detailed data about people participating in study (Cowie, 2009). In general, observation methods used to answer questions that other methods may not effectively provide answers to. However, the ability of the researchers to use it depends on their capacity to recognize research issues so that reliable data can be obtained.

4.5.5 Survey Questionnaire

In predefined group of respondents, this data collection method is used in research you obtain insights and data on research questions and objectives. This is known as survey questionnaire. According to Saunders in 2019, researcher aims to have certain objectives which could be fulfilled with the use of surveys (Saunders, Lewis and Thornhill, 2019). In social studies, the method of data collection is carried out by questionnaires (Collis and Hussey, 2013 ,Greener, 2011). There are several benefits of using questionnaire as these are conducted in a short time and could easily be spread over several places and comparatively less expensive than other methods. One or more way can be used to distribute copies of a questionnaire, may use direct communication, mail, or combine both methods. The choice of distribution method affects the researcher's keenness and seriousness, the geographical locations of the sample members, and the time period for collecting field data (Saunders, Lewis and Thornhill, 2019).

4.5.6 Justify the Data Collection Methods

The ‘interview and questionnaire’ methods justify data collection as they provide quality and actual research practice and may be most effective in delivering the desired results. Also, being a well-used tool, these research methods are significantly contributory to achieving objectives for numerous researchers (Saunders *et al.*, 2019, Patton 2015, Bryman, 2016, Creswell, 2014). For this particular research to assist in understanding stakeholders' perceptions of the JA priority issues surrounding it, Also, when considering the interview as a tool for the first question, its proven effectiveness is evident within the research community. Many environments in Kuwait tend to use verbal dialogue more than written. Additionally, the interview helps to understand the perception of reform for two reasons. Firstly, in providing significant clarity as the questions draw a deep profounder of the stakeholders' perception at all levels.

Secondly, tone of voice and facial features provides non-verbal indicators that enhance responses and clarify emotions. More importantly, the interview helps to explore new points other tools may not help to know. For two primary purposes, the questionnaires were used in the research. These ways include prioritizing outcomes and understanding stakeholders. At first, interviews are conducted with different groups of stakeholders and outcomes are raised. While having each factor of the stakeholders is essential to be understood, add order differences between them. Has the level of stakeholders been important to be known at which level it is perceived? In this way, valuable conclusions could be derived in Kuwait. More details on these two methods are explained in the following sections.

4.6 Research Design

This study seeks to be expository, therefore the primary focus of this research is to explore ideas and visions. Consequently, appropriate research should be flexible enough using skills to take all characteristics of the phenomenon into account when working in order for attention to accuracy and reduction of bias in the design of the research such as survey design and sampling, and to increase the trust and assurance around the evidence collected.

The reasons for the classification of this research expository is:

- Little information exists about the phenomenon we are studying (in Kuwait).
- No information is available on how to resolve similar issues or problems in the past.
- Due to the lack of research around problem better understanding must be gained.

The expository design of the research problems in which the previous studies can be referred to or relied on to reach results is carried out little or no. The focus is on acquiring insights and knowledge for research. Exploratory designs are often used to understand how best to continue to study a question or to find a practical methodology to collect information on the subject (Saunders, Lewis and Thornhill, 2019).

The design of data collection and analysis assist in allowing consideration for socio-economics that the suitability of the research is represented through. The design plan also collects, measures and analyses data.

This research will be designed specifically for Kuwait due to the countries lack-of previous research on JA. Therefore, this research design assists in making it as effective as possible in

producing the required information. Correspondingly, a design or research plan must be put in place prior to the collection and analysis of data for a research project. This project will also require planning ahead of time as it is an integral part of the ways in which effective researchers prepare. Researchers must collect the appropriate data, use the correct techniques, and make analysis when considering the research objectives. The qualitative and quantitative research methods implemented to address research objectives will be discussed in the following sections.

4.6.1 Qualitative Research Design

Qualitative studies provide rich information about particular phenomena focussed on textual data, which creates a broader understanding of the experience taking place (Maxwell, 2012, Bansal, Smith and Vaara, 2018).

As Denzin, Lincoln and Giardina, 2006 indicated,

The words qualitative implies an emphasis on the qualities of entities and on processes and meanings that are not experimentally examined or measured (if measured at all) in terms of quantity, amount, intensity, or frequency.

In fact, three explanations identify qualitative study. Namely, that the researcher becomes closely related to what they study, secondly the researcher note that situational constraints actually shape inquiry, and the nature of reality is socially constructed. Therefore, when analysing social experiences, the usefulness of qualitative research design proves invaluable. (e.g., Gendron, 2009, Merchant and Stede, 2006). To sum up, the qualitative process of research is used because it focuses on the experiences, stories, and meanings of the individual, especially the extent to understanding how stakeholders realize the dimensions of the joint audit in Kuwait. The ensuing sections outline the qualitative research methodology designed for this study.

4.6.1.1 Interview

A clear research strategy needs to be prepared in order to obtain fruitful answers specifically the process of data collecting. In particular for this research the questionnaire will serve as a data collection tool and an investigative gathering of information for the phenomenon, this will in turn assist research purposes through answering the relevant questions. The interview is one of the most essential tools of any research (Patton, 2015). In all scientific research, the use of interviews are an effective study tool that is suitable to extract the information and

reach the conclusion of study. Where the interview is an effective tool in cases where information cannot be accessed through studies or to access a comprehensive and integrated image reflects the reality of the phenomenon better than the image reflected in the questionnaires. When the researcher focuses on his/ her study and purposes to examine the perspective of the respondent's social world, then the method of interview and collection of qualitative data are directly related (Creswell and Clark, 2017). For example, other methods fail to reach the understanding that interviews can gather (Wellington and Szczerbinski, 2007). The verbal interaction empowers the interviewer to gather information from the respondents using interactive dialogue, and in turn the respondents gain the opportunity to express, feelings, thoughts and experiences in their own words (Bleich and Pekkanen, 2013).

(Legard et al. 2003) note the interview methods importance:

The interview is fluid in the sense that unexpected thoughts are likely, at times, to be created.

New thought processes take place during an interview, based on the depth of research questions, directing the researcher or respondent.

down unexplored pathways. Also, the ideas and suggestions of respondents are accepted on certain particular subjects in order to provide possible solutions for problems that arise during an interview.

The importance of the interview in some points (Saunders, Lewis and Thornhill, 2019, Denzin, Lincoln and Giardina, 2006, Roulston, 2010, Patton, 2015):

- A useful and accurate tool for collecting information and data.
- The researcher was able to collect additional information that may not appear in the traditional questionnaire.
- Their importance may appear with a sample of illiterate individuals who are unable to use the traditionally written questionnaire.
- Some individuals may not want to express their opinion in writing and may prefer personal conversations.
- The interview may be necessary in cases where the researcher must interact with the community being studied.
- The sample interview gives a sense of interest and appreciation for the traditional paper questionnaire.

The primary purpose of the interviews is to identify the stakeholders' understanding of the JA, which cannot be identified through the questionnaire. Where the interviews give a more comprehensive and clearer picture of their impression on the experience of JA in Kuwait. Since there is no previous study focused on the stakeholders, the interviewer will add a significant addition to the knowledge level by using reciprocal type of conversation, permitting the interviewees the opportunity to express personal feelings, experiences, and understanding in their own words. To sum up, the interview is a way for the researcher to collect the information orally. In contrast to the traditional questionnaire in which the sample is taken in written form, the interviewer collects responses from the sample orally. In fact, the main types of interviews (Gubrium and Holstein, 2002), structured unstructured and semi-structured are foundational in gathering data to accomplish qualitative research.

4.6.1.1.1 Semi-Structured Interview

The semi-structured interview is the most popular type of interview and is helpful in discovery through data received. Semi-structured interviews comprised of components of structured and unstructured interviews. In utilising semi-structured interview types, the researcher develops purpose-built questions allowing the researcher to ask questions without leaving the subject (Saunders, Lewis and Thornhill, 2019, Landsheer and Boeije, 2010). Moreover, semi-structured interviews are valuable because questions, information, and technique can be prepared prior to the interview demonstrating the researcher is prepared and competent while allowing the interviewer the freedom to change wording and phrasing to adapt to the particular interviewee depending on the direction in which the talk progresses. This also allows the researcher to include additional questions not included in the original protocol that may arise from new points raised by the interviewee. However, the structure of the interview is governed by the research topic, goals, and exact information extracted to achieve the research intentions. Equally important point in this type of interview is the provision of reliable qualitative data (Sarantakos, 2013).

4.6.1.1.2 Unstructured Interview

In this type of interview, the researcher proposes a topic on the subject and asks free questions that are not specific. The researcher does not intervene except to stimulate and encourage the interviewee, and this explains some of the meanings of words and the purpose of the question (Saunders, Lewis and Thornhill, 2019). All this is done by the researcher to find out the subject of the interview. When an interview of this type is employed, it allows

the interviewee to express their views on the subject at hand. According to Sommer in 2002, The answer of responder is of great importance as it is identified by the interviewer to gain more information in depth. In this way, the topic is research more deeply with the help of respondents.

Unstructured interviews give researchers liberty to concentrate on the interviewee's communication on a particular area of interest and allow researchers the ability form a more complete view than was originally thought. In this case, Unstructured interviews can view as an initial step in the overall interview process leading to more precise data being gathered through structured interviews.

4.6.1.1.3 Structured Interview

The essential aims of a structured interview are to collect the research data, frequently questions are developed prior to the interview limiting the types of response allowed. The researchers used a structured interview when they predetermined what data would be necessary for a more useful and explanatory study. In conducting a structured interview, strict commitment to the questions wording, the order, and the instructions are required (Saunders, Lewis and Thornhill, 2019). Notably, for all contributors in the research sample the same question, asked in this style is required to achieve the desired results. Therefore, a structured interview is best used when the literature on the intended topic is plentiful and precise providing the researcher with a more comprehensive understanding in which to develop questions of importance and accuracy (Fontana and Frey, 2000).

4.6.1.1.4 Justify Choosing Interview Type

To gain a full and comprehensive understanding of the system of joint audit from the view of stakeholders, the method of interviews was chosen, since this type of interviews is not merely a means of data collection, but they are also a means to generate data due to an interaction between researcher and participant. However, starting with the supposition that interviewing with the appropriate protocol will yield an accurate representation of the interviewee's perception (Fontana and Frey, 2000). Gleaning information to support accounting research is acceptable in the area of accounting research and data is being utilised from interviews at an increased rate (O'Dwyer, 2011 ,Clune *et al.*, 2014, Hirst and Koonce, 1996, Beasley, Branson and Hancock, 2010, Trompeter and Wright, 2010, Cohen and Holder-Webb, 2006, Clune *et al.*, 2014).

Consistent with prior research on accounting (O'Dwyer, 2011, Cohen *et al.*, 2012, Trompeter & Wright, 2010, Clune *et al.*, 2014). The use of a semi-structured interview for primary data collection method aided in addressing two research questions:

RQ1: To what extent the various stakeholders carry out joint audit (audit firms, clients, investors, and regulators) in Kuwait converge/diverge in their conceptualisation and characterisation of joint audit?

RQ2: With reference to Kuwait, does the joint audit add value for AQ?

Following Horton *et al.* (2004):

A degree of freedom was achieved by interviewees as semi structured interviews were chosen. In this way, the interviewees were able to share their interest and thoughts. The information was carried out through in-depth research by several questions from these respondents. It has been resolving contradictions.

Based on Horton *et al.* (2004) suggestions, the use of semi-structured interviews a basic tool to obtain directly knowledge and rich data from real people's insights into real issues. The use of semi-structured interviews permits the researcher to mine valuable data directly from real people (Horton, Macve and Struyven, 2004). The researcher will conduct this type of interview on four sides (governmental bodies - auditing offices - clients - banks) for the lack of detailed studies on the subject of research in Kuwait. Where these interviews can address the lack of information, through the interviews consist of the idea of the JA, which addresses the first question. And to know the quality of the audit that the second question addresses and used in the questionnaire. Prior to beginning semi-constructed interviews, (Wengraf, 2001) mention that:

It must be prepared and planned as it is semi structured. The requirement of medal preparation and training is required in improvisation have before rote learned and delivering line prepared to each interview in advance. Semi structured interviews are successful as compared to fully structured interviews, such as much preparation before the session, more discipline and more creativity in the session and more time for analysis and interpretation after the session.

Wengraf, 2001 explained that the interviewers are aided by semi-structured interviews. The interviewees' experiences backgrounds and perspectives with regards to the phenomenon under investigation, without being bound by a preconceived set of ideas.

4.6.1.1.5 Development of the Interview Protocol

An interview protocol is developed to confirm each participant is interviewed with the same objectives in mind and the inquiries are uniform in nature providing a well-ordered and complete interview process that includes the thoughts and views gathered fitting into the researcher's intended scope of interest. Researchers note that interview protocol is an essential part to do qualitative research. Where good interview protocol is vital to getting the best data from the participants in any study (Jacob and Furgerson, 2012, Patton 2015).

A variety of sources were used to gather information for the development of interview questions, these sources included: (1) a comprehensive examination of applicable publications in the fields of auditing and accounting, (2) an evaluation of high calibre components for the AQ in Kuwait under the system of JA to verify whether JA can provide a better quality Furthermore, the interview questions were assessed by some of those concerned with auditing in Kuwait, such as audit firm's owners and some academic researchers to ensure validity and completeness. The main questions of semi-structured interview are:

1. What is your evaluation of the JA experience in Kuwait in general?
2. What are the advantages of the JA?
3. What are the disadvantages of the JA?
4. Do you know how the JA works?
5. Does the joint audit add value to AQ in Kuwait?
6. How to?
7. What are the determinants of AQ?
8. Do you support the continuation of the JA as an audit system in Kuwait and why?
9. Do laws and regulations in Kuwait serve the JA system?
10. In your opinion, what is the mechanism for developing this type of audit?

4.7 Conducting the Interviews

4.7.1 Interview Data Collection Process

In two months, the process of data collection was carried out. The process started from January and ended in July of 2019. There were different facilities for interviewees. these were 33 interviews in total and both interviewees were carried out in purposive sampling technique (Neuman and Robson, 2014, Saunders, Lewis and Thornhill, 2019). The interviewees were considered as familiar with the research area and seen to add value. It was expected that interviewee is well be capable of answering the questions of interview and be responsive. There were 45-75 Minutes taken in each interview. The goal and name of the research was explained to each interviewee. The interviewees were chosen from financial report users such as financial auditors, government bodies, investors, management, and creditors.

In January 2019, there were the conductance of preliminary interviews. To the actual interview process. In this way, the researchers were aided in their review by enhancing the procedure of interview in different expectations. However, there are several arguments regarding this procedure. the interviews can discover the design and interview structure and it's understanding to the respondents. all of this happens in the pretesting phase of qualitative research (Zikmund *et al.*, 2003). The opportunity for a complete review of procedures was a great advantage gaining the preliminary stage. In this way, it influenced the culture of organization and the understanding of respondents. Sanders in 2006 also supported this technique. he liked the way of omitting or in the terms of considering the non-suitable questions in a particular organization. Several interviews took place while building a strong organizational partnership. Moreover, the demonstration of commitment in pursuing the study was also undertaken. Other interviews we're busy on securing appointments and friendly atmosphere, it was known as the first phase which initiated face to face interaction. participants and researchers cleaned a great opportunity to manage their expectations in this stage. For example, the form of questions and answers, expected time of each interview, documents required, and the tools that would be used in interviews. According to Saunders in 2016, These are not only the important cultural differences but advocate preparation is also part between the interviewer and the interviewee. Any inconvenience should be avoided by the researchers during interviews. several benefits were gained in the preliminary interview

stage and one of them was the time horizon. The analyzation and transcription of these interviews were further laid out.

There are several challenges in conducting an interview. The challenge of sample size is an ultimate challenge in research. While sufficient number of interviews has also been a great challenge throughout the interviews. The theoretical significance of sample size for interviews is vital. Two to three interviews per person are in between 20 to 30 interviews (Morse, 2000). Lincoln and Denzin in 2005 advised the interviewers to conduct 30 to 50 interviews while Creswell in 2007 advised to have 20 to 30 interviews. However, according to several opinions of different professionals, there is no specific number of interviews while it depends on the sample size of research. Therefore, there are 35 semi structured interviews in the targeted sample size of the research. 33 interviews were digitally recorded through audio recorder in smartphone. They were written notes as well. the requirement of permission to record or undertake notes from the participants is important by the researcher. Therefore, the recordings and note taking can only be preceded if there's the approval of participants for the interpretation and analysis. After this step, the considerations of reliability, quality, validity, and biasness of interview was avoided. This is the reason that participants accepted the request of researchers to record their interviews. The paper was full of detailed notes, keywords, and intensive notes. the recording was not allowed in the next interview, this is why it was noted down. However, the development of technologies has allowed people to record interviews. The quality of qualitative research and field observation could be significantly improved by the use of technology wisely to record others (Patton, 2015). These criteria have been accepted by several professionals including Rubin and Charmaz and Belgrave, in 2011 and 2012 respectively. According to them, recording is very essential for interviews to be reminding constantly about the transcripts. researchers can record did interviews immediately two access several questions later the interviews (Rubin and Rubin, 2011, Charmaz and Belgrave, 2012).

The researcher administered the majority of the interviews in the participant's office. In some instances, the researcher conducted interviews in a local coffee shop. A friendly conversation is exchanged prior to the interview in order to gain the confidence of the respondent as much as possible because mutual trust is the essential and necessary factor for the success of the interview. Therefore, we must show the interviewee that we are interested in what he or she says. This led to more in-depth discussions concerning their thoughts and experiences of the

JA. Then, appreciation was offered by the researcher. Next, the researcher asked questions that were open in nature of each interviewee so as to receive understanding of the stakeholder's view of, and possible effects of the JA system in Kuwait. The following is a group of questions that are necessary in gaining vital and complete information for studies conducted in the field:

1. What is your assessment of the JA experience in Kuwait in general?
2. What are the disadvantages of JA?
3. What are the AQ determinants?
4. Do you have knowledge of how the JA works?

However, to achieve the desired goals of the interview, certain processes were implemented:

- After approval to conduct the interview was received, arrangements for a suitable time and place were made with the interviewee.
- The interview began by thanking the interviewee for completing the questionnaire in advance. The researcher then introduced themselves and thanked the interviewee for the opportunity to interview them.
- Information was given as to the nature and goals of the study and what benefits could be expected. This was done at the onset of the interview in order to facilitate an ongoing discussion.
- Interviewees were asked permission for a sound recorder to be used along with written notes.
- When finalising the interview, Interviewees were asked to add comments and questions if they have any at the end of interview. The appreciation and gratefulness of researchers towards interviewees was observed for the cooperation and time.
- At the conclusion of each interview, a review of the information discussed was made by the researcher to ensure the written notes were thorough and there would be no uncertainties or misinterpretation of the data in the future.

Based on Wengraf (2001) offering, the questions used during the interview were designed in accordance with the goals of this research. Where asking the appropriate questions would help to collect useful data, or ask additional questions that will help to get more information.

Moreover, pre-determined, open-ended questions were created so interviewees were more apt to share their opinions during the interview session (Wengraf, 2001).

Table 4.3: Profile of the Interviewees

Serial No.	Interviewees' ID	Education Level	Gender	Type of Stockholders	Minimum Years of Use Financial Report
1.	I-1-I	Master Degree	Male	Investor	12
2.	I-2-AF	PhD	Female	Audit Firms	8
3.	I-3-GFA	Postgraduate Diploma	Male	Government Financial Authorities	18
4.	I-4-CM	Postgraduate Diploma	Male	Corporate Management	7
5.	I-5-GFA	Postgraduate Diploma	Male	Government Financial Authorities	22
6.	I-6-AF	Postgraduate Diploma	Female	Audit Firms	21
7.	I-7-CM	Postgraduate Diploma	Male	Corporate Management	17
8.	I-8-CM	Master Degree	Male	Corporate Management	6
9.	I-9-B		Male	Banker	13
10.	I-10-CM	Master Degree	Male	Corporate Management	5
11.	I-11-AF	Postgraduate Diploma	Male	Audit Firms	19
12.	I-12-AF	Postgraduate Diploma	Male	Audit Firms	28
13.	I-13-AF	Postgraduate Diploma	Male	Audit Firms	10
14.	I-14-AF	Postgraduate Diploma	Male	Audit Firms	10
15.	I-15-I	Postgraduate Diploma	Male	Investor	13
16.	I-16-CM	Master Degree	Male	Corporate Management	17
17.	I-17-AF	Postgraduate Diploma	Male	Audit Firms	4
18.	I-18-B	Postgraduate Diploma	Male	Banker	13
19.	I-19-AF	Postgraduate Diploma	Male	Audit Firms	9

20.	I-3-GFA	Master Degree	Male	Government Financial Authorities	23
21.	I-21-B	Master Degree	Female	Banker	12
22.	I-22-I	Postgraduate Diploma	Male	Investor	30
23.	I-23-AF	Postgraduate Diploma	Male	Audit Firms	7
24.	I-24-AF	Postgraduate Diploma	Male	Audit Firms	10
25.	I-25-AF	Master Degree	Male	Audit Firms	10
26.	I-26-I	Postgraduate Diploma	Male	Investor	12
27.	I-27-AF	Postgraduate Diploma	Male	Audit Firms	35
28.	I-28-CM	Postgraduate Diploma	Male	Corporate Management	9
29.	I-29-CM	Master Degree	Male	Corporate Management	10
30.	I-30-AF	Postgraduate Diploma	Male	Audit Firms	5
31.	I-31-I	Postgraduate Diploma	Male	Investor	34
32.	I-32-AF	PhD	Male	Audit Firms	20
33.	I-33-GFA	Postgraduate Diploma	Male	Government Financial Authorities	25

4.7.2 Transcription of Interviews

Interviews have particular end goal so being able to access specific, relevant, and usable information is crucial to meeting to fulfil the intention of the interview. Each interview was transcribed to reach the goal. The unique identity was assigned to individual for academic purposes. Have a good amount of time was spent on interviews while using people with good skills in transcribing. have the transcription is a very important process in interviews for the analyzation of data as researchers are dependent on it. In qualitative research, transcribing in interviews as a staple norm (Markle, West and Rich, 2011) . Have the qualitative data collection and analyzation is considered as prerequisite from respondents. With the data collection, the process is started along with theoretical framework and questions of interview. In this way, the researchers can note terminologies, keywords, and repetitive phrases.

These steps are used in completion of transcripts. Interviews are recorded and revisited constantly in the first step. In this way, more rich and detailed information is achieved. The discussion of each interview to avoid biasness and interpretation of consent is understood by the researcher. In the next step, English language was focused, and Arabic language was transcribed into English. Majority of the respondents preferred Arabic over English in their interviews. In the next step, the verification of translation was carried out for accuracy of phrases.

4.7.3 Initial Coding Technique and Data Reduction

In Interviews accessing relevant, and usable information is crucial to meeting to fulfil the intention of the qualitative research. Also, maintaining the interview objectives is necessary for collecting accurate and complete information. Transcript are analysed carefully in this way. The gathered data is then familiar with the researcher after transcription. each transcript is followed by manual coding procedures. the categorizing and indexing this carried out by coding to establish thematic frameworks (Alhojailan, 2012). According to Alhojailan, 2012 coding is a process of identifying a passage in the text, searching, and identifying concepts and correlation between them. Therefore, coding is more than cataloguing; it is connecting data to the research idea as well as data. According to Grbich in 2012, the file and block method was used to quote the interview transcript. The coding system for qualitative interviews is organized and this is the aim of this approach. For the coding process to be reliable necessary procedures must be in place regardless of the type of interview being coded or the manner in which the data is to be used. In three main stages the interview coding was divided. Line by line, the transcript was coded in the first step. While in the second step, have the direct quotes were grouped for interviewees in headings and specific segments for further analysis. In the third stage, relevant phrases and words were underlined for reviewing (Grbich, 2012). the gathered data was analysed end comments were collected. In this way, the reduction of data for final theme was observed (Belotto, 2018).

Whilst focussing on the results of interview, the researcher needs to maintain focus of the objectives of an interview in order to increase the clarity, completeness and relevance of the information (Hermanson *et al.*, 2012, Clune *et al.*, 2014). Individual were assigned by define words including themes, phrases, experiences, thoughts, words, and many more by researchers. the codes and initial issues were generated with the help of these notes in a specific table. Themes could be summarized with the help of memo (Miles and Huberman,

1994). The teams could also be explained with their correct meanings and tie up with the help of these memos. Researchers are required to navigate and lead the research goals through cordon teams while categorizing qualitative data. In this way, research questions could be answered. The management and the narrowing of scope could be made possible after this action. The discussion of themes is simplified by the researchers which is made possible to be interpreted. However, there are several challenges faced by researchers. For example, a large amount of data from interviews transcripts has to be minimized with the correct meaning of data (Griffiee, 2005, Doody and Noonan, 2013). In this way, the data is reduced and also analysed at the same time. and assignment was made with several questions weather transcript two subsequently divided and open coded meanings. according to Huberman and Miles in 1994, In qualitative research, it is difficult to find the meaning of questions that whether they are repeatable, correct, and valid across the content within the qualitative data.

The identification of codes and themes of data have been transcribed in the interview as aimed. In this way, the research questions are answered. Vital information and encoding are recognized in the face of pudding before initiating the process of interpretation (Boyatzis, 1998,,Guest, MacQueen and Namey, 2011). Codes are important to be defined which are involved across the interviews with the help of examination and reading accurately the collected data. Furthermore, the qualitative richness of event is captured, and it is known as valid code. The author further suggested that the data that minimum describes and organize a pattern with possible observations in a phenomenon is known as team. Approximately 146 pages are transcript in initial coding phase. this is how relevant information is categorized. to minimize large amount of data, the transcribed information is modified regularly. For each code, descriptive label was categorized for further address.

A manual coding technique was used for every sub-theme and theme, though it takes more time and effort. Although using technical software such as NVivo (NVivo software version 11.003 for Windows) is considered an advantage to qualitative research (Wong, 2008). Analysis was carried out manually for data performance. Attention of researcher could be turned to line-by-line coding from technical software when they have to focus on similar words for general purposes. Therefore, the interview was analysed manually and with using NVivo software as supportive tools to reduce the likelihood of human errors. More than 40 subthemes were identified after the coding of entire transcripts. have the integration of some units and the reduction of linking of commodities together was also taken place. the issues

were not recognized or observed while excluding irrelevant themes to the research goals. However, discarded themes were kept for the future research as they were high quality themes. Only 15 subthemes were identified in this data reduction process.

4.7.4 Thematic Analysis

Thematic analysis is a common tool for evaluating qualitative data in many fields and disciplines. It can be utilised in wide variety of ways and across broad spectrum of data addressing many types of research questions (Saunders, Lewis and Thornhill, 2019, Braun and Clarke, 2006). The thematic analysis is carried out by focusing on the commonalities between the data, the common denominators and recurrent theme; It explains coding mechanisms and qualitative data analysis systematically, thus can be linked to broader concepts (Holloway and Todres, 2003). The patterns and themes are identified on the basis of thematic analysis. The behaviour is also analysed (Aronson, 1995). The researchers gain good advantage while analysing through thematic analysis to collect data, in different sciences common thematic analysis is widely used and highly adopted (Boyatzis, 1998). The qualitative researchers take great interest and thematic analysis when they want the answer to their research questions (Terry, Lyons and Coyle, 2016). Moreover, the similarities and differences are observed. the general public is able to understand these results which are highlighted (Clarke and Braun, 2006). Different theoretical frameworks allow thematic analysis to be used. Thematic analysis is vital in giving freedom to deductive and inductive research do researchers (Coyle and Lyons, 2016, Saunders, Lewis and Thornhill, 2019). There are several approaches rather than thematic analysis but the main difference is that it is flexibly applied within the theoretical, epistemological, and ontological frameworks in qualitative research. The sense of interviews was made and offered by Clarke and Braun in 2006. These were included in the six stages of thematic analysis. These steps are the following:

Step 1: Becoming Familiar with the Data

With the help of reading of textual data, the thematic analysis is being familiar with data set as suggested by Clark and Barun in 2006. Detailed understandings and answers of the participants point of views were acquired with the help of transcribed and recorded interviews later. The accurate information and observation are the ways of data transcription. In this way, participants were asked for their permission to record interviews or through

written notes for those who prefer it. The researchers are familiar with datasets by reading the transcripts. The themes and initial ideas and its identification are permitted to the researcher in the data. According to MacQueen and Namey, 2011, before analysing individual items, an overview of data should be collected MacQueen and Namey, 2011.

Step 2: Generation of Initial Codes

In this stage, certain themes and patterns and their search was assigned with respect to names and labels. This stage starts with coding interesting and main ideas within the whole data set systematically (Aronson, 1995). In this research, the data gathered was familiar by each researcher in accordance with the transcript analysed. Each transcript followed a manual coding procedure initially. The framework of thematic ideas is established with the help of indexing of coding or categorizing. According to Alhojailan, 2012, different concepts identification, identification of search, identification of text, and correlation between them are the processes of coding. Therefore, coding is more than cataloguing; it connects data to the research idea and data. The organization off recording system for qualitative interviews is the aim of this approach. For the coding process to be familiar with the data set and find and highlight the initial codes and themes, thematic coding analysis requires interesting coding features of the data. Initial codes were identified in this deductive approach of the research and with the help of literature, it was highlighted (Barun and Clarke, 2006). Hello with the help of pay attention to the teams, the researchers analyzed the previous literature review. All interview was analysed in the same way by searching for meaningful codes and themes, some examples were given about how the codes process was applied in the data. There are several examples and processes of coding explained in table XX. Their search involves all these examples and quotes to use in the same approach of interviews transcripts. Furthermore, based on the recommendation of Clark and Braun, the collection in final thematic map were made on the basis of codes, themes and sub-themes. This displays the types of processes involved in the data coding. There were many commonalities among the responses, which permitted the researcher to codes and connect the related responses of diverse respondents together below the same code; this allowed the formation of patterns in the entire data.

Stage 3: Searching for Themes

Under this stage, analysis begins to crystallise by taking a specific and clear form in which the codes become themes. The themes are to capture an important piece of data related to the

research questions and represent some levels of typical responses within the information set. Barun and Clarke (2006) propose the Teams and main pattern of the data should be conceptualise and determine list of codes. In the different categories, oil codes were arranged due to this thematic analysis process. In this way, the relationship between themes and codes were determined. Based on prevalence and patterns, the themes were determined and organized. The sub-themes and themes were used to determine different codes.

Step 4: Reviewing Themes

This stage involves a systematic review process where the issues extracted about the data are thoroughly reviewed and refine the initial category of the themes to progress quality of the analysis. In this stage, the researcher focused on enhancing and refining the initial grouped theme to make the analysis clear and comprehensive and decrease the information more in a methodical approach. The stage of reviewing themes contains two levels of reviewing data. The coherence and consistency were reviewed by the researcher to quote that central and extracted theme at the first stage. It is important that the researcher check that the whole data set is concerned with the theme. A thematic map is generated after all these steps. Some of the codes form the main-themes, and others include the sub-theme. Thus, they were either discard or assigned for relevant themes or subtheme, some of the codes create the central theme, and others generate the sub-theme, as this step mainly for searching for themes and codes (Braun and Clarke 2006).

Step 5: Reporting Findings

The main aim of this stage is to improve the initial themes and overall storytelling and generate clear themes and codes to report the results of the data analysis. A coherent connection, and themes were stablished and organized between each other at this phase. Furthermore, the themes were organized on the basis of understandings of figures, and formulation. The allocation of labels and definitions were the final step of this phase. In this way, the relationship and data were concerns to build storytelling. There are sub-themes as well to provide a detailed discussion of the themes and the findings that are reported. the identification of essence is acquired with the labelling of themes as recommended by Clark and Braun in 2006.

Step 6: Producing the Report

The final stage of the analysis is the production report; the purpose of this report is to provide a clear story about the data based on the analysis. Which this analysis and story should build good discussions that answer the research questions (Braun & Clarke, 2006). These results have been used to support the research argument, research aims and questions. Therefore, the final codes and themes would be discussed in detail in the following sections with quotes from the data, keeping the real answer to highlight the critical ideas about the themes and codes and clarify the reasons for their significance.

A more reliable analysis could be achieved by consideration of amount of time. The researchers must remain flexible in using research questions viewing the guidelines for qualitative analysis not as inflexible rules (Patton 2015).

To sum up, for a deeper understanding of the perception of stakeholders, this study employed a qualitative research methodology as it focusses on the varying aspects individuals bring about their expertise and experiences about the joint audit in Kuwait. This will contribute to reaching the desired research objectives.

4.8 Quantitative Research Design

Quantitative studies place emphasis on the research measurement and analysis which gave fuller explanations as to the why and how particular phenomena occurred (Sukamolson, 2007). The sections following describe the pertinent characteristics of the quantitative research designed for the current study. This research concerns AQ under JA legislation in Kuwait. A survey was conducted to meet the objectives of this paper, and statistical techniques were used to analyse the responses and reveal If the JA increases AQ from the perspective of stakeholders in Kuwait. Survey research utilises survey questions for data collection from the participants sample. This proves to be an efficient and organised method of data collection from a large variety of participants from varying degrees of financial status (Engel and Schutt, 2016). This study employed a questionnaire to generate responses from stakeholders, giving a full, clear image of their perception of the JA. Broadly, large sample sizes with high levels of numerical data offer statistical strength, while smaller sample sizes and qualitative data provide clarity of interpretation. The survey method applied in this research covered a mid-way approach between qualitative analysis and numerical data

analysis, as it applied a particular question were asked and a moderately sized sample (Engel and Schutt, 2016).

The questionnaire is “the means used to gather primary and field information on the problem of scientific research” (Bryman, 2016). It also means “a set of written questions to be answered by the respondent, which is more commonly used to obtain data from respondents directly and to know their views and attitudes” (Sekaran, 2003, Saunders *et al.*, 2009, Greener, 2011). The questionnaire also means a form designed by the researcher in the light of the literature related to the problem to be considered, or ready, and modified in the light of scientific foundations, including preliminary data about the subjects and paragraphs on the research objectives, prepared in closed or open format, So that they reach them by means of a particular means, such as mail, handling or about, and return to the researcher by the same means after the answer to them (Greener, 2011, Collis and Hussey, 2009).

A questionnaire survey is applied to collect the research data for this thesis because no publicly available archival data exists on the stakeholders understanding of JA or AQ in Kuwait under the JA system. Researchers are prone to utilise the questionnaire as it is common, simple, and effective in achieving the aims of the study as well as reducing the workload in design, control, distribution, and collection of the data by the researcher. In this research, the questionnaire was created in a focused and systematic manner. Sommer 2011, state that a survey contains a list of questions that systematically collect research participants’ beliefs, behaviour attitudes, values, and attitudes (Sommer HARRITS, 2011). Furthermore, it is a method used to collect primary and field data on the phenomenon of research. It also means a set of written questions answered by the respondent, which is more often used to obtain data from respondents directly and to understand their views and positions. Questionnaire surveys can overcome the difficulties of collecting large amount s of data from stakeholders as they are able to be distributed to a vast quantity of stakeholders increasing the amount of data collected from stakeholders. Many interconnected measures were necessary to develop the questionnaire.

4.8.1 Questionnaire Design

The design of the questionnaire for the current research received a significant of attention, as several requirements were considered when building up the phase of the survey questionnaire, such as questions are coherent and clear for the samples. Furthermore, use questions that show

the credibility of the answer, considering best practice advice from several authors. The methods of implementing the questionnaire are two ways:

First is the electronic questionnaire: an advanced tool for conducting the survey. Technology advances have made dissemination of the questionnaire possible through social media networking, various software applications and websites. The most important advantages of that method are the simplicity of sending and receiving the questionnaires.

Second, direct interaction with the sample of the study: In this method, I submitted questionnaires to the study sample in order to ensure access to all the papers provided without missing any of them and to explain some of the questions that are difficult for respondents to understand during the response.

4.8.1.1 The Survey Data Collection Process

The two major purposes were there to use the survey techniques. These two purposes are prioritising outcomes and understanding stakeholders. During the interviews, seven outcomes are raised which has to be prioritised in different groups of stakeholders. While stakeholders perceive factors and prioritise different factors, it is necessary to understand these groups of stakeholders. Therefore, it is essential to understand the perceived factors of these stakeholders. Several elements are considered very important to these group of stakeholders, which provide considerable conclusions. In Kuwait, the audit quality is increased by JA from the perspective of stakeholders. Several distinctive advantages for the researcher could be achieved by using questionnaire tools in this case. For example, a large amount of data is gathered, and the researcher achieves generalizability in short time. Heading to Bryman in 2016, it is considered to be cost-effective.

In order to gain accurate results from the study, a questionnaire utilising a quantitative approach was used as it is deemed to be most relevant, available method in comparison to other approaches to query the stakeholders as mentioned earlier. A variety of literatures from the audit field were queried in the development of the survey tool and a pilot study was used, including eight financial reports users. The questionnaire included personal information from each respondent such as: their user classification, age, gender, education level, and the number of years' using the financial report. The survey questions utilised the questions of respondent's rating scale. They were asked about their satisfaction regarding the statement. According to Saunders, the series of statement are six- or four-point scales. This is known as

Likert scale. In the present study, the achieved scale was 1-5 degrees (where, 1 = strongly disagree, 2 = disagree, 3 = Neither agree nor disagree, 4 = agree, 5 = strongly agree). In different categories of stakeholders, the question it was distributed, who are related, and use financial reports in Kuwait. This included the audits firms, commercial banks, and securities investment companies.

Following sections are provided for the detailed information regarding the data collection in phase 2. It further gives the details of analyzation of data gathered and the way data was subsequently collected in the survey.

As the first stage was finalized and analysed, the survey was designed. The extension of time during the construction was noticed to be two months. It is started from July 2019 and ended to August 2019. several times the survey was adjusted during reaching the best quality of survey. In this way, it was made sure that the promising points were addressed which word to answer the requested research questions. In some cases, several questions were changed and it was worth noting. Have these questions were fit into the context of stakeholders through omitting and this is how the survey was distributed. In the early phase of distribution, the results of pilot survival obtained regarding changes applied. In two months, from September to November in 2019, the data collection process of the survey was carried out. In Kuwait levels, the survey was distributed to employees according to the level of their stakeholders. There were two languages of this survey i.e., English and Arabic.

The questionnaire was distributed in two ways. The first way, an online version of the survey where the web version of survey was requested by several participants. This technique has several advantages, including time and labour efficiency on the part of the researcher. The most important advantages Is that the central database could be loaded with direct gathered data (Ilieva, Baron and Healey, 2002). However, this technique has been supported by some experts. According to Craig and Douglas in 2001, Have the process of data collection is facilitated by the new and innovative technologies and incorporating new tools (Craig and Douglas, 2001). However, the use of technology for the purpose of online data collection has been significantly increased (Ilieva, Baron and Healey, 2002). The surveys which are self-administrated and computerized are now alternatives of paper-based questionnaires and face to face human interviews. Although the 2nd phase was physical and the participants were provided a copy of questionnaire and they joined the phase by their offices. These participants were given the

freedom of preferred language in their questionnaire. there was a time for the completion at which the participants had to submit their questionnaires.

4.8.1.2 Questionnaire Pre-Testing and Translation

The official language of Kuwait is Arabic. Therefore, the questionnaire was distributed in both Arabic and English using the back-translation style approach (Malhotra and Birks, 2007).

4.8.1.3 Administration of Survey Questionnaires

The delivery process began after completion of the final version of the questionnaire. The cover letter, with the logos of Salford University, along with the Arabic version of the questionnaire were delivered. The covering letter introduced the following:

- The study objectives
- The importance of the study
- The researchers and the supervisor's contact details

4.8.1.4 Cover Letter

This cover letter is the first to read the category that is being surveyed form me as a researcher, so should be formulated in a sound language and understandable phrases and be careful to be clear in a way that will urge the sample to answer to learn more about the phenomenon of research, where the cover letter is a key component of the survey along with the questionnaire. Moreover, the cover letter is the window of every researcher who markets for himself and his research in a logical and persuasive manner in front of the respondents to introduce the intended participants to the survey in manner that motivates them to respond affirmatively. To minimize the objectionable content and maximize the participation, a cover letter must be written (Hair *et al.*, 2006). This paper developed a cover letter based on the guidelines of Sommer Harrits, 2011, Harwell, 2011). The cover letter was used to introduce the prospective participants to the survey, characterize the aim of the study, stress its importance, persuade them to complete the questionnaire accurately and return it on time.

4.8.1.5 Validity and Reliability

Concerns connected with the validity and reliability must be focussed on as threats to the research (Leedy and Ormrod, 2014). Although the concepts of validity and reliability have already begun in the quantitative research methods, they have been addressed in recent years

in the methods of qualitative and mixed research methods as well (Maxwell, 2012). According to Leedy and Ormrod (2005), “the validity and reliability of the measurement tools for research affect the extent to which something is learned about the phenomenon under study and to what extent meaningful conclusions can be drawn from research data” (Leedy and Ormrod, 2014).

Moreover, researchers are concerned with how validity and reliability impact the importance of the results, as well as the ability to distribute the result of the study. However, the weakness of the validity and reliability as safeguard effects scientific research in general (Collis and Hussey, 2014). Although Validity and Reliability appear to be comparable in regard to exactness, they have completely other meanings, particularly when it comes to estimating the concepts developed (Becker, Bryman and Ferguson, 2012). Reliability is associated with the concept of consistency, which focusses on testing that produces reliable and consistent results in wide variety of situations and is used widely by researchers. In contrast, Validity refers to the extent the test actually accomplishes what it was intended to measure (Leedy and Ormrod, 2014). The sections below bring clarity to these terms and the degree to which they are effective in current research:

4.8.1.5.1 Validity

When a concept is accurately measured then the concept is called Validity (Bryman and Cramer, 2004). However, according to Sarandakos validity is ‘a methodological element not only of the quantitative but also of qualitative research’. thus, the idea of validity focusses on the relationship of the researcher's outcomes to reality (Collis and Hussey, 2014) Through a comprehensive list of validity types, it can be established. According to Bryman in 2012, the types include, content, face, and criterion concurrent validity.

4.8.1.5.1.1 Face Validity

Face validity refers to the degree the evaluation process, on its surface or face. Saccuzo and Kaplan in 1993 says that face validity looks like measuring what it was intended to. Furthermore, he says that face Validity can be accomplished by arguing proficiency in the particular field to judge whether its apparent or not as to the result being achieved in the scope of endeavour. During the process, face validity is achieved in which the questionnaire is developed by first receiving feedback from my supervisors, second through linking the questionnaire to the audit literature (Kaplan and Saccuzo, 2017).

4.8.1.5.1.2 Content Validity

Content validity is a procedural term that refers to important research that determines how test evaluates the intended behaviour (Straub, 1989). Further, content validity refers to the degree to which the items on a test are fairly representative of the entire domain the test seeks to measure (Sekaran and Bougie, 2003). It can be reached through the definition of the research subject including in the measurement scale (Knapp, 1991). In this study, experts in the audit field in both interviews and questionnaires by a critical review of the literature ensured the content validity of the instrument.

4.8.1.5.1.3 Criterion Validity

Criterion validity measures how well one measure predicts a finding for other measure. Criterion validity can access when the researchers retain a measure on which cases are known that is relevant to the concept in question. The criterion validity based on the assumption that the processes and tools used in the study are valid if they are parallel to those used in previous research. (Bryman, 2012). Current research suggests that Input-based AQ measure were most useful in measuring the legitimacy of the content. Input-based audit performance indicators are most useful in studies that analyse the need for audit quality of the company (DeFond & Zhang, 2014).

4.8.1.5.2 Reliability

The consistency of measuring test or research study are referred to psychological research reliability. In other words, is the measurement error too high to distort the results (Leedy and Ormrod, 2014). Moreover, Reliability refers to a concept's accuracies., in the different items in instrument, it has a range without bias (Sekaran and Bougie, 2003).

4.8.1.6 Questionnaire Coordination

The coordination of the questions was guided by three principles:

- Obvious instructions about each part in the questionnaire were provided.
- Questions that are similar were grouped together in the same parts.
- General questions progressing to more specific were used. The questions were present in a logical, consistent manner for participants making the flow the questionnaire coherent.

4.8.1.7 Types and Format

The format of the question are as follows:

- The option of specification was used in several closed questions.
- It was deemed suitable in five-point scale and an increase to seven or nine points was not considered to significantly improve reliability.

4.8.1.8 Layout and Appearance

The importance and weightiness of the questionnaire are conveyed to the participant by the appearance and the layout of the questionnaire. With this as a rule it was decided that consistency in appearance was important, and questions should be as concise as possible as long as the content and intention of the questions were not altered.

4.9 Research Sample and Population

4.9.1 Research Sample

The study sample is defined as the sample chosen by the researcher to conduct the research, which contains the characteristics of the original community (Saunders, Thornhill and Lewis, 2019). Where the choice of this sample requires great care by the researcher so that the sample, he chooses is useful for research. However, sampling is required when time and/or monetary limitations are a factor and inclusion of the entire population is not possible (Saunders, Thornhill, and Lewis, 2019). Furthermore, the sample is a subset of the population selected for experimental yet verifiable research (Bell and Bryman, 2007). The sample from this research is from participants who gave pertinent information relating to the audit of financial statements in the Kuwaiti audit market such as investors, bankers, accountants, and audit firms.

Research samples were chosen from the larger research population and were considered representative with the same imperative societal characteristics. Research selection is indispensable, especially in cases where information collection for the entire population is not possible (Weathington, Cunningham and Pittenger, 2012, Sekaran, 2003). Selection of the research sample is facilitated by the researcher, producing more efficient result as information is collected from the them. Specific information obtained through the research sample can then be generalised in further studies. Sample sizes were often increased from

what was originally deemed necessary (Becker, Bryman and Ferguson, 2012). To accurately define the research sample, a subgroup with traits consistent with the original one was used to attain the relevant information from the community. These people were studied as representative of the population (Greener, 2011, Weathington, Cunningham and Pittenger, 2012). In other words, if the study is repeated on another sample of the same society, its outcome will be similar to the previous study. The sample of studies was selected according to these considerations:

1. The sample of the study was chosen in a neutral way, away from personal desires. The selection of this sample is in accordance with the supervisor's advice and previous studies.
2. Ensure that the study sample represents the original population accurately, where the characteristics of this sample are similar to those of the original population sample.
3. The size and type of sample were chosen to match the primary research objectives, the population in which the researcher is studying, and the problem of the study.

4.9.2 Research Population

According to Saunders in 2016, researchers need to select specific samples and target the right people to fulfill the goals of their research. The research sample is referred to by the research population to full sets of elements or cases (Saunders, Lewis and Thornhill, 2019). All the users of financial reports such as investors, and auditors in Kuwait are the elements that make up the population. These individuals have certain interaction with each other's in terms of audit practices. This is the reason that these are very important factors of this study. It is critical choosing a specific sample to expect research results within the research population. In Kuwait, the investors and auditors are the users of the study of financial reports. In audit practice, these individuals are highly interactive, this is why they have much importance in the study. It is critical choosing a specific sample to get the expected research results within the research population. The higher overall accuracy by using the sampling is provided rather than the census. According to Burnett in 2002, the data is analysed and collected in every possible group member or case is referred to as census (Burnett *et al.*, 2002). There are two sampling techniques available in the research world. That researchers used to answer their questions. According to Saunders in 2011, These techniques are representative

and non-probability sampling. The data collection processes of this study had been carried out through qualitative and quantitative methods. Research questions are answered by sampling and recognizing and it is a vital technique. However, any other professionals argue against this opinion. according to Teddlie and Yu in 2007, the growing number of clear explanations are the reason of seriousness and sampling within the mix method (Teddlie and Yu, 2007). The manageable information due to research saves much time of researcher due to sampling. Due to this reason, there are faster results and fewer people are involved (Saunders, Lewis and Thornhill, 2019).

For qualitative research, small samples of people contextually embedded and studied in depth are commonly considered by research (Miles and Huberman, 1994). The answers of research questions for qualitative researchers are followed by nonprobability sampling (Saunders, Lewis and Thornhill, 2019), Perry, 1998). According to Patton 2015, it is purposeful rather than problematic, and but passive rather than random. Small samples are targeted and here, purposive sampling is suitable (Patton, 2015). According to Newman in 2016, For example, the cases are considered informative when the researcher aims (Newman and Clare, 2016). Due to this reason, the qualitative researchers are successful in non-probability sampling while engaging in the sample with in depth data gathering (Saunders, Lewis and Thornhill, 2019).

The phase one of the research is the semi structured interviews which is included in qualitative research in this study. In this way, purposive techniques are used. This technique was considered appropriate as the Have only the selected number of multiple individuals will be present in the interviews. These individuals are able to provide the wealth of information which is needed in the research. Therefore, the respondents will be categorised according to their counterpart in terms of financial reports, which will include:

The Financial auditors, whether they are big four offices or medium and small offices, as well as being the representatives of the audit activities, and they verify and approve the information in the financial reports.

1. Government bodies in Kuwait, as being the administrators as well as the coordinators for the financial environment in Kuwait.

2. The Investors, both senior and small investors as well as being key players in the financial field in Kuwait.
3. The management of companies who's audited under the JA system of the companies, their sensitive role in monitoring, and conduct of the work.

The participants in the quantitative design are between 180 to 200 samples, and in the qualitative design are 33 interviews.

Table 4.4: Summary of the Research Population

No.	Classification	Interview	Survey	Total
1.	Audit Firm	14	73	87
2.	Investor	5	36	41
3.	Corporate Management	7	33	40
4.	Other	7	51	58

4.10 Ethical Considerations

Primary concern must be given to ethical considerations involving participants. The meaning can be uncovered within the interview with the help of nature of ethics in the nature of researcher's questions. Moreover, the importance of ethical considerations stem from the fact that benefit all parties involved in the study process. Saunders et al, 2019 maintained that all danger of embarrassment should be eliminated by the researchers. This should also include any other type of significant disadvantage. Therefore, the importance of adhering to moral principles is paramount in seeking to accomplish the goals of the research. According to Saunders in 2019, at a particular stage, the ethical consideration in research must not be ended. However, have it should always remain at the front of researchers (Saunders, Lewis and Thornhill, 2019).

Adherence to the morals is established in the particular measures on this background of the study. Few points are clarified with each participant at the beginning including, a brief introduction to the research, how their responses would be used, how questions will be asked, permission to use the audio-tape recorder, an estimation of time to complete the interview session, to take notes during the interview session, and the questionnaire. The responses of participants remained confidential, and their anonymity was assured. Furthermore,

participants were reminded that their involvement was strictly voluntary and could remove themselves at any time with no negative consequences. The content would be available to the public as soon as the study completes. In this way, the disclosure of information would not be entertained. It was previously clarified and codes were used in place of names and job titles of people. The certain kind of information of people who are participants in the interview showed some kind of discomfort on few occasions. All of this happened due to the recording of their interviews. To gain the trust of these participants, the interviews were stored and the recording was paused at several intervals. It was promised that the information and confidential should be destroyed just after the study including titles, dates, and names.

Questionnaire were distributed to participants in the same circumstances. The study was anonymous, made sure by not including any question could possibly reveal the identity of those who took part. The information supplied by the participants was given with the knowledge that participation was voluntary and optional and withdrawal from the study could be done at any time. It was also conveyed to the participants that any supplied information was for the purpose of the research alone and no parties, other than the researcher himself, would be privy to the information. The identification of the participants was established through the questions in the questionnaire paper. The option was given to the participant regarding the extent of information. The second party would have the availability of the academic purposes and the participant would be communicated for information.

4.11 Chapter Summary

The description for choosing this form of research is defined in this chapter. The goal of this description was to convey the reasoning of the researcher and how they were associated with the research questions and goals. The purpose was to explore the stakeholders understanding for JA in Kuwait. Further, explaining both methods in detail was needful to reflect how these methods were interdependent in this study. This chapter has explained the methodology used in this research study in detail, followed by the study philosophy.

Phase-1 qualitative research design, gives a synopsis of procedures and techniques of the interview process, how participants were recruited, the semi-interview methods for collecting the data as well as analysis of the data and how it was used to develop the findings and come up with necessary recommendations.

Phase-2 the quantitative research design, explains the methodology and protocol for the for the creation of the questionnaire survey which resulted in the gathering of, and processing of the data that was collected. In this chapter, attention was given to assure the research was following the required ethical practice and standards. Finally, the chapter considered ethical considerations involving participants. The qualitative and quantitative data analysis results are presented in the following two chapters, while the ends of the mixed method findings will be discussed in Chapter 8.

Chapter 5

The Kuwaiti Context

5.1 Introduction

This chapter presents a background to the research study, set in the Kuwait context. It has presented some of the country most important background, in particular, culture, tradition and history have been discussed as they are the source of most grounded ideas and values. Thus, the goal of this chapter is to provide the Kuwaiti context background. The social, political and economic settings are very rooted in the Kuwaiti history. This chapter starts with a discussion of the social and Political background. Following that, a brief history of Kuwait is provided. As well as providing an explanation about the most critical milestones in the history of the Kuwaiti economy (discovering oil, the sovereign wealth fund, and the Mankhe crisis), thus it has proceeded with nan information overview about Kuwait's economy and stock market, known as Bourse Kuwait.

5.2 Kuwaiti Background

Kuwait is a member of the Gulf Cooperation Council (GCC) (the UAE, Saudi Arabia, Oman and Bahrain). Bordered by Saudi Arabia to the south and the west, Iraq to the north, and the Arabian Gulf to the east, Kuwait comprises 18,000 square kilometres. Kuwait's population in 2020 was 4.3 million; 100% of the population is urban, 1.4 million of which were Kuwaiti citizens, while the rest were non-Kuwaiti, with a median age in Kuwait of 36.8 years (KPACI, 2019, Kuwait Population, 2021). Kuwait is largely a desert, except for the Aljahraa' oasis, at the western end of the Kuwaiti coastline, and a few fertile patches in the south-eastern and coastal areas. Kuwaiti territory includes nine offshore islands; the largest are Boubiyan and Alwarbaah. All Kuwaiti islands are uninhabited except for Failaka Island, which has been populated since prehistoric times until 1990. These islands are located near Kuwait Bay's entrance (Crystal, 2021).

5.3 An Overview about the History of Kuwait

Kuwait City's origin is usually placed at about the beginning of the 18th century, when the Alutba, a group of the Enizah tribe made up of multiple families in the Arabian Peninsula

interior, emigrated to the land that is now Kuwait. The establishment of Kuwait's autonomous sheikhdom dated from 1756 when the settlers decided to appoint a leader from the AlSabah family (Yom and Gause III, 2012). Kuwait grew and developed in the eighteenth century as it became the central hub of commercial activities involving the transit of goods to other nations, including, among others, India and Arabia (Mubarak *et al.*, 2020).

Kuwait had also become a vital trade route from the Persian Gulf to Syria; at around the same time, some merchants from Iraq took refuge in Kuwait following the Persian siege in Basra. After that, they had a significant impact on the nation's trading activities from the boat-building expansion that played a vital role in the boom of Kuwait's maritime commercial activities (Zahlan, 2016). Moreover, between 1775 and 1779, countries such as India, Iran and Syria diverted their trade routes to Kuwait (Petersen, 2011). In January 1899, the Kuwaiti sheikh, Mubarak the Great, made an agreement with the British under which Kuwait became an informal British protectorate, with Britain controlling its foreign policy. In consequence, Britain held off both the Germans and Ottomans from occupying Kuwaiti lands. In 1913, Britain signed the Anglo-Ottoman convention before the first World War, which defined Kuwait as an autonomous area within the Ottoman Empire (Alessa, 2017). However, in 1962, Kuwait gained its independence from the protection of Britain. By mid-century, Kuwait had become the one of most significant regional oil exporters. This economic development attracted individuals and corporations worldwide (Crystal, 2016, Alessa, 2017).

5.4 An Overview of the Social Background

Kuwaiti society embraces many facets of eastern and western culture, but the nation remains culturally conservative. Its Islamic-Arab heritage permeates daily life, as in much of the Arabian Gulf. The average Kuwaiti still steadfastly abides by the ancestors' age-old customs and values, such as family values, solid respect for elders, and honouring guests. Also, people are outspoken and do not hesitate to speak their mind on matters they consider serious.

Kuwaiti society is regarded as both tribal and collectivist (Welsh and Raven, 2006, Almutairi and Kruckeberg, 2019). The Kuwaiti people are more concerned about the needs of the group than the individual, which strengthens the precedence of obligations over that of rights.

Kuwaiti society is based on family units, where extended families live together as a lifestyle result of inherited habits or necessity caused by limited housing space. All family members can be involved in future generations' socialisation and maintaining familial traditions

(Torstrick and Faier, 2009, Almutairi and Kruckeberg, 2019). Al-Mekaimi (2003) states that the Kuwaiti family is a cohesive establishment, with members assisting and supporting each other, cooperating in times of hardship and often united efforts for business ventures. The family in Kuwaiti comprises nuclear family members and extends to include distant relatives, neighbours, friends, and fellow tribe members (Al-Thakeb, 1985, Al-Mekaimi, 2003)

5.5 An Overview of the Political Background

The Kuwaiti political system is characterised by features that distinguish it to some extent from many regimes in the Middle East, despite the politically non-open regional context. The political system is characterised by an elected parliament and a high degree of freedom of opinion. Every Kuwaiti citizen has the right to run for parliament or vote according to their convictions in complete freedom. However, in the early eighteenth century, Kuwait was founded when clans of the Alanezi tribe (Bani Utub) migrated from Saudi Arabia. They felt it necessary to elect a leader among themselves. The seniors of Bani Utub chose Sabah Al-Sabah (Sabah the first) because of his wisdom and reputation, not due to his wealth or power (KNA, 2011). The Kuwaiti Royal family is descended from the Sabah Dynasty and has ruled the state since 1752 (Yom and Gause III, 2012). In 1961, Kuwait gained independence from the UK on the 19th of June. In order to complete the transition to democratic rule, its constitution, with the constituent assembly, which combines aspects of both parliamentary and presidential government systems, was approved and came into effect in 1962. Thus, the Al-Sabahs became the royal family based on the level of democratic participation at that time. The Al-Sabah family have been the rulers of Kuwait till today. Kuwait has undergone several attempts at establishing democratic participation in its history, as shown in the table below:

Politically, the Kuwaiti political system is unique among GCC, and Kuwaitis enjoy political freedom compared to other states in the region. The civil society is active in Kuwait, and elections are organized regularly to choose members of different institutions, but the parliamentary elections are the most important elections that are held in the country. Citizens go to the polls every four years to elect 50 members to the parliament (National Assembly). The parliament is one of three branches of power in the country besides the executive power and the judiciary. Kuwait has undergone several attempts at establishing democratic participation in its history, as shown in the table below:

Table 5.1: The Most Prominent Democratic Events

Events	Year	Comments
Sheikh Ahmed Al-Jaber Alahmed approved the establishment of the first consultative council in Kuwaiti history.	1921	This council marked a new era in Kuwaiti history as it was an attempt by the Kuwaiti people to participate in its governance. However, it ended after two months due to disputes among the members.
The second attempt at democracy was the election of a Municipality Council.	1932	Sheikh Ahmed dissolved the council.
Sheikh Ahmed called for the election of a Legislative Council.	1938	The council enacted basic laws to organise the state, considered the first written legal documents in Kuwait history. However, the council was dissolved after only six months by the ruler.
Sheikh Abdullah called for the election of a Constitutional Assembly	1961	This comprised fifty elected members with the purpose of writing the country's constitution.
The assembly drafted a constitution, which Sheikh Abdullah approved.	1962	Sheikh Abdullah approved the draft, and Kuwait became a constitutional monarchy whose citizens democratically elect the parliament. The ministers are appointed by the prime minister, whom the ruler appoints.
The first election for parliament. The parliament is the highest legislative and monitoring authority in Kuwait.	1963- now	The parliament comprises 50 elected members, and elections are held every four years. Women and Men have the right to vote. The parliament members have the power to supervise and legislate the work of ministers and the prime minister. Parliament members can challenge the prime minister and ministers, leading to a vote of no confidence. The parliament must approve the crown prince, who is the future governor of the state.

(Source: KNA, 2011)

5.6 Economic Aspects

The Kuwaiti economy is one of the most critical and largest economies in the Middle East region (Bayomi and E Fernandez, 2019) . The state possesses the constituents and prominent factors that helped form and manufacture an essential and influential economy regionally and

globally. The Kuwaiti economy is relatively open, dominated by the government sector, and the oil industry in Kuwait, owned by the state, represents more than half of the gross domestic product. In 2020, Kuwait's gross domestic product amounted to around 107.94 billion US dollars (O'Neill, 2021), with 0.7% growth in 2019; 5-year compound annual growth 0.2%; income \$51,912 per capita; unemployment 2.2%; inflation 1.1%; FDI inflow \$104.4 million; and public debt at 11.6% of GDP (Heritage, 2021).

The World Bank ranks Kuwait as the fourth most prosperous nation in the world based on per capita wealth. The country is also listed as the second most productive country after Qatar among the GCC countries and it is regarded as a leader compared to other countries in the Middle East (Biygautane, Hodge and Gerber, 2018, Areiqat, Alali and Arikat, 2018). Kuwait's currency is the Kuwaiti dinar (KWD). Kuwait mostly relies on oil as the foundation of its economy (Al-Moosa and McLachlan, 2017), so the Kuwaiti economy is heavily dependent on its oil and gas industry. Kuwait holds one of the largest oil and gas reserves globally, amounting to an estimated more than 100 billion barrels and it is positioned in the top ten of the largest oil producers globally. The country's revenues from petroleum exports account for more than 90% of government income. Perhaps the most critical milestones in the history of the Kuwaiti economy are discovering oil, the sovereign wealth fund, and the Mankhe crisis.

5.6.1 Oil

Before oil was discovered, the economic system was essential, and the state budget depended on merchants' tax contributions (Al-qenae, 1968). Kuwait's economy depended on three primary activities: trading and carrying goods, fishing, and exporting pearls (Almujamed *et al.*, 2017). After the discovery of oil, Kuwait's economic structure changed from merchants' taxes to oil exports. Oil was discovered in 1938, and the first oil shipment exported in 1946 (Al-Yaqout, 2006). The main business activities of the merchant class also changed from traditional and basic activities to modern business ones. The first bank in Kuwait, the National Bank of Kuwait, was established in 1952 and was followed by many firms' establishment. In 1959, the merchant class founded the Kuwait Chamber of Commerce and Industry, considered the oldest and most potent professional body in Kuwait (Moore and Salloukh, 2007). Kuwait has a geographically small, relatively open economy with crude oil reserves of around 100 billion barrels, more than 6% of world reserves. Petroleum accounts for 90% of government income, over half of GDP, and 92% of export revenues. In 2015, with world oil prices declining, Kuwait realised a budget deficit for the first time in more than a

decade, and the deficit grew to 16.5% of GDP in 2016. However, after the oil price drop, Kuwait and the GCC countries which depend mainly on the oil industry were hugely affected by this decline. For example, Saudi Arabia, Oman, Kuwait, and Bahrain have all dropped out of the global top 20 as living standards stagnate or decline.

5.6.2 Sovereign Wealth Fund

As oil became an increasingly important source of income for the state, the Kuwait government realised it was necessary to promote the welfare of Kuwaiti people and sustainable development for generations to come. The Amir issued a decree creating the sovereign wealth fund as the intergenerational savings platform for Kuwait's nation. This is the oldest sovereign fund in the world, founded in 1953 and notorious for keeping its financials and strategies close to its chest (Al Sa'ad, 2008, SWFI, 2021). According to the Sovereign Wealth Fund Institute, the Kuwaiti fund currently has around \$524 billion in global assets. The fund was established to invest oil surplus revenues and reduce the country's dependence on oil reserves. The fund focused on preserving the capital and achieving a fair return over the long term. For example, the Wall Street Journal reported that the fund invested \$3 billion in Citibank and \$2 billion in Merrill Lynch as both banks scrambled for funds at the start of the financial crisis in 2008, eventually selling its Citibank stake for a \$1.1 billion profit a year later (Krishan, 2017). The sovereign wealth fund is managed by the Kuwait Investment Authority (KIA). This body is an independent public authority established in 1982 and managed by its Board of Directors (KIA, 2021). The Board has complete independence in its financial and investment decision process, and is responsible for long term asset allocation and overall performance, while the executive management formulates and executes investment strategies. KIA is managed by its board of directors, which is composed of the minister of finance as chairman, the minister of oil, the undersecretary of the ministry of finance and the governor of the CB, as well as five other members specialising in various fields of investment, who are appointed by a decree for a four-year term and can be re-appointed. At least three of the members must not hold any public office (KIA, 2021 ,SWFI, 2018).

5.6.3 Souk al-Manakh

From 1978 to 1981, there was a great passion for most Kuwaiti people and all segments of society to invest in the stock market. As a result, Kuwait's two stock markets, one the

conservatively regulated KSM and the other the unregulated Almanakh market, exploded in size, growing, as shares prices had risen more than 200%, to the point where the amount of capital actively traded exceeded that of every other country globally except Japan and the US. During this time Kuwait was the financial centre of the GCC, and other centres such as Saudi Arabia, and Bahrain, which was a satellite market of Kuwait's, at this time were not the sophisticated trading centres that Kuwait was (Darwiche, 2020).

Nevertheless, in 1982, the entire financial environment had fallen. The collapse was so sharp that nearly every stakeholder in the financial environment, including large and small investors and banks, did not realize its severity and were sure they could pay loans and debts. The amount of worthless obligations totalled \$93 billion, an amount equivalent to \$90,000 (in 1982 US dollars) for every Kuwaiti man, woman and child. By comparison, the annual per capita American income at that time was around \$14,000 (Craig, 2019). Moreover, the debts totalled more than the outstanding debt owed to the IMF by all countries in 1981 and more than five times the Kuwaiti GDP. One of the main reasons for this crisis was the lack of data and information. Kuwaiti authorities maintain that the al-Manakh crisis emphasises the value of regulating authorities using detailed data from both the innovative and traditional financial environment. Where the lack of information prevented the authorities from seeing the risks of instability in market financial. The disarray resulting from the collapse went on for many years, and this crisis ruined the reputation of the Kuwait financial environment (Craig, 2019).

5.7 Regulation and Regulators of Securities' and Audits' Activities

At securities level, there are four major bodies that manage and supervise the listed and unlisted firms in the State of Kuwait, namely the Ministry of Commerce and Industry (MCI), the Central Bank of Kuwait (CBK), Boursa Kuwait (BK) and the Capital Market Authority (CMA). The MCI is responsible for all the firms, listed and unlisted, which operate in Kuwait. The CBK oversees financial firms, such as banks, insurance companies, and investment companies, while the CMA supervises and regulates the BK companies. At audit level, there are two types of agencies involved in Kuwait's audit environment; the first type (CBK, BK, CMA) is regulatory and supervisory bodies, directly concerned with auditors' laws and legislation. Importantly, their main objective is to regulate audit firms' activities in a fair, transparent and efficient manner. The second type of bodies Accounting and Auditing professionals in Kuwait (KAAA), (MCI) are bodies concerned with regulating auditors'

affairs in terms of licenses, and establishing and organising the work of audit offices. Their main goal is to protect auditors' rights in general, to ensure compliance with their regulations, and to prevent conflicts of interest. The four bodies will be discussed in detail in the following sections.

5.7.1 Bourse Kuwait

Bourse Kuwait was previously known as the Kuwait Stock Exchange (KSE). It began in 1977 to help Kuwait regulate its stock market and was formally established in August 1983 after the issuance of an Amiri Decree. According to this Decree, the KSE is an independent body managed by executive management and Market Committee, which is mainly controlled by four central bodies: MCI, the Ministry of Finance; CBK; and Kuwait (Al-Ghanem and Hegazy, 2011). In July 2014, the KSE decided to privatise itself through an IPO as outlined in Article No. 33 of CMA Law No. 7 (2010); the exchange became a private firm with a capital valuation of \$213 million (BK, 2021b, Almujaed *et al.*, 2017).

In 2016, the KSE was transformed into the BK. The BK also plays a very significant role in the Kuwait economy. In order to develop investment channels and attract foreign investments, the Kuwaiti authorities began to privatise the BK. The Boursa underwent a privatisation process over two phases: the first when a 44% equity stake was awarded to international exchange and a group of Kuwaiti investment companies in early 2019. In December 2019, the privatisation process was finalised after the initial public offering of the CMA 50% stake in the company was offered to Kuwaiti citizens, with an oversubscription rate of 850%, making BK the only stock market in the Middle East owned through the private sector. In September 2020, Boursa self-listed on the “Premier Market”, as one of the main Kuwait's government bodies to undergo privatisation successfully.

Boursa Kuwait currently has four markets including the official, parallel, forward and option markets. Boursa Kuwait consists of 205 listed companies with a total market capital of around, with domestic market capitalization of 94,992 million US\$ in 15 sectors (Sseinitiative, 2021) BK is considered to be the leading stock exchange market in the GCC countries and one of the biggest markets in the region. There are a number of market makers and 14 brokers registered in Kuwait. According to Ministerial Resolutions No. 18 (1990) and No. 101 (2008), all listed firms in the BK are obligated to prepare their financial statements following the IFRS, and the external auditor is to use ISA in auditing the financial reports

(KSE: Bulletins, 2016). BK has a basic level of regulatory authority (Sseinitiative, 2021). However, Capital Markets Authority (Kuwait) is the overall regulator of BK. In line with the state's sustainable development ambitions, as set out via the Kuwait vision 2035 and the national development plan “New Kuwait”, BK has successfully reinforced transparency, introduced innovative investment tools, and restructured the market to increase its competitiveness and liquidity (BK, 2021a). The company’s market developments and enhancements have contributed to the reclassification of the Kuwaiti capital market to “Emerging Market” status in the world’s top three indices, strengthening Kuwait’s position as a leading financial centre in the region (Bloomberg, 2020). Boursa Kuwait aims include increased desirability of the capital market, the entry of international investment, the enhancement of investment, and an ability to reassure qualified investors of their contributions to the economy. Boursa Kuwait has evolved the criteria that new companies must meet to be listed (Algharaballi, 2013).

5.7.2 The Capital Market Authority

The legislative and government authorities decided to create a body committed to setting controlling and supervisory regulations that support an attractive and competitive investment environment in Kuwait, based on the principles of transparency, fairness, and impartiality according to the best global practice. That was for two reasons; first is that all these responsibilities were under the supervision of CBK. This constitutes a major liability for the bank in terms of supervision, especially as it is responsible for Kuwait's banking sector, where that sector represents about half of the weight of the Kuwait Stock Exchange. Second, strong and numerous criticisms arose from international bodies (e.g. the International Monetary Fund (IMF), academics and investors over the securities regulatory systems in Kuwait. For example, in 2004, the IMF argued that the regulations put in place by these bodies, and their responsibilities, often overlapped, which led to confusion and compromised the effectiveness of their implementation and rules. The IMF proposed that a single, independent regulatory body should be established to eliminate and update all the many existing regulations' contradictions. In 2010, the Kuwait government decided to reform the financial and economic aspects of Kuwait's securities regulatory systems by issuing Law No. 7 (2010) and establishing the CMA (CMA, 2018).

At present, the investment companies which were under the supervision of the CBK are now under the supervision of the CMA. The CMA is managed by a Board of Commissioners, who

are five in number. The Minister of Commerce and Industry nominates these members to the Council of Ministers. The commissioners have to be Kuwaiti, according to Article No. 27 (2010). The main objective of founding the CMA was to unify the supervision and regulation of the securities and capital markets in Kuwait. Article-No 3 described the aims of the CMA as follows: ensure compliance with the regulations and rules related to securities activities; improve public awareness of securities activities and the risks, benefits, and duties arising from investments in securities as well encourage their development; grow the capital markets. Further, diversify and improve investment instruments thereof following the best international practice (Almujamed *et al.*, 2017).

5.7.3 The Central Bank of Kuwait

The CBK was established under Law No (32) of 1968, which included monetary policies and how CBK manages banking activities. CBK replaced the currency board established under the Amiri Decree No (41) of 1960. The Currency Board of Kuwait's role was limited to the issuance of banknotes, unlike central banks' broad responsibilities ranging from setting and implementing monetary policies to the supervision and regulation of banking business. The CBK's establishment was in response to the need to keep pace with international and domestic developments, particularly given the increasingly important role of monetary and financial policy contributing to the advancement of economic and social growth. The main objectives of the CBK are realising price stability and ensuring the soundness of the banking system; directing the credit policy with the aim to contribute to the economic and social progress and enhance the national income; supervising the banking sector; maintaining the relative stability of the national currency, and securing its free convertibility into foreign currencies. The CBK is managed by a board of directors encompassing the governor of the CBK as chairman and the deputy governor of the CBK, both appointed by an Amiri decree for a five-year renewable term. The board also comprises a representative of the Ministry of Finance, a representative of the MCI, and four other members. The CBK is considered directly responsible for the external audit system for the banking sector. The CBK is the authority authorised to approve auditing offices that may audit Kuwaiti banks.

5.7.4 Accounting and Auditing Professionals in Kuwait

The KAAA is a mandatory membership organisation for accountancy professionals, and was established in February 1973 in accordance with the provisions of Law 24 of 1962 under No.

(57) Societies on, the practice of the auditing profession. The KAAA is responsible for: A. delivering initial and continuing professional development under the supervision of the MCI for members, which includes chartered auditors and accountants; B. conducting and managing professional examinations with an exam committee for the certification of auditors and accountants; and C. maintaining a registry of its members (IFAC, 2021). There are two types of membership: full membership and associate membership. Only Kuwaiti nationals holding a bachelor's degree with a major in accounting are accepted for full membership. Non-Kuwaitis, or those with two years accounting diplomas, are accepted as associate members. However, the KAAA does not have the power to set rules for the profession. The KAAA aims at providing its members with information related to the development of accounting science and encouraging them to exchange information among themselves in their meetings and conferences; working to develop accounting thought and encourage and sponsor scientific research in the fields of accounting; contributing to organising the rules for the accounting and auditing profession to maintain a high level when licensing persons with qualifications to become chartered accountants (Altaher, Dyball and Evans, 2014).

5.7.5 The Ministry of Commerce and Industry

The establishment of the Ministry of Commerce in the State of Kuwait goes back to 1963 when the Amiri Decree on the Ministerial Formation issued on 28 January, 1963 AD included the decision to establish it. According to the Emiri Decree issued on 5 December 1965 AD, the name of the ministry was changed to Ministry of Trade and Industry. It remained in this position until 3 March 1985 AD, when the jurisdiction of trade was transferred to the Ministry of Finance and the jurisdiction of the industry was transferred to the Ministry of Oil. The Amiri Decree of 15 July 2015 defined the objectives of the ministry as follows: The MCI supports and supervises commercial and economic activities and provides goods, materials and services. At the audit level, no one may practise the profession of auditing of accounts unless his name is registered in the register of auditors at the MCI. Therefore, the application for registration in the auditors' register shall be submitted to the MCI and presented to a committee formed under the chairmanship of the Undersecretary of the MCI or his representative, and the membership of two specialists in the profession of account auditing nominated by the KAAA, and a decision to appoint them is issued by the MCI for a period of two years, renewable. According to Ministerial Resolutions No. 18 (1990) and No. 101 (2008), all companies in Kuwait are obligated to prepare their financial

statements in accordance with the IFRS, and the external auditor is to use the ISA in auditing the financial reports. This body has its primary purpose of regulating the profession of audit firms in terms of licenses and documents, so that the auditor is authorised to establish an audit firm, and it is not responsible for the professionalism and level of auditors.

5.8 An Overview of Auditing Practice in Kuwait

The accountancy profession is regulated at the state and professional level under common law, where decree-Law No. 5 of 1981 governs all chartered auditors and accountants on the practice of the auditing profession, and of public interest entities. Auditors, who are defined as listed and financial firms, are further subject to regulation by CMA under the capital markets Law (No. 7 of 2010). Also, decree No. 5 of 1981 on the auditing profession's practice defines audit and accounting activities and specifies the area of entities subject to mandatory audit requirements. Moreover, establishing the KAAA as the national professional accountancy organisation establishes requirements to become an auditor, outlines the auditor's liability, responsibilities, and rights (IFAC, 2021). In this regard, commercial companies Law No. 15/1960 clarifies the role of the external auditor in promoting the protection of stakeholders' interests. Kuwaiti legislation on auditing displays a unique feature. Whereas each company's accounts must be audited by at least one external audit firm, a company which is registered on the KB must have not less than two external audit firms. The regulatory authority in Kuwait works on supervising and developing the activities of capital markets and creating an attractive financial environment that obtains investors' trust. This is done through several means, including increasing the credibility of financial statements (IFAC, 2021).

The Kuwaiti audit market is centred on three levels: the first and second levels consist of 39 auditing and accounting consultancy offices. The first level represents the Big Four firms, which are the offices that dominate the audit market and have the largest share. The second level is large and medium-sized offices in terms of experience and capabilities; most second-level offices have companies and agencies from external audit offices, whether European and American offices. The 39 offices are the only ones approved by the CBK and the CMA, and the only ones authorized to carry out auditing work for companies and banks operating under the guidance of these two institutions (CBK, CMA). Most of the local audit firms are keen to be linked with a global name, and the linking process may be according to actual and

strategic partnerships, to raise professional efficiency and control the largest possible market share. But most of the currently prevalent links are formal and not actual, for marketing purposes and to raise the level of professional competencies. In fact, the legal entity outside Kuwait is independent of the legal entity of the auditor inside Kuwait. As for the third level, they are small offices with short experience and limited capabilities. This category is made up of businesses with clients outside the scope of the CBK and CMA, and their business is auditing and simple accounting services.

Interestingly, in Kuwait, in accordance with the provisions of Decree-Law No. (1981/5), explained in Chapter e, the responsibility of the observer for his misconduct places emphasis on the joint liability of the partners in the audit company, and touches on the auditor's responsibility when professional misconduct are made, and the obligation to compensate for the damage caused by those misconduct alone or jointly. That means the primary responsibility of the financial report lies with the auditors themselves. Article (16) stipulates that the auditor shall be responsible for any professional errors committed, and for the correctness of the data contained in the report. Where a line or defect is established in the audit process, it is possible to legally refer to the owner of the audit office and confiscate all private property, such as assets, real estate, and cars, not only the assets of the audit office. Moreover, the audit firm's activity is not limited to auditing only, but extends to providing consultations to the same clients, which causes the auditor to lose independence in most cases due to the overwhelming possibility that the consulting fees greatly exceed the audit fees. Especially, appointing the consultant and determining the fees is the prerogative of the company's management, not the duties of the general assembly of shareholders, which may create a major conflict of interest between the audit firms and the company's management at the expense of the shareholders.

5.9 Chapter Summary

In summary, the political history of Kuwait shows that democracy is inherent since the country's foundation. The Kuwaiti political system is unique among the GCC, and Kuwaitis enjoy political freedom compared to other states in the region. The Kuwaiti economy is heavily dependent on its oil and gas industry. Perhaps the most critical milestones in the Kuwaiti economy were discovering oil, the sovereign wealth fund, and the Mankhe crisis. At

securities' level, there are four major bodies that manage and supervise the listed and unlisted firms in the State of Kuwait, MCI, CBK, BK and CMA.

In the audit context, Kuwaiti legislation on auditing displays a unique feature. Whereas each company's accounts must be audited by at least one external audit firm, a company which is registered on the KB must have not less than two external audit firms. There are two types of agencies involved in Kuwait's audit environment; the first type (CBK, BK, CMA) is regulatory and supervisory bodies, directly concerned with auditors' laws and legislation. Importantly, its main objective is to regulate audit firms' activities in a fair, transparent and efficient manner. The second type of bodies (KAAA, MCI) are bodies concerned with regulating auditors' affairs in terms of licenses and establishing and organising the work of audit firms.

Chapter 6

A Qualitative Analysis of the Joint Audit Perceptions

6.1 Introduction

This chapter discusses and analyses the interviews that were carried out with professionals from the audit and financial environment in Kuwait. The purpose of this analysis is to identify the perception of stakeholders in terms of explaining their experiences with the JA. The preliminary findings to emerge from this analysis will be introduced and evaluated narratively and critically, and they will also be supported by representative quotes from the interviewees.

The qualitative approach utilised seeks to achieve the objectives presented at the beginning of this study. Primarily, to extract some evidence that might answer the following:

RQ1: To what extent do the various stakeholders of joint audits (audit firms, clients, investors, and regulators) in Kuwait converge/diverge in their conceptualisation and characterisation of joint audit?

The results of interviewing 33 stakeholders in Kuwait's financial environment are discussed in this chapter. The perceptions of these interviewees regarding the JA system in Kuwait were derived from the semi-structured interviews that were carried out. The interviewees related their experiences of the JA system through the questions included in the interview procedures presented in previous chapter. The results were derived by analysing the information using techniques and methods suggested by Aronson (1995), Terry, Lyons and Coyle, 2016, Braun and Clarke, 2006 and Patton (2015), which were outlined in section three. The 2 section describes The JA Importance. The following section provides JA advantages and JA disadvantages. The 5 section, analysis of JA laws in Kuwait. The next section provides an analysis the JA mechanism. After that, analysis of the JA development in Kuwait. Finally, the chapter ends with the conclusion of the core results of the qualitative research.

6.2 The JA's Importance

The JA's importance was one of the main findings of the research in the way stakeholders perceive. It consists of four main points (additional guarantee, increasing the AQ, reducing errors, increasing the level of independence). The importance placed on the JA varies from one stakeholder to another. This section addresses the importance of the JA that has been observed by stakeholders on their business in the short and long term. The incipient findings are carried out as a series of semi-structured interviews. This research initially discovered five themes of the importance of JA from the interviews. The areas are discussed as follows:

1. Audit quality
2. Audit market
3. Auditors
4. Investors
5. Governments and Companies Management

6.2.1 JA's Importance for Audit Quality

One of the major challenges for JA objectives is to increase the AQ of how much risk oversight is enough. The interview data has revealed that the scope and nature of AQ summarized is to obtain fair assurance about whether the financial statements as a whole are free from material misstatement, whether due to error or fraud and to issue an auditor's report that includes an honest professional view. Quality depends on reinforcing AQ via the "four eyes" principle by creating in-built independent quality control, raising the level of auditors and resulting in high-quality auditing. For example, an auditor noted:

"As auditors, we believe that good audit comes from the auditor himself, where they are the cornerstone in the audit process, to obtain high AQ, we need an area for independence to obtain error-free financial statements that reflect a true picture of the auditing entity. Sometimes we may not be able to obtain this independence due to client pressure to change some financial statements based on their point of view, which creates negative results primarily for shareholders and auditors themselves. I have 20 years' experience in the audit market in Kuwait, I am sure that the JA is able to raise the level of auditors to strengthen their views in front of customers, as well as supports the auditors' ability to stand their ground in the event of a conflict or disagreement with the clients. This independence can significantly improve the quality

of audit through auditors to carry out their audit duties without interference.” (I-14-AF)

As another example, an auditor explained:

“The purpose of the independent audit is to provide confidence in the financial reports quality. So, under JA act, we are as medium-sized audit firms through cooperation with another office, we form an entity that is based on resisting some of the customers' interference with our business. In some cases, the client forces some auditors to change financial statements, like hiding losses and maximizing profits. For example, in Kuwait, we experienced a financial crisis in the early 1980s as a result of incorrect financial statements. So, as an auditor I have confidence in the quality of my audit but only if the client does not interfere with my work. I believe that JA can protect me from such interference, that will result in the high quality of financial reports for markets and investors.” (I-14-AF)

In this regard, in one of the middle size audit firms, a government official argued that:

“There are four key benefits for JA toward it, and the benefits are primarily to the audit firms, investors, regulators. The full benefits are firstly at an audit level. It helps bring into the market new players and therefore opens its markets up to benefit in terms of independence and objectivity. Where the JA reinforces the auditors' ability to stand their ground in the event of a difference in views with customers. Moreover, it reinforces AQ by the four-eyes principle via creating timely and in-built independent quality control, as well as benefit in terms of the technical knowledge available in the market between auditors and clients. In Kuwait, JA helped to achieve auditor's aims are to gain reasonable assurance about the financial statements. We are suffering from the leverage of some big companies in Kuwait, some clients are larger in size than audit firms themselves and have a significant impact on auditors to change in financial statements which causes the financial reports to fail to reflect the true picture of the financial entity resulting in a negative impact on shareholders. We, as a government body, have a duty to protect large and small investors, so we consider JA as a tool for this purpose, which may not be the only one but an essential tool.” (I-14-AF)

Consistent with Wright and Wright, 1997, Shockley, 1981, Palmrose, 1988 show that most of the interviewees perceived the JA's importance in terms of AQ through the auditor's independence. After they hinted that the auditor should be independent from the client, the audit view will not be influenced by the clients and achieve high AQ. With JA, the auditors in Kuwait are expected to help them give an unbiased and honest professional evaluation of the financial statements to the stakeholders. However, client pressure on auditors still exists, as some interviewees mentioned, and it seems that they recognise it, which is why they are happy to act in a JA environment that supports them as a mitigating factor for their audit risk.

Another issue to consider is that some audit firms, especially small and medium-sized firms, suffer from a lack of experience and specialization in some technical areas that affect the quality of audit. For example, some firms have financial resources, but they do not have the human resources and vice versa. In the same vein, one of the auditor heads (I-2-AF) shared his experiences by saying:

“The cooperation between the two auditors under the joint audit system contributes mainly to improving the quality of audit through cooperation between auditors. As auditors, we may have weaknesses where the other party can compensate it, such as lack of experience in auditing companies in a particular area such as industrial and medical, or I may have technical capabilities my audit partner does not have. The JA system is capable of creating an audit entity that can increase the level of auditors and overcome any weaknesses possessed by one of the two auditors. In contrast, in individual audit, there is no such feature, the auditor alone bears the audit process even if there are some difficulties on the level of lack of capabilities and experience.”
(I-2-AF)

An audit firm owner provided more detail:

“As auditor JA for me is an advantage that has greatly benefited from it in my audit work, I started as an auditor in 2001, and I consider JA as a window on the audit world that resulted in relationships with clients and other audit firms; further, there are many advantages in JA that benefit all customers, auditors, banks, and government, such as raising AQ, reducing manipulation, and increasing the independence of auditors. But these features may not be significant to me when compared to the features that affect me directly. For example, we are the owners of medium-sized offices who suffer from the problem of not having enough human cadres to do our audit work, which results in the work pressure for me and my staff in the office. This is a dilemma for many other medium and small-sized firms, and causes a lot of issues. In some cases, when I do the audit individually, I do not get sufficient appropriate audit evidence regarding the entities' financial activities or financial information, including the disclosures and whether the financial statements represent and give a true and fair view. Here is the main advantage of JA, that joint auditing allows the exchange of human elements and roles under the JA. For example, during the Ramadan season three years ago, I had a shortage of some department because of religious rites, at the same time I was a reviewer reporting clients for the third quarter of the year, and I couldn't do the work, So my partner did audit work alone, and I individually did audit work the report of the last quarter of the year. As auditing firms, we are under the JA system. We make up for any shortage between us, whether human lack, technological, and information, where often we exchange information about the customer himself. Another point is a feature of joint auditing, where JA is a central channel for the formation of many relationships with co-partner audit offices, as well as customers resulting in a good financial benefit. The cooperation with big four firms in many businesses, both auditing and accounting consulting, which contributed significantly to increase my profits.” (I-14-AF)

This is consistent with, Baldauf and Steckel, 2012 suggesting that the JA is a guarantee of activating brainstorming sessions and improved coordination among auditors, as well as easy communication, exchange of ideas and discussion of results, which reflects on the accuracy of fraud risk assessment in the financial statements thus improving the AQ compared to the single audit.

This is consistent with Alanezi *et al.*, 2012, who note that the application of JA has helped to increase compliance by audited firms with the requirements of IFRS. It appears from the interviewees' responses that in order to achieve high AQ, the presence of International Financial Reporting Standards have to be considered, as explained by several participants:

“Our duty as a government body is to protect small and large shareholders in terms of increase in transparency and certainty in the financial information. To reach this goal, we have developed several plans, including implementation of the IFRS. It is also able to give foreign investors a positive impression of investment in Kuwait. So, according to our experience, we know that increasing the efficiency of the auditor increased his keenness to apply these standards, here JA feature is centralized. The JA is better than the single audit in terms of the keenness of the two auditors to apply these standards. Through their joint team, they have the knowledge and experience to increase compliance with these standards, resulting in high-quality financial data. JA, by improving IFRS, would support investors who are new to their industry to understand the data in the financial reports because the information would be simpler and clear with better quality that will enhance their decision-making process. This means that the need is greater than ever for JA to get a globally accepted framework where financial statements are comparable, consistent, reliable, and transparent at domestic and international levels.” (I-20-GFA)

The Kuwaiti market is unique in the relationship between the client and the auditor in terms of the client's impact on the auditor, the change or the concealment of certain financial statements. This situation results in many problems and even financial crises in the Kuwaiti market. After interviewing a few auditors, it became clear that there was a weakness in the independence of auditors, especially if the audit was individual, due to the strength of clients. Therefore, JA can significantly reduce this problem and even increase the independence of the auditor. This is consistent with the results of Herbinet, 2007 and André *et al.*, 2009.

In summary, when looking across different interview responses, it can be concluded that the JA is a vital point to increase the quality of audit in Kuwait, by increasing the independence of auditors, as well as improving the level of adherence to International Financial Reporting Standards and improving auditors themselves through the exchange of experience and information. This will contribute to getting financial statements that are almost free from

material misstatements, whether due to fraud or error and to issue a report that includes the auditor's view. The JA is important in keeping pace with internal and international developments, particularly given the increasingly critical role of understanding information in the statements that have better quality contributing to the economic and social advancement growth in the Kuwait audit environment.

6.2.2 JA's Importance for the Audit Market

This section examines JA dimensions in the Kuwaiti market according to the view of stakeholders. The importance of JA in the Kuwait audit market was one of the more interesting findings obtained from the interviews. The empirical evidence drawn from a total of the majority of interviewees reflected stakeholder perceptions about the audit market under the JA system. Based on the interviewees' responses, two relative codes were realised and emerged together. These codes include market concentration and new entrants into the audit market.

As for the audit market concentration, participants believed the JA's impact was marked in two ways; the first is increasing the market's competitiveness, away from having a large market share controlled by the Big Four, so that other national firms gained a reasonable market share. Secondly, the market barriers to entry for the new generation of professionals are reduced by enforcing the JA regulation. A government official chair shared this view, as follows:

“For me as a government official, if we are to create a vibrant, innovative audit environment in order to meet the market needs, we must create a competitive setting in a manner that will ensure new entrants become auditors of major companies. JA is a proven and tested mechanism to facilitate the emergence of new auditors and, in the Kuwaiti situation, has already led to producing the less concentrated market, we believe JA also delivers real improvements in AQ and reinforces governance arrangements on audit conduct. Moreover, there are two main advantages when evaluating JA; first, JA can stimulate competition between many audit firms from different professional backgrounds, resulting in more innovation and better response to clients' needs. Second, it enables SMF to get a share in the audit market. So, we are therefore reaffirming our longstanding support for JA as a essential role of any measures package to be considered to develop the audit environment in Kuwait.” (I-5-GFA)

Another auditor has confirmed that JA in Kuwait has increased their firm's market share, which has led to a lower level of market concentration:

“JA for us as audit offices is an important channel to expand our business. Through JA, we can collaborate with other offices to obtain market opportunities that cannot be obtained with a single audit, even with offices that vary in size. For example, if the size of the auditor is larger than my office, it takes the largest percentage of the fees. On the other hand, if the auditor is smaller than me, I take a larger amount of fees. Moreover, in Kuwait, many people think that in JA the audit fees are double, this is not true, the fees in Kuwait are shared, which creates a good opportunity for auditors in the market. More importantly, the audit market is not concentrated between a group of auditors.” (I-24-AF)

The above quotations are consistent with Herbinet (2007), André *et al.* (2009), and the European Commission (2010), that the JA could effectively reduce the high audit market concentration and be a core driver of stimulating audit market competition. Auditors have felt the importance of JA in terms of opening channels and opportunities with clients, which will contribute to increasing their business and reduce the concentration of market audit. According to Velte & Stiglbauer (2012), MSF are increasingly driven out from the audit of capital market-oriented companies by the BAF. This leads to major disadvantages of competition (Velte and Stiglbauer, 2012). Kuwait, however, does not suffer greatly from this problem because of the JA, which is an essential factor of competitiveness for audit firms. Similarly, government bodies believe that competition and non-monopoly in the audit market is a vital element in stimulating effective and strong economies and promoting economic growth. Competition increases productivity by pushing audit firms to enter and gain market share, leading to innovation, which is in the interest of customers. Thus, the JA supports this productive competition environment for better auditing. A unique point in the market is that the new auditors in Kuwait benefit from the JA. In Kuwait, there is a special classification for the auditors. The auditors are classified as class A, B, or C according to their years of experience and the number of times that they have checked. Therefore, the JA contributes to the creation of audit market opportunities to the auditors, thus contributing to the overall AQ in Kuwait.

The main findings of this part also revealed that JAs have the potential to address some of the issues in the market such as monopoly and lack of experience, by allowing smaller firms to gain experience of big audits, as well as encouraging audit firms from outside the Big Four to enter into this market, ensuring they have the opportunities and capabilities to compete. This promotes AQ, improves market resilience and protects client's choice.

6.2.3 JA's Importance for Auditors

The findings from interviews show that several interviewees had common opinions on the importance of JA for the auditors themselves. Some of JA's benefits to auditors include exchanging experiences, information and technical expertise among practising auditors to improve any weaknesses in specific aspects of practice through professional development. This could be among national professionals or from Big Four to non-Big Four For instance, as an audit firm owner remarked:

“As auditors, there is now no unanimous agreement about JA, where the evaluation of JA is different from the client or the audit office. In terms of auditing offices, it is divided into two divisions Big four or non-Big Four. For non-Big Four it allows these offices to audit companies of a fairly large size, which are often listed on the Kuwait stock market, allowing them to exchange experiences and information between these offices, which helps their development, in addition to achieving a material benefit to these offices. Many audit offices have started small but after a period of growth and profits have increased due to the joint audit system, there are opportunities that may not exist without JA. Regarding the big four, they may be the least benefited from the JA because they have a sufficient customer base and a good reputation. However, JA enables audit firms to benefit from the technical expertise between them and exchange information between audit firms either big four and non-big four to address complex technical issues. JA provides an efficient and standardised mechanism to facilitate automatic exchange of information. Also, the existence of two auditors in the general assembly increases the credibility and value of the financial statements issued by the management and then reassures those concerned to reduce the risk to shareholders. Generally, the big four firms, most of us are less likely to benefit from the JA because of their size and potential, but they provide opportunities for exchange of information and cooperation between other offices.” (I-23-AF)

Another JA benefit is the reduction of the market auditors' risks and the protection and continuity of the auditors' services in Kuwait. In this regard, one of the middle size audit firms' auditors argued that:

“I am an auditor and owner of audit office, I prefer JA for a major reason in Kuwait has a unique law regulating the audit profession, this law does not protect auditors to obtain an audit license, as the law is the establishment of a solidarity company. This type of company is due to any legal matter in my own property not only the capital of the audit office. I see some of my colleagues were referred to their own property as a judicial compensation to a client as reason is an accounting error that can occur in any accountant during the course of work. Therefore, the presence of another auditor with me is an additional guarantee and a source of safety not to make a mistake. In my view, JA encourages healthy dialogue between the two auditors appointed which brings a critical eye on the way each auditor works, which results in protection of our business as auditors. As an auditor, I strongly support the continuation of JA not only for commercial reasons but also for the protection and continuity of the auditors' work in Kuwait.” (I-27-AF)

Generally, the most interesting point for participants is that the JA is a fundamental guarantee for auditor's future careers. In Kuwait, in accordance with the provisions of Decree-Law No. (1981/5) explained in Chapter 3 the responsibility of the observer for his misconducts with emphasis on the joint liability of the partners in the audit company, and touched on the responsibility of the auditor when he made professional misconducts and his obligation to compensate for the damage caused by those mistakes alone or jointly on towards what his predecessor. This means the primary responsibility of the financial report lies with the auditor himself. Article (16) stipulates that the auditor shall be responsible for the professional errors committed by him and for the correctness of the data contained in his report. The JA constitutes an additional and essential guarantee for audits as well as a source of safety not to make audit errors. which results in the protection of auditors' business.

6.2.4 JA's Importance for Investors

In order to deal with investment, the participants showed that they are aware of the importance of JA, and have showed an increased level of understanding of JA role in reducing the financial statements manipulation. Most of the interviewees developed an understanding of the nature of the JA from the company's reports, documents, and publications. One investor describes what JA means for him as follows:

“For me, I came from a background and negative investment experiences. I experienced many financial crises from the crisis of 2008, 1995 and the most important the crisis in 1982 in which I lost all my money, the main reason of that was the manipulation of financial statements. Where the audit firms play a role in this manipulation, they have increased the profits but they were unreal and concealed losses, which ultimately led to disaster for all investors. Accordingly, I do not have full confidence in the audit offices. In the end, the financial statements are certified by them, whether they are true or not, and there is no regulatory body over them. In many cases, the board of directors agree with the auditor to certify statements unreal, leading to loss of our investment. So, I prefer the joint audit which can reduce the manipulation. Of course, JA is not able to stop this manipulation but is able to reduce it significantly, as a board of directors or corporate management is able to agree with one auditor, but it is difficult to agree with two auditors.” (I-31-I)

As seen from the above quotation, this participant considered JA to regulate financial activities in a relatively transparent, fair and efficient manner, and to be an important environment for obtaining familiarity with their investment. The following is an additional example from another participant:

“As an investor, I prefer companies with JA. It gives more comfort on the financials. In addition, better monitoring on the management to audit firms, to audit the figures and to monitor the management. For me, it gives me more comfort. In addition, JA can adjust the financial statements in terms of the company’s cost of capital and increase confidence in corporate information, resulting in financing benefits.” (I-22-I)

Previous negative experiences have affected stakeholder opinion in the financial environment in Kuwait, as a result of previous financial crises in Kuwait, confidence in the financial data is greatly reduced. This results in the interest in JA as a means of increasing the reliability of the financial statements. Moreover, a large percentage of stakeholders agreed that there is an intangible benefit that is not indicated in previous studies, which is the psychological comfort for users of financial data, when there are two audit offices. Especially, the Kuwaiti investor comes from a shaky background in terms of confidence in the financial statements due to Kuwait's financial crises. Thus, JA can address the lack of confidence by having more than one auditor accrediting and certifying the data.

To conclude, JA enhances public awareness of investment and investors through transparency and fairness, prevents conflicts of interest, and enables the use of real information, as well as ensuring compliance with the regulations and rules related to securities activities. This is similar to the findings of Francis et al 2012 and Al-Hadi *et al.*, 2017, who noticed that JA gives financial benefits to stakeholders and the ability to protect the investment of investors. It also gives investors a more comprehensive picture of their investment in the market, which would enhance the investment awareness with regards to financial reports and disclosures, as well as improving the Kuwait stock market transparency in general.

6.2.5 JA’s Importance for Governments and Corporate Management

The regulatory authority in Kuwait works on supervising and developing economic activities in the state as well creating an attractive investment environment that obtains investors' trust. The JA can give the impression for the business community that Kuwait is serious in protecting and increasing their investments. This is done through a number of means, including increasing the credibility of financial statements. This is illustrated by the following quotes:

“After the Kuwaiti Stock Exchange market has been promoted from “frontier markets” to “emerging markets”, it will put it further under foreign investment in the

near future. So, we seek to create an entity built on trust and high credibility, as well as gaining the confidence of both foreign and local investors. Therefore, I believe that the JA is a factor in the reflection of the seriousness of the bodies in Kuwait to enhance confidence in the market, due to the lack of legislation that serves the transparency of financial information in Kuwait. We believe the foreign investor could see that this type of audit distinguishes Kuwait from other countries in the region in terms of credibility of information as well as the local investor, where many of them believe that the existence of two auditors is, indeed, in their interest and an element of protecting their investment. The strengthening of confidence in the Kuwaiti Bourse with the credibility of financial information may prompt foreign investors to look at Kuwaiti assets, including stocks. Kuwait Stock market (KSE) is one of the oldest markets in the region and was opened in 1977. However, it has undergone many financial crises which it may be a concern for investors. For that, through laws and procedures, one of which is the JA enhances investor confidence. The Joint audit may not be the only factor or even influential, but the most essential point is that the JA can give the impression that Kuwait is serious in protecting and increasing their investments by credibility of financial information. Therefore, I believe that JA is an attractive and promotional element of the Kuwait Stock Exchange.” (I-5-GFA)

The supervisory authorities in Kuwait view joint audit as a means to help protect investors. Further, the JA can give the impression that Kuwait is serious in protecting and increasing their investments through the credibility of financial information. Nevertheless, it needs to be developed in terms of laws and legislations to improve AQ and increase choice in the audit market. The authority manager explained that communicating with relevant parties who may have some JA concerns about the extra audit costs or one of the audit firms could be a free rider in that does not involve properly in the audit process. Therefore, considering this feedback provides the government bodies with useful recommendations for legislation and regulation enhancements or reform which will ultimately improve AQ and increase choice in the audit market:

“We support JA although it is the stakeholders' preferred choice, but the majority have comments, some believe that JA could increase the costs and time of audits. But the most critical point that many stakeholders are concerned about is the deficiencies in the laws and legislation associated with JA. For instance, it is concerning that challenger firms in the audit process will not be able to take on the audit responsibilities involved when they are making errors in audit process, and will struggle to obtain cover for the joint liability attached to the audit opinion for any client. Indeed, there should be laws that protect both the auditor and the client... under the existing joint liability system, challenger firms may not be able to act as joint auditors, due to that, JA legislation should be subject to periodic review to ensure that they are fulfilling their aims. We feel strongly that early and urgent action to address public concerns concerning AQ is essential to keeping users confident. We believe that the key purpose of JA ensures that the market produces high audit quality. In Kuwait, we look forward to working with all parties to provide useful recommendations for legislation and regulation which will enhance AQ and improve

options in the audit market while ensuring that JA meets the Kuwait financial environment future needs.” (I-33-GFA)

The JA is composed of a group of auditors who work together for the achievement of a common objective Neveling, 2007 , Deng et al, 2014. Clearly, auditors under the JA system are a team and a team-working value is expected from people with different backgrounds. The fundamental characteristic of the JA task is increasing the quality of information and data in financial reports, which will benefit stakeholders and in particular investors, as found by André *et al.*, 2009, Herbinet, 2007, and Karjalainen, 2011.

On the other hand, it appears from some interviewees’ responses that the JA is vital to increase corporate executive management confidence in financial reports in the Kuwaiti market, as explained by several participants. A banker representing corporate executive management highlighted that JA may provide some kind of reassurance on making lending decisions when the borrower company is not audited by one of the Big Four accounting firms, and shared his experience in saying:

“As a lender, the most important thing I have to do is to make sure the information in the financial reports is correct before taking any further steps. The first thing that is central to the validity of these financial statements is who is the external auditor that audited these statements; in some case reports are manipulated, such as inflating assets, concealing losses, or increasing profits, resulting in wrong bank decisions. So, I do not have any problem when reading the financial statements audited by one of the big four. Still, the dilemma is when a company comes to take a loan, and its external auditor is not from the big four, which leads to the refusal of granting any banking facilities. In contrast, most companies that are subject to JA are in a safe area compared with the single audit even if the two auditors are not from the big four, wherein the manipulation in JA is little or none in financial reports, as JA is able to detect financial breaches better than a single audit where JA can compensate for any weaknesses in one of the auditors. Moreover, in many cases, one of the parties to the audit has experience in the audit of industrial companies and does not have sufficient human resources, on the other hand, the other auditor has human elements and no industrial experience, which creates in their integration in audit process is a full audit entity who can produce high AQ.” (I-18-B)

One of the audit firm owners claimed that:

“Exchange of roles between auditors creates opportunities to reduce the error rate in financial statements, for example, every 4 years exchange between auditors where each auditor checks the work of the other auditor, which contributes to reducing the error rate. The JA creates mutual cooperation between the auditors in Kuwait in terms of exchanging information and possibilities for addressing or compensating any weaknesses of the other party of auditors. For example, if one of the auditors has experience in the field of industry, it is possible to audit the industrial work of the

client while the other auditor audit other data. Another point is the cooperation between the auditors, which helps to carry out the large audit functions. For example, in 2007, the Kuwaiti parliament passed a law to review individual loans in Kuwait because of the difficulties faced by borrowers in repaying them. This was requested by financial auditors who check on banks operating in Kuwait, with each individual loan in Kuwait reviewed case by case, and this required considerable effort from the audit offices. However, the JA system in Kuwait has contributed to the reduction of this effort due to cooperation resulting from joint auditing. The advantages on the market, the new auditors in Kuwait benefit from the JA. In Kuwait, there is a special classification for the auditors. The auditor classifies the years of experience and the number of times that he has checked as class A, B, or C . Therefore the joint audit contributes to the creation of audit market opportunities to the auditors, thus contributing to the overall quality of audits in Kuwait.” (I-20-GFA)

An investor shared this view, as follows:

“Restoring investor confidence is important in the period in which Kuwaiti stocks go through as it is considered the main factor in the return of local markets to recovery. He pointed out that restoring confidence requires companies to make every effort to improve the level of transparency by increasing the financial statements quality, pointing out that this condition is necessary for the restoration of large shareholders with large capital. Whereas, the JA is able to increase investor confidence in financial reports more than the single audit. If there are two auditors who share responsibility in this report, it is natural that this report is of higher audit quality as a result of the auditors' keenness to themselves, they are auditing their work before disclosing this report. We, as legislators, when we see some problems in the level of transparency in the surrounding countries and emerging economies, we see that JA is a positive and auxiliary element to increase the quality of financial reports that distinguishes us from other countries, but some of these countries tend to implement joint audits in the near future. He indicated the increase in the culture of traders with regard to laws and legislations, especially those new legislations, in addition to increasing the formal control procedures for the listed companies.” (I-22-I)

The Kuwaiti government intends to restore the confidence of companies to make every effort to improve the level of transparency by increasing the financial statements' quality. By JA Kuwait may be distinguished by a unique law, it could be a magnet for foreign investors.

Here also:

“In general, JA contributes to the application of governance in private Kuwaiti banks. As the JA guarantees complete protection of minority rights of the shareholders from the exploitative practices of the controlling shareholders, as well as the effective participation of the shareholders in the main decisions in Kuwaiti banks, there is a medium degree of protection and guarantee.” (I-9-B)

Previously, traditionally-minded companies and older generation investors, were cautious about entering foreign investment for fear of losing control of the Board of Directors.

Nowadays, attracting foreign investment has gradually become more prevalent in Kuwait,

especially in the banking sector. This path cannot be taken if the external investors are not sufficiently aware of the company, and they can monitor its results. Investors place more confidence in companies that provide clear and available information through two audit firms and allow them to assess the potential risks and rewards of their investments. With the entry of a new generation of investors from home and abroad, who are distinguished by an understanding of the benefits of external investment and the growth that it can bring, the market demand and acceptance will increase with greater transparency. As the repercussions from the economic environment in the world show, whenever capital is needed, the region's companies provide the required information. The JA is expected to become attraction tools among investors.

One of the most interesting findings in this thesis is that many interviewees indicated that the JA is able to keep up with the recommendations of the external financial organizations through increasing transparency by conversations with the Kuwaiti government bodies:

“Financial bodies differ in their customs in relation to their methods to increase the quality of the audit of the annual report. In addition, international auditing quality standards have emerged as a result of the globalization of financial markets, economic organization recommends that the annual reports contain high-quality financial statements. Therefore, Kuwait is keen to increase the AQ through the JA. This type of audit can do so based on external recommendations and internal claims. The combination of two offices during the audit creates a strong, transparent message for stakeholders.” (I-5-GFA)

It is noticeable from the above quotes that the Kuwait financial authorities are committed to setting supervisory and oversight regulations that support an attractive and competitive investment environment in Kuwait, based on the principles of fairness, transparency, and integrity according to the best international practice. The JA is important because part of this system seeks to increase the level of credibility of accounting information and financial statements. Furthermore, the no-tax setting in Kuwait weakens the government authorities' role in monitoring and controlling the reported quality of monetary and financial data. When there is a tax system, the authorities are interested in inaccurate financial data and motivated investment environment (Hanlon, Hoopes and Shroff, 2014). This demonstrates that, although there is relatively valid legislation in Kuwait's economic environment to regulate and discipline audit firms, the low level of supervision and accountability encourages audit firms to be less interested in the result of their outcome (Alfaraih, 2009). This may result in the output of audited statements that deviate from producing truthful and accurate data about

the firm to offering financial data that are misleading and favour the stakeholders (Kim and Yi, 2006). Therefore, the financial authorities in Kuwait are trying to increase the credibility of the financial statements; one of the means to reach this goal is the JA. Certainly, it is not the only means but an element of several able to improve audit quality, where many studies have emphasized the importance of JA on the AQ.

These initiatory results may find some evidence related to a research question that is focused on understanding stakeholders' perceptions of the joint audit. After knowing the perceptions of each group of stakeholders a comprehensive image of the JA can be created.

Overall, there are several important implications of the JA. First, the finding of this section suggest that JA generates cooperation and friction between BAF and MSF, resulting in a rise in the level of the auditor himself in terms of exchange of information and experience, as well as helping the Kuwaiti audit firms to develop their abilities by using advanced techniques and technology and transferring rare expertise to the auditors, which is reflected in the end in high audit quality. Consequently, auditors' independence and financial expertise are very critical for stakeholders to take advantage of the external auditors' performance. Further, the JA constitutes an additional and essential guarantee for audits as well as a source of safety to avoid making audit errors, which results in the protection of auditors' business. Second, on the financial level, the JA provides good opportunities for audit firms to gain market share, whereas large firms can be easily controlled, creating a monopoly in the market, leading to negative effects on customers and other audit firms. Finally, the joint audit can help to develop a strong financial market with credibility through the fair and transparent financial report that will enhance the position of the Kuwait financial environment, regionally and globally.

6.3 An Analysis of the JA Advantages

This section examines the advantages of JA in the Kuwaiti audit environment, which are numerous and varied among all stakeholder groups. These features revolve around three centres. First is internal to the audit offices and the auditors themselves. Second, for audited entities and companies. Third, the regulatory authorities and the economic environment in general in Kuwait.

6.3.1 The Impact of JA on Professional Reputation

The Kuwaiti financial community leans heavily on the emotional or psychological factor in the management of financial affairs. They do not depend entirely on studies, bulletins and financial news, this is due to the many challenges and crises in Kuwait, despite the limited emergence of the economy in Kuwait compared to the major economies. For example, the financial market crisis at the beginning of the eighties, was one of the results of inaccurate information, although it was approved by government bodies. Therefore, stakeholders depend on the reputation they are dealing with, such as the reputation of a board member and owners of banks and companies. Interestingly, JA improves the reputation of the audit entity, where stakeholders see this type of audit achieve more assurance because there is more than one party providing the audit and assurance services, as well as creating a balance of interests and most importantly the psychological factor. Therefore, JA through a cooperation of two auditing offices creates a highly reputable partnership compared to single audits regardless of the size of the office, as the reputation of two big four firms is better than one of the big four. However, the AQ and reputation are important in the financial environment, where audit firms that enjoy a good reputation have a higher probability of targeting fraud or errors; thus any information disclosed in the financial report is expected to have a higher AQ (Moizer 1997). While some studies (DeFond, Raghunandan and Subramanyam, 2002, Ashbaugh, LaFond and Mayhew, 2003, Johnson, Khurana and Reynolds, 2002, Chung and Kallapur, 2003) suggest that an auditor's concern with maintaining its reputation by providing high AQ could restrain it from any legal risk, it appears from all the interviewees' responses that JA is necessary to increase the quality of audits by providing good reputation to the auditors, as explained by several participants. For example, one auditor has emphasised that JA enhances the reputation of auditors:

"I think that the JA has a psychological advantage more than a phenomenon, which is an enhancement of the reputation of auditors. When the JA takes place, the auditors turn into one unit, here their reputation is higher than the single audit. As individuals in the Kuwaiti financial environment, we find that positive reputation audit firms are perceived to be less likely to engage in accounting errors than negative or changed reputation auditors. Our knowledge presumes that auditor's reputation is important to AQ and Kuwait companies, especially over the past two decades, as Kuwaiti capital markets have evolved to be more like their Western counterparts. Including more explicit consideration of their reputation within the audit team because of its potential impact on the AQ. Moreover, although AQ is unobservable, it can be inferred from the auditors themselves. Also, the combination of a large and medium

firms. These big auditors are keen on high-quality auditing because the BAF has more to lose if they supply low quality audits.” (I-32-AF)

The above quotations are consistent with Klein and Leffler's assertion 1981, that reputable firms provide high AQ because of fear of losing respect should they fall into the temptation to cheat and thereby provide a low-quality audit report. Moreover, audit firms with a reputation for high quality would do all within their power to maintain it. Dopuch and Simunic 1980 also proposed that AQ is linked with audit firm reputation. In their argument, they emphasised that since some firms have a brand name in the market, the type of auditor who audits the financial report will affect the perceived reliability by users (Dopuch and Simunic, 1980).

The relationship between the JA and auditors' reputation was observed to be significant and positive, where the JA can create a single audit entity that is keen on ensuring high-quality audit. The implication of this finding is that reputation is an essential element in increasing transparency and providing all the essential information about companies' performance to all stakeholders without discrimination. This will also help restore confidence that is lacking in markets and contribute to making sound decisions. This understanding may be one of the factors that motivates them to ensure AQ. Our finding is consistent with views that propose a reputation rationale as the reason why most reputable audit firms maintain AQ. Furthermore, the outcomes are in line with the findings of researchers such as (DeAngelo, 1981, Weiner, 2012,Gao and Kling, 2012).

6.3.2 Independence Factor

The confidence of users of accounting information in the external auditor's independence is an essential matter for the external auditor, and this confidence may be shaken by any evidence challenging this independence in the minds of the users. For the auditor to be independent, he must be ultimately independent, and for the auditor's independence to be recognized he must be strong towards the client whose accounts he audits (Carcello & Nagy, 2004). In Kuwait, there is much public debate about the scope of services provided by the auditor. In light of the requests from clients to expand the scope of these services, some supervisory authorities believe that the auditor independence and the objectivity of the audit is negatively affected when the clients are larger than the auditors in terms of financial forces. As the profession of auditing today faces high expectations from stakeholders, this requires

us to examine the concept of independence of the external auditor in its various dimensions and the various pressures that the auditor is exposed to in performing his duties.

“The independence criterion is fundamental in the world of auditing, as the independence component is an essential element in the users' confidence in the accounting information that auditors are reviewing, and in order to address this dilemma, the most important pressures that the auditor is exposed to that affect his technical opinion should be recognized. The facility management or the company's board of directors is considered one of the most important bodies that can pressure the auditor, whether it is a direct or indirect impact by the various means of pressure that the administration affects the auditor, which is mainly in the manner of appointment, dismissal, or determination of fees. The JA is able to reduce client pressure, especially with two auditors regardless of the size of the audit office itself. We in Kuwait were suffering from tampering with the financial statements of the companies listed on the Boursa, which greatly affected investors, especially small investors, there are measures taken to protect them. Therefore, care has been taken to ensure the correctness and reliability of the financial statements presented to investors. For this purpose, the JA applied, this type of audit may not be the only component, but it is a vital and influencing component. In addition to that, independence protects the auditors themselves from any pressure to tamper with and change financial information, which entails a legal issue for them. We see and confirm that the joint audit protects both the client and the auditor.” (I-33-GFA)

An auditor shared this view, as follows:

“We consider ourselves to be one of the medium-sized offices, we established this office about 17 years ago with a partnership with a foreign office to exchange experiences and help us in the audit work. We, as an audit firm, have escaped a dilemma in some cases, where the client as a financial entity is larger than us as an audit firm. This weakens our position in giving a professional opinion or presenting a view in the financial statements. In this case, we consider JA to be a catalyst in enhancing our independence, which contributes to giving comfort and freedom in expressing an accounting opinion, especially if the cooperation in JA is with an office of the big four firms. This is a major factor in increasing our independence, and it does not cause a direct collision with the customer. In the long run, it allows us to keep clients. Therefore, we believe that JA is an essential element in increasing the quality of auditing, out of strengthening the independence of the audit office.” (I-19-AF)

In summary, findings highlight that most interviewees perceived the importance of JA in terms of auditor's independence. There are two constructive processes suggested by participants from this paper: (1) JA can reduce client pressure, and (2) JA helps them give an unbiased and honest professional evaluation of the financial statements to the stakeholders. However, it should be noted that mid-size firms need to consider the balance between independence and their relationship with clients.

6.3.3 Cooperation

The main findings documented that the cooperation under JA system is an important advantage that many stakeholders believe in. The clients see that cooperation between two offices results in high audit quality and professional opinions from different points of view, supports their economic decisions and strengthens their position in front of shareholders. In the same context, audit firms believe that cooperation between them contributes to increasing knowledge and expertise. Here, we divide cooperation into two levels. Firstly, the big offices come from three accounting backgrounds, American, British and European. All of these backgrounds have different knowledge and experience from the others. Therefore, when cooperating between these offices, each side benefits from knowledge of new auditing methods and systems. These big firms have their own development programs, with which auditors from other offices may not be familiar. As a result of friction in the JA, the other side acquires some of these experiences, which will ultimately benefit the AQ. Second, the middle offices generally benefit from cooperation with big firms, to increase the level of audit, while the big firms benefit from points, where some of the middle firms are specialized in a specific area, such as auditing of oil and medical companies. Therefore, this cooperation is essential for all users of financial reports. The findings from interviews show that a number of participants had applied a form of cooperation during the JA process. For instance, as an auditor remarked:

“Cooperation in the audit process is one of the JA patterns and methods, which is based on dividing functions and tasks in a group of auditors who deal with the same customer, which collects one aim and a public interest so that all the team's various skills are exploited and invested in the customer service. To ensure better results and quality business outcomes, knowing that the team's success requires many individual and group requirements and efforts that ensure this is achieved, such as preparatory meetings before starting the audit process, knowledge of the specialisation and strengths of each audit office.” (I-32-AF)

As expected, the research data revealed that cooperation between the two audit offices generates an entity with fewer weaknesses and more strengths, as a result of mixing different skills and experiences. The participants from medium-sized audit firms explain the importance of collaboration for mid-sized offices. The following statement addresses a perspective from a mid-sized firms' member:

“In order to benefit from joint auditing, the team must have a high degree of skill and expertise. Therefore, the auditors must be carefully selected to achieve the desired objectives of this work, which is based on a set of steps, namely: A- Work to

adequately explain the type of customer and the most critical financial characteristics related to his financial statements. B- the tasks that each auditor will perform, to be fully prepared to complete these tasks fully, establishing certain specifications must be available in the person who will receive a certain task, considering the suitability of this person for the task that will fall on him. However, since the coordination meetings between the two audit firms before starting work are necessary so that we work to form a joint working group to discuss these points that I have previously explained to you, it may take a long time and more than one meeting for that. In some rare cases, we may not reach a point of mutual understanding, and if we are not able to resolve it, the partnership between us may be cancelled, and the customer will be informed of that. Therefore, we pay great attention to having an understanding between the two audit firms so that cooperation between us is fruitful.” (I-24-AF)

Cooperation between two firms in JA generates a state of consulting and exchange of experience. As for consulting, to achieve the basic goal of cooperation, policies and procedures must be established to facilitate the audit of financial data and information between audit offices. It can be assumed that employees will seek advice and exchange knowledge on any emerging issues through the fiscal year in which the JA takes place from employees who have appropriate levels of competency and technical skills higher than theirs. The nature of consultations depends on several factors, which include the size of a firm, and the levels of knowledge and experience of the audit workers.

In Kuwait, the JA exercises its services through firms that may take the form of collective facilities, meaning that the auditors perform their services with partners. The advantage of this type of participation is the exchange of three main elements of information, knowledge and experience. The benefits and advantages of this grouping are due to the multiplicity of experiences and specializations, and such a professional grouping creates an appropriate environment for discussing work problems in a group, which increases the effectiveness of the audit.

6.3.4 Improving the National Audit Practice

Given the importance of auditing in the financial world and the importance of the auditor in expressing the final product of the audit represented by the technical and impartial opinion, the external audit plays a major role in supporting the financial report quality. Therefore, the auditors must have characteristics that qualify them to carry out their mission and express their opinion because they are the honest protectors of many categories of stakeholders. On the whole, joint auditing is considered an auxiliary factor in raising the level of auditors in Kuwait and providing high-quality information in relation to future expectations, but it still

needs regulation and maturity to harness the accumulated wisdom of experience and professionalism to achieve its goals. The JA is an opportunity to develop a high-quality professional industry in the Kuwaiti auditing sector, in the sense that during the dealings between the audit firms themselves, it contributes to raising the level of the local auditor, especially when doing audits with the major offices of the Big Four or the international offices operating in Kuwait.

The JA creates a positive environment for all stakeholders. Negotiation and friction between auditing firms achieve several advantages for auditors. The most important one is to raise the level of the members of each firm as a result of the exchange of auditing methods and skills, which results from the acquisition of new technical knowledge and skills. Likewise, JA allows the formation of a wider network of relationships than individual audits. The offices in Kuwait treat each other with a noticeable and permanent respect, JA constitutes factors that help raise the level of auditors and establish a network of relationships between them. But what matters here is that the audit environment in Kuwait has gained through the interaction of the audit firms under the JA system, which will be a strong basis in improving the professionalism and efficiency of the audit, and that the negotiation and friction between the firms is comprehensive whenever it is in the interest of the stakeholders. The evidence from in-depth interviews with 22 auditors and managers illustrated that all of them perceived the JA role as necessary. However, most interviewees also perceived the importance of the local auditors as a major factor to improve the level of AQ in Kuwait. In fact, in the JA, there are a number of factors that can affect the audit firms in Kuwait positively. In discharging the joint audit role as auditors, many auditors and managers underscored that JA mainly contributes to raising the level of auditors as a result of networking and cooperation between the audit firms; the following two quotes illustrate this view:

“I like the JA; the system of foreign players in football who have greater potential than the local players in the football tournament. when dealing with local players with these professional players, whether they play with or against, the technical level of players in Kuwait will increase. I am now in a leading position in one of the largest audit firms in Kuwait, I see how the central offices benefit from dealing with us. Since the beginning of the JA system, or exactly since the beginning of the new millennium, we see the progress of the level of mid-sized offices in terms of skills and knowledge as a result of our dealings with them under the JA system. Likewise, when dealing with major firms, we benefit from them in learning new methods and experiences, and they likewise benefit from us. I pay tribute to the JA and their apparent impact on developing and raising the level of the performance of the local audit firms and providing them with new experiences through direct contact with big and

international office. Therefore, these experiences will be effective when participating in the auditor. Therefore, I believe that the JA contributes to improving the level of audit in Kuwait, especially since we are from emerging countries on the financial level.” (I-6-AF)

“With JA, knowledge sharing is recognised as one of Kuwait's most significant success determinants for the audit environment. Under JA, we're entering knowledge with collaborative platforms developing social as well as circular industry knowledge, where all employees can share and comment on their colleagues' ideas, views and practices. The working environment between the two firms is transformed into platforms for exchanging ideas, skills, and information. These platforms include scientific, operational knowledge and technical and contain views, feedback, and opinions directly from staff and even clients. It transforms into a basis that raises the level of auditors, resulting in high-quality auditing.” (I-19-AF)

It is noticeable from the above quotes by (I-32-AF) that the working environment between the two firms is transformed into platforms for exchanging ideas, skills, and information.

Assistant manager in audit firm has described this as:

“under JA expertise can be shared widely between the staff. As a result, all auditors can gain confidence, build on their skills, reduce skills gaps, and improve AQ. In addition, more established audit firms can take advantage of their expertise and experience by simply sharing it widely, giving them an edge in competition.” (I-32-AF)

In many cases, JA can create for audit firms a renewed environment of knowledge, both from auditors and clients, which is the reverse of the single audit, which puts the auditors in a closed circle that cannot communicate or familiarize themselves with new parties. This is illustrated by the following quotes:

“The networking between two firms when performing the joint audit raises our levels as individuals. For example, when conducting audits in cooperation with counterparts from international firms operating in Kuwait, new horizons of knowledge open up for us, and new methods of auditing are followed in these offices. These offices have basic and modern auditing capabilities due to their high potential as a result of our interaction with them during the joint audit, we gain part of this knowledge and methods. In addition to that, here in Kuwait, the offices come from three accounting schools, American, British, and European. Each of these offices has its own distinctive methods, where accounting standards are the same, but the methods differ. However, before working in the auditing field in Kuwait, I used to practise individual audits in my home country; there we used to deal with the audit team alone as well as clients, this generates a state of lack of passion for improving the level of audit and the absence of channels for development. The clients themselves and colleagues are also, and there is no reason to cooperate with other offices in order for us to benefit. On the other hand, here when performing the joint audit, we deal with other auditors who have advanced skills and methods that we do not possess, especially if we are from medium size offices. Therefore, I believe that the JA

opens a way for us to develop our level as auditors when dealing with other offices. Also, we can contribute to raising the level of other auditors, which ultimately affects the interest of the audit environment in Kuwait.” (I-11-AF)

Upon consideration of the above statements, upgrading the level of auditors contributes mainly to increasing audit quality. Francis (2011) argues that AQ is influenced by six factors that range from a granular view of the audit process to a comprehensive view of the audit results, including (1) audit firms, (2) audit process, (3) audit inputs, (4) audit markets, (5) audit industry, and (6) economic consequences of audit outcomes. At this point we focus on the audit firms, which are an essential component for improving audit outcome. In other words, audit firms provide essential and valuable insight into the AQ that exists within the financial organisation in Kuwait.

6.3.5 Addressing Audit Firms' Deviations

Some audit firms turn into a tool for attacking and blackmailing the clients, due to disputes with the company's boards of directors or executive departments, or to obtain a specific purpose such as appointing a person to an important position in the management of the audited company. Moreover, in some cases, an auditor reserves the financial statements of a company listed on the stock exchange without a clear and valid reason, which leads to the stock being suspended for a long period (i.e. preventing its trading in the market) by the regulatory authorities, which causes losses and direct harm to the company's management and shareholders. Thus, from time to time, some auditors turn from a trustee and custodian of companies' financial statements and an assistant to the supervisory authorities to a tool to blackmail audited companies and a threat to small and large investors.

“The file of the external auditor is one of the most important and sensitive tasks, as it reviews the details of the minute details of the financial statements, assets and all the businesses of the listed companies. Thus, this task is more sensitive than even the boards of directors of companies. What the auditor knows may not be known by some members of the board of directors. So, some auditors turn into a tool of appeal and blackmail for companies to request high wages or in exchange for not giving up and getting fired. For example, a listed company affiliated with a bank had previously been suspended because of a conservative opinion. Then it was modified and returned to trading, and this situation is repeated for many companies that are successfully continuing in the market. Therefore, the JA can handle this situation when there are two audit firms, each firm has different owners and employees, and it is very difficult for this extortion to happen. The phenomenon of deviations in some strategic tasks requires a pause from the supervisory authorities to continue cleaning the market and the stock market and deepening confidence more, as it is a risk that the investor

remains captive to a dispute here or a conflict there, or to demand high wages or in exchange for not giving up and dispensing". (I-31-I)

Among the most critical problems and deviations that have arisen between companies and audit firms are the following:

1. Reservations on the financial statements according to the negative opinion that the auditors give, such as "doubts about the continuity of the company".
2. Some auditors turn into a blackmail factor when the decision is made to remove them from the contract and cut off the relationship completely from all the group's business.
3. There is a lack of commitment to the confidentiality of accurate and financial information of companies or the use of some data to harm the financial positions of the listed entities, with signs of disagreement with any observer.
4. Some auditors forget that they are legally treated as insiders of financial statements, just like the board of directors and executive bodies, and therefore what is forbidden to insiders in companies is forbidden to them in terms of buying and selling shares or disclosing financial secrets and data that harm the financial position and not using them under any item.

The auditors are not entities and individuals that are not subject to error or deviation; the auditing field has both good and bad, especially in the Kuwaiti audit environment, which has some legal loopholes and the lack of close monitoring of audit firms. Therefore, the JA can be a successful and effective way to address the deviation of some audit firms. However, here the opposite of the issue of independence of auditors occurs. In the matter of independence, it is difficult for the client to pressure the auditor if he /she is a unit carrying out audits. Under the JA system, it is difficult for the auditor to blackmail and pressure the clients for any purpose because there are two different entities involved in the audits.

6.3.6 No Additional Cost

When examining the stakeholders' understanding of the audit fee portion under the subscriber's audit system, two main points became clear after the qualitative research. First, the JA does not increase the audit fees, the reason for this is that JA involves fees, but the costs are divided between the auditors and not double fees. Second, the audit fees in Kuwait

are small when compared to the other administrative expenses of clients; that is, the benefit of JA is greater than its costs. However, one of the most critical points in JA research and on the ground is the audit fees. Research indicates that JA contributes to increasing the costs of auditing services (Holm and Thinggaard, 2010 , Deng et al 2014). For instance, Lesage *et al.* (2017) found that Danish firms that appointed two auditors paid around 10% to 25% more than companies that chose to abandon JA and just have a single auditor. Similarly, Andre *et al.* (2017) reported that French companies had a 35% to 70% increase in audit costs for JA compared with British and Italian companies. This is one of the main points in this research. However, after the investigation, it became evident that the JA does not increase the audit costs, as the audit fees are divided between the two audit firms. That is, the audit fees are distributed among the auditors, and they are not required to be equal, as it is possible for a firm to receive 60% of the fees in return for another firm receiving 40%. This depends on the mechanism of sharing the client's business before starting the audit process. The data of this study show that although most of interviewees perceived the importance of JA on stakeholders and AQ, they felt comfortable about auditing costs under this type of audit. Furthermore, the majority of interviewees agreed that the costs of JA auditing are less than its benefits, where this fee is considered small when compared to the results of JA. Below are the perceptions of interviewees regarding audit cost role:

“In the JA the audit fee is not considered high when compared to a single audit. It is at the same or slightly higher than the single audit price. As many people who are interested in auditing in general and JA in particular, consider this type of high-cost audit and this is a misconception. As the fees under the JA system are shared and not double, this is a point that should be largely emphasized and an important aspect when evaluating the joint audit in Kuwait. Through my experience in the JA in Kuwait I can confirm that dividing fees, auditing according to work, and significant division between auditors in a balanced way, according to specific and agreed criteria, such as experience and qualifications of the audit team, number of hours, ability to complete work, and branches of the company under review. Written work agreement needs to be included.” (I-32-AF)

“As CEO, I believe that in Kuwait the audit cost is little when upon preview at the company's administrative expenses, the audit costs are considered small, as they constitute only 3% of these expenses. Not only my company but almost all the companies are operating in Kuwait by virtue of my experience. Therefore, if I see that the joint audit possesses all the ingredients that make it a key element to assist me as CEO. At each financial year when the general assembly for our company is held in front of shareholders and the media, I feel great satisfaction when presenting the financial results with the presence of a representative of two auditing firms, not only I feel comfortable but most of the shareholders, they understand that when the financial reports are signed by two firms, the reliability of these data is high. However, we as a

company, do not pay high-cost auditing fees, but in return, we benefit from joint auditing from two angles, the first is high-quality auditing, and the second is to increase confidence in the financial statements that we disclose.” (I-16-CM)

“Auditing pricing mechanism in Kuwait is almost clear and recognized between audit firms. It depends on two main factors, client’s company's capital and financial activity, where these two points are the basis for pricing. Generally, both offices jointly estimate the price of the audit, then they share the work. For example, a firm that audits customer expenses and the other firm that audits revenue, then we estimate the fees for each office. The audit fee is divided based on the size of the audit office, based on the hours required, the competence of the audit team, and the rewards system. However, these principles are used to evaluate fees based on the size of the office and therefore, can be considered as a fixed basis. In some cases, if the JA is between an office of big 4 and a middle office, the large office determines the way fees and work are divided. But in the end, the fees are shared between the auditors. It can be said that JA by mixing two auditing offices have the ability to employ auditors with a high degree of efficiency, as we spend a lot of money to train their employees, in addition to their ability to use external frameworks when conducting complex audits, which reflects positively on the AQ process. In return, the customer pays the same fees, but it is shared between the two firms.” (I-6-AF)

Before everything under the JA system, we must differentiate between audit pricing and the division of audit fees. As the pricing of auditing in Kuwait is subject to several considerations such as the audited company's capital, its financial activities, and lesser extent its geographical distribution, given Kuwait's geographic size. Therefore, the pricing of audit services in Kuwait are hardly different from the rest of the world. The unique case is the apportionment of the JA fee. The division of audit fees is based on specific criteria based on the audit office size, the hours required, the efficiency of the audit team, and the mechanism for dividing the customer's audit work. But in the end, the main point is that JA does not contribute to increasing audit costs. The audit fees are divided between the audit offices, whether equally or differently, which brings two benefits: first, for the client as he gets a high-quality audit as a result of the cooperation of two auditing offices, which reflects positively on the financial statements quality and the same costs of a single audit. Second, for the audit firms in Kuwait of all sizes, the JA contributes to distributing the financial returns to a broad category of audit firms and contributes to reducing the monopoly in the audit market in Kuwait.

We can categorize the issues addressed by the JA as follows:

- Technical and vocational issues of competence or incompetence, obtaining adequate training and familiarity with the latest auditing techniques, as well as obtaining practical experience by practice in auditing firms.
- Organising the work, which is close to working within the establishments, from working in a team and work environment, and the cooperation surrounding it, so that the business problems are facilitated with colleagues and administration.
- The risks are represented in the extent to which the audit firms exert sufficient professional care to perform their task to the highest standard and achieve the best outcomes. Further, the risks resulting from the failure to perform professional care may be in the compensation and penalties incurred through the internal auditor due to improper practices from the facility management so that he is jointly responsible with them for any fraud, practices, errors, and any illegal actions.
- Independence, which may become evident in the event that the administration is not faithful, to follow some of the temptations or pressure the auditor to dismiss, reduce the salary and dispense with him in the following periods, directly affecting his performance work.

To sum up, the data indicate that the advantages of JA affect in general all sectors of stakeholders, whether directly or indirectly. These characteristics are divided between features that have been pointed out in previous research, such as independence and cooperation. More importantly, some were not mentioned, such as the absence of additional costs, raising the level of AQ, and reputation.

6.4 An Analysis of the Disadvantages of JA

In this section, we will review defects or negative observations of the JA for stakeholders and users of financial statements. Through interviews, the most critical negative comments on JA with different types of users have been reviewed. Stakeholders see the downsides of this type of audit, and this negativity was influenced by the interests of users of financial reports. To complete the picture on the awareness of stakeholders of the JA it was necessary to know these negative notes. Negative points were identified on the JA from all stakeholders' parties,

and one side has negative aspects from his point of view that differs from the other side. For example, audit firms have some points that differ from clients and corporate management. New observations not previously discussed were discovered, and similar points were found with previous research and compared with these studies, these disadvantages are summarized and presented as follows.

6.4.1 Difficulty in Coordination

Difficulty in coordination is one of the main problems when applying the JA. Sometimes there is difficulty in coordination between the two audit firms, given the agenda of each firm.

In most cases, this dilemma occurs when the JA is between two auditing firms of the same size as the big four or middle offices. Coordination difficulties between the two audit firms can decrease productivity, delay audit tasks, and complicate processes. In order to coordinate the efforts of an entire organisation, the organisation requires systematic integration of a process that creates accountability within the organisation. However, difficulty in coordination creates three peripheral problems:

6.4.1.1 Delay

Delay in the audit process may be due to lack of coordination between audit firms. Audit delay caused by difficulty in coordination during the auditing process is an essential determinant in the timeliness of publishing financial reports. Financial reports communicate crucial information about the economic position of an organisation to a wide range of stakeholders to make decisions and assess the management stewardship. The duty of the external auditor is to make the financial statements available to the users in time so that they can use the data reported therein to make financial and investment policies. Leventis *et al.* (2005) suggest that the timeliness of financial reports determines the amount of attention by governing organisations and accounting researchers. Thus, the value of published corporate financial reports depends on their accuracy as well as their timeliness. So, the usefulness of a financial statements depreciates if it is not provided in time for stakeholders. The external auditor is a vital element in the financial statements' timing (Cohen and Leventis, 2013). Courtis (2006) argued that the audit delay results from an interaction between the companies' attributes and the audit firms' attributes that jointly determine the audit period's duration (Brown, Preiato and Tarca, 2014). Therefore, in this section, we highlight the role of the auditor in delaying auditing under the JA system.

“We as auditing firms, know the importance of financial reports to stakeholders, and we know that the basis of this importance is the timing of this data and the extent of its availability in the appropriate time. Moreover, we realise that the financial report communicates crucial data about the company finances. Therefore, financial reports must be made available to users in time to use the data reported therein to make economic plans and decisions. In the JA, the AQ may be high, but at the same time there may be a state of delay in the audit process as a result of difficulty in coordination and slow transfer of information between us and the firm participating in the audit, where each firm has an agenda and dates that do not match the other office, especially if there is a similarity in the level of the size of the audit office. For example, we as an firm feel more comfortable when the firm participating with us with the audit is smaller than our firm, we impose our appointments and schedules absolutely. But if it is big four, there will be a rate of delay.” (I-25-AF)

One of the auditors indicated:

“We, as auditing firms, have between us, pre-start meetings, in the client's auditing operation for coordination and arrangement for the fiscal year, to agree upon the mechanism of work and appointments. But after the passage of time and during this year. The mistake is made when plans and appointments change as a result of each firm engaging in private business. We, as an audit firm, do not only do audit work but do other jobs such as accounting and financial consulting. We have our own clients, it is normal for our plans to change, and this applies to the other firm with which we share audit work. The delay problem occurs as a result in a difference in business feasibility and the mechanism for auditing the customer's financial statements in a joint form. We are under the JA system. We must sit regularly and repeatedly with the client organization and the partner firm. To give technical opinions and view the financial statements on time this may not happen if there is no coordination, Hence the delay that causes problems for the customer and for us as auditors. This delay results in financial waste from the management of the stock market for us and the customer. In fact, the customer deducts our audit fees for these violations. As for a customer, he is affected by the suspension of trading in the shares of a company in the market as a result of delays in financial disclosures. Therefore, we in the JA tend to choose the partner office for us to audit and suggest to the client to significantly reduce the problem of difficulty in coordination and delay.” (I-23-AF)

Delaying the audit procedures and financial disclosures is a matter for JA if there is a problem in coordination between the audit offices. This causes negative effects for stakeholders in Kuwait and is one of the most important phenomena that must be addressed. Therefore, the usefulness of published corporate financial statements depends on their timeliness and their accuracy. In the audit practice, delay in auditing has been identified as leading to an overall delay in their publication. Consequently, while auditing is indispensable for ensuring the transparency and assurance of published statements, there is a need to address the delays caused by the JA in Kuwait.

6.4.1.2 Duplication of Audit Procedures

One of the negative points about the JA is the frequency or duplication of procedures. In particular, this point concerns auditors and the management of audited companies. Repetition means that auditors perform the accounting procedure two or more times. In other words, under the system of JA, each of the two firms performs the same accounting work that the other firm did. Repetition, a usual sign of lack of coordination within an organisation, is redundancy. This takes place when there is poor communication between the two audit firms. Because of duplication, the two audit firms and customers spend unnecessary effort and time producing the same output twice. At the first glance, many participants from this research report that they often suffer the duplication of procedures, as one manager stated:

“One of the most negative things about joint auditing is the frequency of the audit procedures, it is one of the most annoying things, and I want to call it a very, very troublesome, and that may cause material losses. Let me show you this example, as my job is managing a bank's treasury room, we have a practical room that works periodically and does not stop working unless necessary due to our permanent work with the global currency market, where every minute that a business break is causing a loss for the bank and traders. Among the things that hinder our work are the periodic external audit procedures that happen every period. When starting an audit, everything stops by virtue of conducting an inventory, examining data, and counting financial assets that are in the bank's accounts, as well as starting to measure profits and losses in currency differences for each period, and a lot of the procedures that do not ticket the details by virtue of their accounting. The most important point is that these procedures take half to a full working day. Here, all treasury management business is disrupted. Shortly after that, the other audit firm comes and performs the same procedures. All of these procedures are the same for the same period. I mean, they did the same thing for the same audit period. Here, the bank's treasury management work is stalled again. I know that the bank wants the joint audit because of its many advantages, but the repetition of the procedures is considered to be largely negative. In a nutshell, the audit firms who did this are well-known global offices, and they are supposed to have the experience and knowledge to avoid his dilemma. But they make this mistake again and again, a solution must be found. I have made many complaints to the bank's CEO, and he has notified the responsible firms, but I have not seen any treatment for this negativity. Therefore, I believe that the joint audit, if it does not avoid.” (I-18-B)

In the same vein, an auditor shared a similar opinion regarding frequency and duplication in the audit procedures. This was clear from the following excerpt:

“One of the issues that constitute an impediment to the audit process under JA system is the frequency and duplication of the audit procedures. I mean, before we begin audits, we do preparatory sessions and meetings with another firm to coordinate work. For example, how the customer data audit mechanism is shared and how the audit process will run. We in the joint audit share the business, and do not do the

same twice. To explain more to you, in JA I'm firm A, I will audit client revenue and everything related to revenue and money entry. Colleague firm B, will audit expenditures and money out. But in some cases, due to coordination difficulties, we recheck the same data. As an auditor, when I check the data of an administration or department in the audited company, I get information that may interest the colleague firm, and I have to provide this information to them so that there is no conflict of the procedure. Likewise, they should do the same and submit to me the required information. So often, when I check the sales department of a particular company, I get information about the other firm, and I have to provide B firm, in order to avoid the same procedures. Here, we are sometimes as a result of the absence of coordination between us as audit firms. We repeat the accounting procedures performed by the other firm.” (I-2-AF)

In summary, a usual sign of a difficulty in coordination within the audit firms is redundancy. With redundancy, some firms will spend double time, materials, and efforts to produce the same process twice under the JA system. Frequency typically results from a lack of coordination between two audit office. Nevertheless, at the same time, auditors see that by implementing coordination between firms to reduce redundancies, they can improve overall coordination within the organisation and thus decrease the consumed money, effort and work. This achieves maximum advantage for them, and the client, and improves total audit output. In this study, the problem of delay and repetition of procedures was put under the issue of coordination difficulty. This is because if the coordination problem between the two audit firms is resolved, these dilemmas will be addressed. Coordination is the main negative, from which many negative points derive. Establishing an organisational structure collective between the two audit firms and clients is essential to secure proper coordination. A clear definition of everybody's audit responsibilities and roles is critical in effective workflow and building solid coordination within an audited entity. Well-defined procedures and policies should also be introduced, so each office has a clear perspective of their objectives and tasks. In a nutshell, when the two audit firms fail to coordinate, their auditors' productivity diminishes, and it also complicates the audit processes they have to deliver. The consequences can be damaging for the client's business, but also for the stakeholders.

6.4.2 Free-Ride

One of the main negative points about JA world is free-ride. Free-ride is a term used when one of the auditing offices under the joint auditing system does all the audit procedures alone without the other audit office participating in any activity or auditing result, but then the other firm puts its name and stamps it on the financial report. That is, the audit is carried out jointly on the surface, but it is mainly individual. Free-ride is mentioned in some research about JA,

but its causes are mainly not mentioned. In this study, we searched for this negativity from the view of stakeholders. Auditing firms are the main party in this negativity. The causes of the free-ride problem are based on two pivot points. First, an imbalance in the size of two audit offices under the JA system. Second, it is an effort exchange between the two audit firms, when they have the same clients. Each firm is obligated to check with one client and the other office checks the other client, then he signs the reports. For example, there are two audit firms A and B, they have the same two clients X and Y. A firm audits X's statements and B firm participates as free-rider. On the other hand, office B audits Y's statements, and A firm participates as free-rider. The objective of this process is to save effort and reduce costs for these two firms.

In detail, imbalance when two audit offices cooperate with a large difference in size, this difference results in the failure of one firm to benefit from the other firms. As the purpose of the JA is to increase the independence, the exchange of skills and experiences between these firms results in an increase in the financial statements reliability, thus serving the interests of the stakeholders and users of these statements. The Big Four and intermediate or international firms have particular features. For example, some international firms have experience in auditing oil companies and are specialised in that, meaning that the big four benefit in cooperation with these offices. The free-ride problem occurs when a big office cooperates with a small or local office, only in sporadic cases. If we compare the possibilities and experiences between big and small firms, we see the extent of the difference between them, and there is no actual reason for cooperation. From here comes a problem free-ride, where big firms do not need the small ones, they cooperation only to circumvent the JA law. The most important reason for this is to take a large percentage of the fees and to do the audit according to its own plan according to its schedules without the presence of another firm that changes its plans and its annual agenda. In the opinion of some big firms, JA is a source of headaches due to the coordination mechanism that must be implemented for audits. This is consistent with Neveling, 2007 suggesting that JA may create a potential 'free-rider' issue. This issue can exist if one of the auditors tries to rely on the second auditor's efforts. An auditor chair shared this view, as follows:

“As a small audit firm owner, my primary goal is to profit; for me, the accounting audit firm is like any commercial project seeking financial profit and without violating any laws. In Kuwait, the JA is an opportunity like any commercial opportunity that I seek to take advantage of. At the beginning of 1995, the JA system was implemented in Kuwait. As tools to increase the quality of auditing, break the

monopoly in the Kuwaiti audit market, and the most important goal is to support local firms. But at the same time, government bodies have not enacted clear laws on how to implement this type of audit. Therefore, after a while, the small offices took advantage of this part. In detail, under the joint audit system, some big audit firms don't want any firm to participate in the audit process. They feel that it is able to do all the work according to the correct standards without the need for another firm. The client also knows this point. Therefore, this big audit firm circumvents the system by bringing in a small office in order to be an unreal partner, just placing its signature on the financial report every quarter (free-ride). So, my turn is here, because I'm the partner who only signs the financial report (free-ride). In return, I get between 2% to 5% of the audit fee. In my view, the international firms that I cooperate with in doing this are highly qualified and experienced to provide the services of experts in financial and industrial matters to meet the needs of customers. There is no danger in cooperation with them as a leading global institution. The risk when you are a silent partner in the joint audit is that you fall into legal problems as a result of an error in the financial reports, which results in financial loss for many parties who deal with these financial statements. However, due to my experience, I know who I am dealing with, in order to put my signature on the financial statements without facing any legal threat. So, I and some small offices do this (free-ride) for the purpose of profit, where we benefit from JA by increasing our profits.” (I-32-AF)

Importantly, all participants reported that a free-ride is a means of avoiding the headache of partnership in business and circumventing the law of JA, but needs a key factor, which is confidence. Participants said the following:

“Let's be realistic, JA is good and has many advantages, for both audit firms and clients, but in return, it is a source of headache, and its implementation requires coordination, effort and time. It is not easy to work jointly in many areas, not just for the audit field. Therefore, as a medium-sized firm, I resort to silent partners when conducting JA. I have four clients or companies that I audit every year, and am comfortable with it financially and morally, and they are too. Besides, I have all the capabilities to undertake audits on my own without any partner. Therefore, when implementing JA application, I have to circumvent the law, by appointing an audit firm with me as a silent partner in exchange for a small percentage of the fees. In this case, everyone benefits from free-ride. I individually audit under the JA system, and the other firm benefited from a fee without making any effort. However, free-ride is not as easy as others imagine. It needs a key factor, which is confidence. No firm deals with me in this case until he is legally sure of me. Ultimately, it signs critical information that affects stakeholders. Therefore, the free-ride should be between auditing firms that have a stable relationship, regardless of the size of these firms.” (I-14-AF)

“After a solid relationship is formed with some of the associate firms, which are similar to us in size and level, we and they are working on a hidden partnership or business charter. Under JA system our roles are exchanged during the audit process, where they devote themselves to a client by auditing his business individually throughout the fiscal year, in this case, we are an imaginary partner (free-ride) in the audit process. In the same time, we audit another client individually and they are a silent partner (free-ride). I have benefited from two elements, saving time and

administrative concern. Where time is an important component of auditing, time is worth money in the audit field, in the end, we sell services, so whenever we save time we make higher profits. In a nutshell, JA requires large administrative coordination not everyone is capable of. That is why the free-ride is an advantage for us, as we are auditing firms from a different perspective. It represents an aid to the development of our business. Moreover, as a kind of benefit from the advantages of JA and avoiding any shortcomings.” (I-12-AF)

One of the most common problems with JA is free-ride, and this issue has two objectives and three conditions. First objective, saving time and avoid the administrative concern as big and medium firms seek to exchange roles between them, in order to circumvent the subscriber's audit, as well as to overcome the negative aspects of JA. Through free-ride, it performs an individual audit on one side, and on the other hand, it is a free-rider. The second objective concerns small firms, through free-ride, achieving financial profits without making any effort. Simple auditing fees for large firms are suitable for smaller offices, the ratio of 2% to 5% of JA fees, the highest collected is equivalent to 10% to 20% of the annual profit. As for the conditions, they are three. First, there should be a high degree of trust and knowledge between the two firms under the umbrella of joint auditing. A free-ride cannot happen without trust. Signing financial statements by an auditing party without sufficient knowledge is not easy. Second, two audit firms must share the same clients, since free-ride cannot happen without roles and clients exchanged. Third, there must be an understanding of the percentage of audit fees. If the free ride is between big and medium firms, there must be coordination for the distribution of clients according to the size of their business, as in the end size of business determines the fees. As for the smaller firms, this situation is easy. The small firm accepts any percentage of the fee.

6.5 An Analysis of JA Laws and Mechanisms in Kuwait

This section clarifies legislations and mechanisms for JA in Kuwait. It is divided into two parts: the first is about laws and legislation, and the second focuses on mechanisms of JA work. 26 interviewees mentioned these themes from all the stakeholder's levels. There are no detailed articles in the JA law to explain how it works and how the audit is organised. In the enactment of this law, lawmakers only specified a joint audit, without any explanatory article. When searching for this area, it turned out that there are two parties: one party sees this law from a positive angle, as they see this legal void, giving a significant level of flexibility, such as sharing fees and how to manage work in between them. Most large audit firms are supportive of these legal voids. They possess the capabilities to control the work of the audit,

and the most critical point is to preserve their rights and protect them from any legal problems. In addition, some smaller firms also see this legal vacuum on a positive side, where these firms take advantage of this vacuum to obtain financial opportunities and maximize their profits, through cooperation with other firms as a free-rider. The other party, who sees this vacuum on a negative side, consists of two categories, the majority of which are mid-size and some are large firms. They see this void in the law as a disruptive element that negatively affects their actions. As a first stage, when negotiating the start of the audit process, they see no guide for how to distribute the work and fees, where this law gives unduly great flexibility. At the dialogue table, there is no point of reference to which we resort at coordination sessions, and each of the two joint auditing firms see his interest as a priority. The second stage is in the middle of the audit process, where some problems arise during the audit. There is no guide in the law that can be used to solve these dilemmas. Therefore, some legal issues were hampered by this category due to this vacuum. But all these parties agreed that the law is clear on one side, which is that the financial report is the exclusive responsibility of the two audit firms without any bias to any firm.

6.5.1 Laws and Legislations

In Kuwait, the management of the Kuwait Stock Exchange (KSE) has prepared new rules to regulate the auditing of companies listed on the market. Under article [161], the board members should appoint at least one external auditor at the general meeting (Alfraih, 2016).⁷ In August 1994, the article was amended to require a company in KSE to have at least two external auditors from auditing firms, effective for financial reports beginning January 1995. It called for the need to oblige the listed companies to appoint more than one auditor, especially for the purpose of increasing transparency and efficiency in the market and the obligations of the KSE stipulated (Ministerial Resolution, 1994). The draft resolution stressed that all companies listed on the KSE should have at least two or more auditors from separate accounting firms (Alanezi *et al.*, 2012). The audit firms of the listed companies must comply with international standards of auditing. Additionally, the audit firms must carry out the JA in such a way as to ensure that their purpose is achieved through professional procedures and universal principles. First is to increase the level of transparency in all aspects of the Kuwaiti economic business environment, in particular between companies and investors, by improving the quality of the audit, and adhering to external regulatory requirements.

Lawmakers saw at that time that JA would be a catalyst in attracting more investments at a lower cost, enhancing the company's strategy, and protecting shareholders.

The financial markets and corporate environment in Kuwait are a relatively recent phenomenon. KSE commenced operation in 1984 with 30 listed companies. However, the regulatory and legal framework for financial reporting in Kuwait is limited in scope (IMF 2004). Therefore, Kuwait has made numerous amendments to the commercial law and regulations during the last 25 years to improve and standardise the quality of financial reports (Alfraih, 2017). In an attempt to improve its regulatory environment, the economic bodies in Kuwait aimed to increase investor confidence, enhance market transparency and provide more protection to market participants. Participants said the following:

“The JA law is completely unclear. It only requires some listed companies to be audited by at least two separate audit firms, without explaining how the audit works and the mechanism for allocating responsibilities between the audit firms and clients. We, as auditors at first, saw this as positive for us, by working with great flexibility, with a comfortable audit process. Above all, distributing the fees is very easy. But after the passage of time, problems appeared between the auditors, there are some legal issues that are starting to surface as well, such as dilemmas in the mechanism for the distribution of fees, which resulted in legal issues that caused material losses to audit firms. We, as auditors, do not see any draft laws that make us implement it, just a rule that tells us to jointly audit. Therefore, the audit firms resort to two solutions. The first is that the firms collaborate in a closed-circuit manner, meaning that each firm cooperates with another firm that is widely known and cooperated with it by many operations. Where among them there is a clear understanding of how to carry out audit work and distribute fees. The second solution, it applies to large and well-known firms that have a weight in the market, these firms have a working protocol between them, before starting the auditing process. They outline the business plan and fee ratio. But in the end, all of these solutions may not lead to protecting the parties to the audit, because the financial authorities in Kuwait do not recognise it. Only legal authorities that may not be specialised in the business field, the process sees the audit from a purely legal angle. Therefore, as an auditor, I see the JA as largely fruitful. But the authorities need to fully develop and reinforce the law in articles that serve auditors and all parties of stakeholders.” (I-12-AF)

More interestingly, interviewees enumerated numerous benefits of the flexibility that results from the vacuum in the rule of JA. Evidence that flexibility can contribute to sound audits if the accounting standards are applied, can be found in the following statements:

“We see positive flexibility, for the JA law gives complete freedom to audit auditors and the client to outline the audit process. Where every firm can plan and execute business without any need for guidance laws. The auditing standards are known to every auditor, regardless of their size, if each party adheres to this standard, it will protect itself from all legal and moral responsibility. Therefore, in my opinion, most

of the audit firms object to the current law are firms that have poor control and the administrative structure. Because of this, they need a law based on any problem. However, as for organising JA process, every firm is responsible with whoever cooperates, they are not obligated to cooperate with a non-compliant partner. In the end, we are not beginners or school students. We need a law that does what we do. Therefore, the JA law has its main essence, that two auditing firms must approve the financial report, and this is the most important thing regardless of the mechanism of work with it.” (I-24-AF)

It can be noted from the above statement that the highly capable firms are the ones who feel comfortable in the flexibility of JA law, where every firm is able to execute business without any need for guidance legislation. Additionally, the firms have the upper hand in their affairs with the client, which results in sound and high AQ, provided that the accounting standards are applied. In addition, at an early stage, some experienced audit firms’ members suggested that they implement JA based on the understanding between the two audit firms with the client, which is something unhealthy in Kuwait. As an auditor put it:

“In general, JA is maintaining a reporting system throughout the year that can help reduce audit hours number needed at the end of the financial year and assist auditors in doing their final audit job. In the previous period, I feel comfortable with the JA law, as it gives a space of freedom to determine the way it works. But on condition that you work with a colleague’s firm, we have understanding and previous knowing. More importantly, we have worked together before without any problems. But over time, the situation became more complicated, relying on the factor of understanding between the two audit firms and, limiting cooperation only with an firm that we had worked with previously was unhealthy. Especially after the increase in international firms in the market. Implementing JA based on the understanding between the two audit firms with the client is invalid and may create problems. The audit work is similar to any other business that needs laws and regulations that regulate the process among all patients. Therefore, the legal void in the current JA law is negative and needs to be developed, to be a reference point for any forms during the audit process.” (I-32-AF)

Overall, the current law only referred to working jointly in a business audit, without any detail on how it works and the mechanism for dividing fees. This is the reverse of the French law, (NEP 100) which stipulates that the audit task required should be split between the two audit firms on a balanced basis reflecting criteria which may be qualitative or quantitative in nature. The current vacuum in the JA law is risky, in two aspects. First, it restricts audit offices to their business, restricting them to working with specific offices where prior understanding is the basis for their cooperation. Second, it is not a reference that the audit firms should resort to when any difference occurs in the middle of the audit process. When these problems occur in the middle of the client’s financial year, the audit work cannot be

withdrawn and cannot be continued. There must be an explanatory note explaining how to work in a joint audit to preserve the rights of stakeholders.

6.5.2 An Analysis of the JA Mechanism

Basically, there are three main features of a mechanism for performing JA between auditing firms. The first feature is the division of business audit between two firms. In the JA, work and essential matters are divided between two firms according to specific and agreed criteria, such as experience and qualifications of the audit team, number of hours, ability to complete work, branches of the company under review and geographical distribution. This agreement needs to be in writing and confirmed by the managers of the audit firm. The division of audit work between the two audit firms can be organised in three ways. 1) The qualitative divide, where each office audits a specific section of the client's company, such as the purchasing and sales department. 2) Quantitative division, that is, the division is made according to the amount of the customer's financial transactions, where each firm audits specific amounts and transactions. 3) Timely division, where each firm audits for a particular period of the fiscal year, like an auditor who audits the customer's business in the first two quarters of the year, and the other office audits the last two quarters of the year. All of these divisions do not require you to be an equal division. In some cases, it is possible to have more firms than the other office. The most crucial point is for each auditor to participate in the development of the audit plan and work program, where there is mutual, dual supervision between them. Each auditor verifies the appropriateness of the audit procedures performed by the other auditor and their compatibility with the agreed plan, as well as ensuring the adequacy of the evidence obtained, by taking a sample of the work of another auditor to review it to make sure it is correct. The second feature is that the two audit firms have standardised opinions. A difference of views must be resolved before the approval of the financial report, in order to form a unified accounting opinion. The third feature is that the financial statement has a joint responsibility between the two audit firms. Together, they sign one audit report and jointly bear responsibility for the opinion presented in that report. At first glance, many participants from this study report that there are no regulatory recommendations for how the two audit firms operate under the JA system, as one auditor stated:

“There are no limitations or obligations that determine how to conduct JA. The law only requires two offices to audit one company, and the financial report is jointly responsible. Therefore, we, as auditors, are completely free to choose the appropriate audit mechanism for the client and us. Mostly, there will be preparatory meetings

before the beginning of the fiscal year between managers, to lay down key points such as defining the auditing approach and determining the nature and timing of the audit procedures. After that, other meetings are broader between the middle leadership for more details and expanding tasks between the audit team. Then each firm performs its functions separately, with a quarterly meeting to continue to communicate during the performance of the JA process and exchange information related to work, to benefit from them in modifying plans and reaching common conclusions. At the end of the year, the final meeting will be to discuss the findings, give a standard opinion, and approve the financial report.” (I-14-AF)

In addition, at an early stage, many experienced audit firms suggested that division of the audit process is the basis of JA, provided that each audit firm verifies the appropriateness of the audit procedures performed by the other firm and their compatibility. As an audit firm member put it:

“In my experience, the JA mechanism is almost identical to most audit firms in Kuwait, as a result of customs deposited from previous years. At the beginning of the application of JA, there were no recommendations from the bodies responsible for how to implement it. The JA law was directed to companies listed on KB and not for auditors. At the beginning of applying JA there was minimal confusion, but it was handled due to the experience of the operating firms at that time, which were mostly big firms. The general form of the mechanism to implement JA from that time to now is for each firm to share the audit procedures separately, such as one firm audits the revenues, the other audits the expenses, or one firm auditing the sales department, the other the purchasing department. ... In some cases, a firm audits the first two quarters of the year, and the other for the last two quarters of the year. In next stage, to ensure the quality of the audit, I take a sample from the other firm to check on it, and other firm takes a sample from my work to check my findings, that to ensure that the results of the audit are sound. Finally, there is a joint meeting to present the audit findings to give a unified opinion and adopt the financial report. Under my work in this type of audit over the past 22 years, this is the essential feature of a JA.” (I-12-AF)

It appears from the majority of participants that audit mechanism depends on a primary criterion, which is the division of labour according to several considerations such as experiences, capabilities, and skills, with joint responsibility for the financial report. This is confirmed by the following quotes:

“There is no law or body that obligates us as auditors on how to perform JA; therefore, we select an appropriate audit mechanism. But before that, there is an essential element for choosing the audit mechanism, which is the extent of the difference in the sizes of cooperating audit firms. Where the cooperation is between a big firm and a middle firm, the big firm usually chooses an audit method. If the joint audit is between two firms in the same size, then the understanding between them is the basis for selecting the audit work mechanism. In general, the audit method depends on a basic criterion, which is the division of labour according to several considerations such as experiences, capabilities, and skills. For example, if a firm

possesses experience in auditing transactions related to the oil or medical industries, this firm is committed to auditing this aspect. The other firm is auditing the same entity, but with a section not related to oil transactions. Also, work and important matters are divided between two firms according to specific and agreed criteria, such as qualifications of the audit team, number of hours, ability to complete the work, branches of the company under review and its geographical distribution. The mechanism of implementing the JA is consistent with the primary point that JA means sharing the audit work and taking responsibility for the financial report.” (I-6-AF)

From the above, there is no unified mechanism for how to operate audits under the JA system. A JA is the audit of financial statements by two separate and independent auditing firms, that are involved in planning and implementing the audit process, examining and collecting evidence, and signing one audit report together, and are responsible for the opinion presented in this report together. In Kuwait, there is no law that compels auditing firms on how to conduct JA, mainly because two auditing firms are responsible for the financial report. Therefore, the audit mechanism is centred on usages, understandings and customer recommendations.

6.5.3 Usages

These are the previous methods that are practised in the market and have acceptance among the auditor's community and are not legally forbidden. These norms of auditing were formed by big offices in the mid-90's. When starting the joint audit, the operating offices in Kuwait, which were mostly large offices, started outlining the mechanism of the work of the joint audit, without any external guidance. This practice continues to this time between all firms with a slight modification or development as a result of changes in international accounting standards.

6.5.4 Understandings Between Two Auditing Offices

An understanding of the two audit firms is the current mechanism in Kuwait. Generally, every firm operating in Kuwait has certain firms that deal with it in the joint audit system, having between them prior understandings of how the audit mechanism will work. Especially if there is flexibility with the customer, these understandings are usually the result of previous dealings. This is the basis for identifying the main points in the audit process, such as determining the supervisory method for examining the assigned work, and the nature, timing and extent of the measures required to perform the audit.

6.5.5 Clients' Recommendations

In some cases, where clients have specific recommendations for how to perform JA, these recommendations are the determinants of the audit mechanism. For instance, on mergers and acquisitions, clients have special requests, and therefore the audit policies change. Moreover, in Islamic business principles, there are unique recommendations in terms of the client to audit in accordance with Islamic principles. In this case, the auditors may change the audit mechanism. For example, if an auditing firm that has experience in Islamic auditing decides the relevant departments, the other firm handles departments that are not subject to Islamic measures.

All these forms of the mechanism of implementing the JA agree on an essential point: that JA means division of the audit work, whether equal or not. It does not mean double audit. Dual Audit (DA) is difficult to implement, because it requires high capabilities and costs, especially for auditing banks and major corporations. Thus, DA differs from the JA, in which the auditors participate in all the review work and are jointly responsible. In addition, these forms of JA mechanism in Kuwait are consistent with the primary purpose of the external auditor, which is summarised in the audit function playing a crucial role in assuring the stakeholders that the financial statements are free of material misstatement.

6.6 An Analysis of the JA Development in Kuwait

Stakeholders' vision to develop and improve JA, in general, was found to be another key interesting finding. Therefore, this section explains how this system of audit has developed from the views of financial report users among different stakeholders' levels in Kuwait, as supported by the views of 24 interviewees out of 33 interviews. By aggregating relative codes, it has been revealed that the theme can be drawn from three different elements including external development by supervisory bodies in terms of laws and regulation tools, and internal development through the engagement of auditing offices with JA.

6.6.1 External Development

One of the points that the supervisory authorities seek to develop is to limit the recurring professional services of two auditing firms for the same client for a long period, as the length of the contractual period with the same two audit firms results in similarities and convergence of interests between the client and the auditor, and this negatively affects the quality and

procedures of the audit. Also, improving the ability and quality of audit firms that operate in Kuwait to provide their services in an audit environment characterized by full competition allows local audit firms to improve their competitiveness. Most of the companies listed on the KSE deal with the same two audit firms, where the auditor continues to audit the financial statements for a long and indefinite period due to the absence of binding legislation and instructions in particular, in addition to the limited auditing companies approved by financial bodies, as one participant explained:

“We, as legislators, believe that a JA performs its intended purpose, we seek to increase transparency and the reliability of financial statements, and our most important goal is to protect small investors, who are most affected by any data health defect. Especially, we in Kuwait have suffered from many crises that the smallest investors were most affected by. In general, we have two indicators to know the success of JA. First are administrative violations that are issued by the (CB) and the (CMA). Second, legal issues in which one of the stakeholders is a party. The less this administrative violation and the issues, the more the Kuwaiti authorities will be satisfied with the JA. Therefore, we aspire to revise JA law to be more stringent in protecting investors. Because of that, we seek to enact additional materials to revise the JA law, such as in the bi-audit change every three years, so it is not possible for two audit firms to audit any company for two consecutive years, to reduce any manipulation of the financial statements. At the same time, we do not see any negative feedback from investors with this law. But we believe that any financial problem occurs suddenly without any introduction. Therefore, we strive to develop JA to keep pace with developments in the financial world to be a catalyst in protecting investors in Kuwait.” (I-33-GFA)

It appears from the majority of participants that the length of the contracting period between the two firms and the management of the audited company does not guarantee its independence and creates a kind of personal relationship that corrupts the audit process, as a legislator put it:

“I think it has become necessary to work on issuing binding legislation that obligates companies to compulsorily rotate at least one of the two audit firms of the external auditor every specific time period, as this has an impact on improving its independence and the audit services quality. A relationship that results from the long relationship between the two audit firms leads to less creativity and less stringent audit policies, which reduces the quality of financial reports, considering that the length of the contracting period between two firms and the management of the audited company does not guarantee its independence and creates a kind of personal relationship that corrupts the audit process, and allows the company to manipulate the financial statements. Therefore, the issuance of legislation regulating the duration of two audit firms 'cooperation with the same client, making them for a period of between 2 years to 4 years, contributes to increasing the auditors' interest in the reliability of the financial statements, which affects the degree of investor confidence in these data.” (I-3-GFA)

From the above excerpt, one of the most explored points in the joint audit system is the lack of interpretation about the duties and rights of auditors. There is a void in explaining this aspect, which causes confusion among the parties to the audit process. In order to develop JA, stakeholders believe that the authorities must clarify the role and responsibility of the parties to the audit process. In light of the recent developments in the Kuwaiti audit market, many large, medium, and international audit firms entered the market, which opened the horizons of cooperation between a number of these firms, unlike in previous periods, when the market had few firms, and basis for dealing between these firms at that time was friendly and informal understandings, which passed without any major problems as a result of agreement and knowledge between them. Therefore, JA legislation needs to be clear in explaining how the audit works and the mechanism for allocating responsibilities between the audit firms and clients. Evidence can be found in the following quotes:

“The development of the auditors' work mechanism has become a necessity, because some problems appeared to impede our work under the JA system. Especially the problems that arise in the middle of a process, whether between the auditors themselves or between the auditors and clients, disrupt the audit. So I hope the officials and the organizing bodies in Kuwait are issuing legislation that guides auditors to know the rights and duties of each auditor and regulates their relationship with clients as well. I believe that it is not reasonable to rely entirely on the understandings between the two audit offices under the JA system” (I-32-AF).

In summary, the rotation of one partner under JA system can contribute to expanding the scope of cooperation between the audit offices in Kuwait, so that a high percentage of the firms operating in the Kuwaiti audit market can cooperate with each other, which exchanges experiences and skills. Furthermore, this can bring in fresh perspectives from new auditors who may be more capable and independent of discovering errors in the financial report while also enabling the incoming firms to bring fresh eyes to the audit process.

6.6.2 Internal Development

An interesting matter is the conviction of most auditing firms to develop the concept of JA, especially after the many changes in the financial world. Further, audit firms believe that the development of JA does not depend only on external parties; it also depends on them. Therefore, they see that one of the most controversial points is that JA must achieve maximum benefit from it through auditors themselves. By forming joint teams from two audit firms, it consists of a combination of these firms. Moreover, the process of dividing fees and responsibilities must be documented formally and reliably under the supervision of

regulatory bodies such as the French model for JA, where the annual audit approach is jointly determined and includes preparation of audit plans, but these are monitored by the AMF (French Securities Markets Authority), as one participant explained

“To achieve the purpose of the JA, I think we should form a joint team between the two firms, through which we share the audit process, knowing that it is difficult for the customer and us to perform double-auditing. Therefore, we can form a joint team of two audit firms in which to share audits, so that if I was assigned as an audit firm of five auditors and the other firm five auditors, we could merge these auditors across two teams. At this time, we are sharing the audit work separately, meaning that each firm operates in the audit by their auditors only. Provided that we review the audit outputs every two to three months, I think it is possible to form an audit team mixed from the two audit offices, according to specific criteria such as experiences and skills, to achieve the most crucial goal of the JA with the lowest possible value, whether in time, effort, and costs.” (I-27-AF)

In the Kuwaiti concept of JA, the client generally chooses one audit firm, which forms the basis of the audit process, and this office shall choose the associate firm, who is a partner in the audit process. In most cases, the audit partners are selected on a theoretical basis, for example, based on friendly understanding, mutual benefit, or free ride. Therefore, to develop JA, clients an auditing firm must choose the auditors according to the correct basis, such as experiences and specializations. In order to achieve the maximum benefit from JA, the basis of the audit partner selection mechanism should be changed. If the customer is the one who chooses, the actual selection of audit parties will be according to the type of financial statements and needs. Likewise, the auditor is assigned to select their partner in the JA system, then they must choose a partner who will complement them and cover any weaknesses.

“In my opinion, the audit firms in Kuwait should be responsible in terms of the mechanism for selecting audit partners. To be realistic, under JA, most commercial entities do not choose two audit offices but rather choose one firm, and this firm chooses the other partner, according to a pure interest basis. For example, a firm chooses the other's firm, because the other's firm chooses it elsewhere. Or they choose a partner firm as a free-rider to avoid and circumvent the law of the JA. This issue should be the basis for developing the JA system by establishing a unified and sound mechanism for selecting audit partners, based on specific criteria such as experiences and size of audit firms and most importantly, the concerned authorities agree to this cooperation. From my point of view, the audit firms are the basis of the JA process and are the most critical component, if we want to develop, auditors should be at the forefront of development plans.” (I-12-AF)

In addition, many experienced audit fields suggested that the two audit firms must participate in the audit procedures immediately and permanently. It is not the current form that is discussed in the audit outputs every quarter:

“In light of the rapid development in the business world, JA should be immediate and quick monitoring, not the current form that is discussed in the audit outputs every quarter. Therefore, the auditors should participate in the risk-based approach to audit, through which the audit work is directed towards the essential activities and actions of the various stages of the audit process, both when building the annual audit plan or when planning and implementing audit tasks.” (I-11-AF)

Overall, the JA has been in place for 25 years; since that time, many changes have been achieved on the financial and auditing level. Therefore, stakeholders' perception of developing this type of audit is across two levels, external and internal. External development, by regulating bodies through the issuance of legislation and regulations guarantees the rights and duties of the parties in the audit process, and organizes the work mechanism and division of audit fees. On the internal level, audit offices have a great deal of weight to develop the concept of JA, by changing the behaviours and methods of the audit mechanism to be as common as possible, and by integrating their procedures.

6.7 An Evaluation of the Qualitative Analysis Findings

Generally, the Kuwaiti auditing community is currently undergoing an unprecedented level of focus. As a result, the expectations of investors and other stakeholders, including clients and lenders, have grown in recent years, and the AQ practice and purpose need to keep pace. Under the JA system, the evidence that exists is far from compelling in terms of the impact of a second audit firm on AQ. There is also, inevitably, uncertainty about how successfully any reforms might increase competition and choice. Nevertheless, as a general principle, two professional judgments are often considered better than one, and seeking a second view is seen as a better case. This is at the heart of the JA debate for some, to whom it seems evident that two auditors issuing a JA view should be better than one. For others, JA is simply one way of developing selection and competition in the audit market, which, in itself, should improve AQ. Still, some users and interested parties remain unconvinced that the difficulties and costs associated with JA, in particular, can be ignored. They argue that while JA is often referred to as simple alternatives to each other, they are very different operationally. It is not feasible in terms of the quality of the audit, as there are several defects and difficulties in its application.

The JA system is relatively unique, but it has many benefits for all users of the financial statements, in particular, decision-makers and policy-makers, as well as investors, because what distinguishes this system is its ability to achieve the best quality of auditing and maintain the quality of professional performance. Moreover, it improves and protects the performance of the auditor in a way that leads to increased confidence in the financial statements. Therefore, it has become necessary at the present time and after the application of this system from about 25 years ago. It is the development and improvement of an implementation mechanism, by clarifying the roles and responsibilities between auditors and clients, as well as rights and duties. In order to achieve the best means of development, we must focus on two points. The first is studying and learning from the French JA experience. Second is to review the available studies and research that examines the experience of JA in Kuwait.

6.8 Chapter Summary

This chapter presents the qualitative findings by conducting interviews. The results presented five main themes, as reported narratively and further supported through representative quotes from the interviewees. The findings of Phase-1 suggested that JA plays a crucial part in Kuwaiti audit environment among all stakeholder groups. Moreover, the disadvantages and negatives of JA in Kuwait were examined, and an explanation was given about legislation and mechanisms for JA in Kuwait. Finally, the best ways to develop the JA system in Kuwait were reported from the viewpoint of stakeholders. In the next chapter, the quantitative findings, namely those obtained from the distribution of questionnaires to the groups of stakeholders, will be reported and discussed.

Chapter 7

A Quantitative Analysis of Joint Audit Perception

7.1 Introduction

In order to achieve the research purposes and answer the research questions appropriately, this study has carried out a field study to survey the stakeholders' opinion concerning the JA and its effects on the AQ within the Kuwait audit field. The study has been divided into four stages: 1. audit firms 2. Investors 3. Management 4. others. All these stages cover represent the demand / supply sides for the auditing services. at a later stage, a comparison between the views of all groups was undertaken with the goal of drawing a conclusion for their understanding of the JA. The remaining of this chapter is organised into five sections. Section 2 presents the Participants' Demographic Information. Section 3 discusses approaches to data analysis, and section 4 provides the descriptive statistics of the quantitative finding; finally, section 5 chapter summary.

7.2 Background

The questionnaire was designed to investigate the stakeholder's perspectives on the dimensions of the JA in Kuwait. Also, it focused on answering the second research question, concerned with whether JA adds value to the AQ. Besides, the questionnaire identified the difficulties and features facing these stakeholders during their involvement in this system of audit, as well as during their use in financial statement after the JA outcome. This chapter has used descriptive analysis (frequencies, including percentages, standard deviation, and mean), to analyse quantitative data through the numerical facts. Descriptive statistics is a process that purposes to collect, classify, describe, calculate, and analyse qualitative data in a systematic method (Field, 2009). The difference between inferential statistics and descriptive statistics is that the latter introduces procedures on the basis of understandably and sensibly. In addition, the descriptive statistic can simplify a significant amount of information, thereby producing a clear summary of data with presenting information in graphics and tables. Contrastingly, inferential statistics procedures based on evidence and reasoning about a population from a sample (Field, 2009).

The questionnaire was designed commensurate with the topic of the study and its objectives, and is consisted of two parts:

- **The first section:** the demographic variables, which are factors that include education, gender, years of experience, age, and the classification of stakeholders.
- **The second section:** represents a set of factors related to JA and includes: The set of questions from (6-13) the JA importance, (14-21) the audit quality practices, (22-38) the advantages of joint audit, (39-44) the disadvantages of JA, (45-51) stakeholders view about JA, (52-56) JA legislations in Kuwait. A copy of this questionnaire is presented in Appendix 2.

In addition to assessing stakeholders' perception of the JA, the empirical study highlights the AQ under JA. The questionnaire is constructed using the five-point Likert scale technique where 1 stands for Strongly Agree, 2 stands for Agree, 3 stands for Neither agree nor disagree 4 stands for Disagree, and 5 stands for Strongly Disagree. As a result of using the five-point Likert scale measurement, the analysis is based mainly on the median and mean scores. Naturally, in data mining, the mean score represents a set of objects and is calculated by the average of the numbers divided by the set number. The mean value is also helpful in the analysis as it represents a fundamental quantity in statistics, and it is the middle number of a sorted list of numbers (Jian *et al.*, 2012). Thus, a mean scored above three indicates that responses are directed toward disagreement and responses below three indicate answers are direct toward an agreement.

7.3 Participants' Demographic Information

This part reports the demographic information obtained about the participants. This includes the participants' gender, user's category, work experience. The data is also presented in table 7.1 as frequencies for nominal factors. It is worth mentioning that the outcomes reported herein were obtained from a total of 189 valid surveys out of the 194 surveys distributed to different groups of stakeholders and financial statement users.

Table 7.1: Participants' Demographic Information

Demographic Information			
		F	%
Age	18–24	11	5.7
	25–34	84	43.3
	35–44	57	29.4
	45–54	26	13.4
	55–64	16	8.2
Gender	Male	151	77.8
	Female	43	22.2
User Classification	Audit Firm	73	37.6
	Investor	37	19.1
	Management	33	17.0
	Others	51	26.3
Indicate your auditing experience including training in Practice and years of using financial reports	Less than 2 years	20	10.3
	2–5 years	35	18.0
	6–9 years	42	21.6
	10–15 years	57	29.4
	15–25 years	24	12.4
	25 and more years	16	8.2
Indicate your highest academic qualification	Ph.D.	11	5.7
	Master degree	43	22.2
	Undergraduate degree	28	14.4
	Postgraduate diploma	112	57.7

7.3.1 Participants' Age Group

The majority of participants under age group between 25 to 34 this group accounting for about 44% ($n = 84$). The second age group between 35 to 44 years and account for approximately 30% ($n = 57$) of the sample. The third group participants 45 to 55 accounted for about 12% ($n = 23$) of the sample. The fourth age group are 55 to 64 years and accounted for approximately 8% ($n = 15$) of the sample. Finally, participants under age group 18 to 24 years and accounted for approximately 5% ($n = 10$) of the sample. It can be clearly seen that almost more than half of stakeholder under age group between 25 to 34. Figure 7.1 illustrates the participants' age group.

7.3.2 Participants' Gender

The participants of the research were 20.3% female ($n = 38$) and 79.6% male ($n = 149$) More males participated in the research than females, which could have been due to the large number of male's employees that generally work at the audit firms. Figure 7.1 illustrates the participants' gender.

7.3.3 Participants' Stakeholder Categories

Audit firms' employees are normally greater in number than any other stakeholders. The largest employment category for the study was audit firms, who accounted for approximately 37,5% ($n = 71$) of the total sample. The others (Bankers- Academic staff- Governments bodies) was the second-largest category of participants who accounted for about 26% ($n = 49$) of the sample. The investors accounted for about 19,5% ($n = 37$) of the sample. The smallest category of stakeholders was managements, as expected, who account for about 17% ($n = 32$) of the sample. Figure 7.1 illustrates the participants' stakeholders' categories.

7.3.4 Participants' Experience with Auditing and Years of Using Financial Reports

The majority of participants have experience of between 10 to 15 years, with this group accounting for about 28.3% ($n = 53$). The second group have experience of between 6 to 9 years and account for approximately 21.3% ($n = 40$) of the sample. The third group participants have experience of between 2 to 5 years of work experience and accounted for about 17.1% ($n = 32$) of the sample. The fourth group of participants have experience less than 2 years to years and accounted for approximately 12.2% ($n = 23$) of the sample. Only

about 11.7% of participants between 15 to 25 years of work experience ($n = 22$). Finally, participants have experience more than 25 years, with this group accounting for about 8% ($n = 15$). It can be clearly noted that almost more of stakeholders have between 10-15 years of auditing experience. Figure 7.1 illustrates the participants' years of auditing experience.

7.3.5 Participants' Academic Qualification

Nearly 60% of participants had postgraduate diploma ($n = 111$). Approximately 21% of participants had master degree supervisor ($n = 39$) for less than 5 years. The third group of participants had Undergraduate degree and account for about 15% ($n = 28$) of the sample. The fourth group of employees had worked for between 16 to 20 years with the same supervisor and accounted for about 7% ($n = 28$) of the sample. Only about 4% of participants had PhD. ($n = 8$). Figure 7.1 illustrates the participants' academic qualification.

7.4 Approaches to Data Analysis

This section introduces the steps followed to analyse the survey data. Each stage is clarified in additional detail to explain how the survey analyses conducted. The first stage describes the reliability analyses, while the second step provided statistical tests performed to extract meaningful findings from the quantitative outcome.

7.4.1 Step 1: Reliability Test

Testing the questionnaire reliability data was the first step undertaken to ensure appropriate analysis of the quantitative outcome. In this stage, two tests were applied, namely, Cronbach's α and Pearson Correlation analysis. By conducting this stage, the analysis moves to step 2 in which the most appropriate statistical tests were carried out.

Table 7.2: Reliability Statistics

Reliability Statistics		
	No. of Items	Cronbach's Alpha
Your views about the Joint Audit (JA) and its importance	8	0.86
Your opinions about the quality of Audit Practices	8	0.70
Your views about the advantages of Joint Audit	17	0.94
Your views about the disadvantages of Joint Audit	6	0.43
Stakeholders with Joint Audit	7	0.75
Joint Audit legislations in Kuwait	5	0.31
Total	51	0.91

7.4.2 Step 2: Statistical Tests and Analysis of Results

After employing the reliability test, it was clear that the One-Way ANOVA and Multinomial Logistic Regression tests could be utilised to analyse the quantitative data. These tests will show the differences among stakeholders' groups in terms of their perception to the AQ transition process. Thus, the purpose of question 2 of this study will be approached (Kim, 2017).

7.4.3 Descriptive Analysis

7.4.3.1 Cronbach's Alpha

Cronbach's alpha is a measure of internal consistency; that is, how closely related a set of items are as a group. In 1951 Lee Cronbach this test, to internal consistency or measures reliability. Reliability is how well a test measure what it should. Cronbach's was employed to test if multiple-question Likert scale surveys are reliable. These questions measure latent unobservable variables like a person's understanding. These are very difficult to measure in real life. This test will tell researchers if the test they have designed is truthfully measuring the variable of interest. Through conducting this step, the researcher gained the confidence to move to the next step in which the most appropriate statistical tests were carried out. This part of the questionnaire explores stakeholders' views regarding the JA importance in Kuwait, and whether there are differences in evaluating this importance.

7.4.3.2 Mean

A measure of central tendency is a single value that attempts to describe a set of data by identifying the central position within that set of data reference. As such, measures of central tendency are sometimes called measures of central location. They are also classed as summary statistics. The mean can be used with both discrete and continuous data, although its use is often constant. This shows that the mean is at least as valuable as any of the alternatives above. It gives a sensible outcome but will be more tolerant of outliers and is easier to comprehend. The mean is used frequently in business research an amount that is typical for a group of information. Also, it useful by summarising a large amount of information into a single value, as well as indicate that there is some variability around this single value within the original data.

7.4.3.3 Ranking

The quantitative ranking was employed to answer the second question of the research, it was explained what are the most important determinants of AQ. Through the eight points that were processed through the questionnaire, they were presented to the stakeholders and users of the financial statements. This study is interested in establishing a type of priority among a set of determinants of interest in AQ. The impression of business literature is that rankings are considered an essential tool and are frequently used, by forced-choice items, rating scales, and multi-part items in which respondents' opinions are determined through a series of questions. In a ranking, the respondent is simply asked to place a list of values in order of importance. It is necessary to know what are the determinants of AQ from the point of view of stakeholders. Meaning every time, the JA contribute to increasing and strengthening presence of these determinants the AQ will improve.

The scales will be used based on Input-based AQ measures. Where Input-based AQ measures are most useful in studies that examine the client's demand for AQ (DeFond & Zhang, 2014). Therefore, the scale elements will be selected as follows to verify whether joint audit can add quality by these elements:

1. Skills and Experience. Based on studies and views of (Bedard et al. 2010).
2. The Size of the Audit Firm. Based on studies and views of (DeFond and Zhang, 2014) (De Angelo 1981,Dang, 2004).
3. Independence. Based on studies and views of (Wright and Wright 1997, Shockley, 1981, Palmrose's 1988, Goldman and Barlev 1974)

4. The Number of Clients. Based on studies and views of (DeAngelo, 1981; Watts & Zimmerman, 1981).
5. Reputation. Based on studies and view of (Lennox, 1999; Willenborg, 1999; Khurana & Raman, 2004; Francis & Wilson, 1988).
6. Compliance with professional standards. Based on studies and view of (DeAngelo 1981b).
7. Classification of the auditor by (the ministries of commerce, central banks, and Capital Markets Authority).
8. Partnership with external audit firms (not from big 4 firms). Personal opinion according to experience in the Kuwaiti audit market.

This part of the questionnaire explored stakeholders' perspectives towards the determinants of audit quality. The highest four elements that can determine audit quality from the viewpoint of the participants are: auditors' skills and experience, compliance with professional standards, auditor's independence, audit firm's reputation.

7.4.4 An Analysis of Perception Differences

The One-Way ANOVA test was applied to define any significant differences among two or more groups of stakeholders regarding their perception of the JA. In the case of a statistical significance being found and the independent factors having two or more levels, pairwise comparison, namely a postdoc test, was applied to define the paired differences. The one-way analysis of variance (ANOVA) used to determine whether there are any statistically notable differences among the means of two or more independent (unrelated) groups. This test can be used for a quantitative outcome with a categorical explanatory variable with two or more treatment levels (Field, 2009, Statistics, 2013). This is found applicable to the related first research question as the researcher was interested into what extent do the various stakeholders of JA (audit firms, clients, investors and regulators) in Kuwait converge/diverge in their conceptualisation and characterisation of JA. One-way ANOVA was used to explore the importance of JA in Kuwait, and it aided in the identification if JA increases the quality of audit. In addition to this, one-way ANOVA was used to identify whether JA can impact positively on audit practices in Kuwait. However, the One-Way ANOVA, does not fundamentally inform which specific groups were statistically notable different from each other; but instead shows that at least two groups were different. Table XX shows the

distributive outcomes of the means and standard deviations found for each determinant for each employment category. So, Figure XX illustrates the trend in each study factor for each group of actors.

7.5 Descriptive Analysis of JA Perception

7.5.1 JA Importance

This part explores stakeholders' views regarding the importance of JA on Kuwait's economic environment to establish the most critical factors. Participants perceived that JA is important because it results in high audit quality by having auditors with diverse backgrounds and experience in the field of audit, which contributes to increasing the AQ (mean response of 4.22). Followed by JA ensures the auditor's rotation, which achieves the necessary neutrality resulting in high-quality audit (mean response of 4.11), and “JA helps develop the audit market in Kuwait” (mean response of 4.10). Among the points that the participants considered to be less important is “JA stimulates competition among the largest number of auditing companies in different cultural backgrounds, leading to innovate more and improve the response to the needs of the audit market” (mean response of 3.95), and “assets evaluation in JA are more accurate than the single audit” (mean response of 3.76). the majority of the participants agreed on the importance of increasing AQ (mean response of 4.10).

The importance of JA for audit firms rests on three points respectively: first is that JA can lead to a high audit quality by having auditors with diverse backgrounds and experience in the field of auditing (mean response of 4). Second is that JA helps develop Kuwait's audit market (mean response of 3.9). Third JA is important because it can contribute to the emergence of new audit offices in the market (mean response of 3.9). As for the investors, they considered that the importance of the joint audit lies in the fact that JA ensures the auditor's rotation, which achieves the necessary neutrality resulting in high AQ. Further, 66.67% agreed that JA able to improve the level of the audit through having auditors with diverse backgrounds and experience in the field of auditing. It appears that 39.39% of management considered the importance of JA revolves around that it is an acceptable cost in comparison with the return that results from it.

Table 7.3: JA Importance

Statement	Strongly disagree		Disagree		Neutral		Agree		Strongly agree		Mean	Std. Deviation		
	F	%	F	%	F	%	F	%	F	%				
a6	JA is important because it results in a high audit quality by having auditors with diverse backgrounds and experience in the field of auditing.		1	0.5	7	3.6	14	7.2	98	50.5	74	38.1	4.22	0.773
a7	JA ensures the auditor's rotation, which achieves the necessary neutrality resulting in high-quality audit.		1	0.5	7	3.6	18	9.3	112	57.7	56	28.9	4.11	0.751
a8	JA helps develop the audit market in Kuwait.		3	1.5	9	4.6	25	12.9	86	44.3	71	36.6	4.10	0.902
a9	JA contributes to the emergence of new audit offices in the market.		2	1.0	14	7.2	38	19.6	83	42.8	57	29.4	3.92	0.933
a10	In Kuwait, assets evaluation in JA are more accurate than the single audit.		3	1.5	19	9.8	43	22.2	86	44.3	43	22.2	3.76	0.959
a11	In Kuwait, the cost of JA is not high compared to the return it provides.		4	2.1	24	12.4	64	33.0	70	36.1	32	16.5	3.53	0.977
a12	JA stimulates competition among the largest number of auditing companies in different cultural backgrounds, leading to more innovate and improve the response to the needs of the audit market.		2	1.0	13	6.7	18	9.3	120	61.9	41	21.1	3.95	0.816

a13	JA increases the quality of audit.	2	1.0	11	5.7	18	9.3	98	50.5	65	33.5	4.10	0.861
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7.5.2 JA with AQ Practices

In terms of perception of the quality of audit practices, survey participants were asked the extent to which they agreed with statements regarding measures can improve the AQ practices. They were also asked the extent to which they agreed with statements about factors by which it is possible to increase the quality of audit outputs if it is available at the audit firms. As shown in Table 7.4 more than 90 percent of the participants strongly agreed or agreed that: “Skills and experience of the auditors” (96.9 %), “Compliance with professional standards” (94.8%), and “the reputation of the auditors” (90.7%). Slightly less than 90 percent strongly agreed or agreed that: “independence of the auditors” (89.1%) and “Classification of the auditor (A or B)” (88.6%). Further, “the Size of the Audit Firm” (87.7%) and “partnership with international audit firms” (86.1%). Finally, “the number of client's audit firms do have” 61.9%. The findings also show that all respondents rated each of the five statements with a mode value of 4. Regarding mean ratings, mean ratings, the average ratings of four in five statements have a mean score above 4.00, except the statement “the number of client’s audit firms do have”, which has a mean score slightly below 4.00, indicating a majority of the respondents either strongly agreed or agreed that they realize that if these factors are existent in auditors under the JA system, the AQ will be high.

Table 7.4: JA with AQ practices

Statement	Strongly disagree		Disagree		Neutral		Agree		Strongly agree		Mean	Std. Deviation
	F	%	F	%	F	%	F	%	F	%		
b14 Skills and experience of the auditors.	0	0	3	1.5	3	1.5	61	31.4	127	65.5	4.61	0.603
b15 The size of the audit firm.	0	0	9	4.6	15	7.7	101	52.1	69	35.6	4.19	0.766
b16 Independence of the auditors.	1	0.5	2	1.0	18	9.3	80	41.2	93	47.9	4.35	0.735
b17 The number of client's audit firms do have.	2	1.0	28	14.4	44	22.7	88	45.4	32	16.5	3.62	0.960
b18 The reputation of the auditors.	1	0.5	3	1.5	14	7.2	102	52.6	74	38.1	4.26	0.704
b19 Compliance with professional standards.	0	0	0	0	10	5.2	71	36.6	113	58.2	4.53	0.595
b20 Partnership with international audit firms.	0	0	6	3.1	21	10.8	105	54.1	62	32.0	4.15	0.729
b21 Classification of the auditor (A or B).	2	1.0	3	1.5	17	8.8	111	57.2	61	31.4	4.16	0.730

7.5.3 JA Advantages

The participants were asked the extent to which they agreed with statement about the advantages of JA. Table 7.5 shows survey evidence on the extent they agree that the following statements can impact positively on the quality of JA practices in Kuwait. Just above 87.6 percent of stakeholders strongly agreed or agreed that “JA reduces the chances of making error in financial statements.” and 86.6 percent strongly agreed or agreed that “JA adds high credibility to the financial statements”. 86 percent strongly agreed or agreed that “JA allows for more opinions so that both auditors provide more views than in the case of single audits” Slightly below 85.5 percent of the participants strongly agreed or agreed that “JA adds more assurance to financial report ”, whereas 84.5 percent of the participants strongly agreed or agreed that “ Cooperation between two audit firms under JA system generates a high-quality financial report from that of the single audit.” Surprisingly, while 72.7 percent of the participants strongly agreed or agreed that “JA has more financial, human, and technical capabilities than the single audit.” and, 69.5% strongly disagreed or disagreed that “JA reduces the probability of any legal issues for both the auditor and the client because of any error in the audit process”. Finally, 56.2 percent of the participants strongly agreed or agreed that “JA increases confidence in corporate information and hence a funding advantage, such as borrowing at a lower interest rate compared to other firms audited by a single auditor”.

Based on the mean response of 4.14, participants judged to a high degree that their JA practices are “JA adds more assurance to financial report”. JA adds high credibility to the financial statements, JA increases the keenness of each auditor to raise the quality of the audit process in his part, JA allows for more opinions so that both auditors provide more views than in the case of single audits, and JA increases the commitment in the application of IFRA/IASs were judged by the participants to have mean scores of 4.13, 4.12, 4.12 and 4.11 respectively. Again, participants judged to a low extent the idea that “JA increases confidence in corporate information and hence a funding advantage, such as borrowing at a lower interest rate compared to other firms audited by a single auditor” with a mean value of 3.56 compared to other questions. Based on the mean response, the eight highest-rated techniques that the participants frequently use are:

1. JA enhances the confidence of financial report users (mean response of 4.21).

2. JA adds more assurance to financial report (mean response of 4.14).
3. JA adds high credibility to the financial statements (mean response of 4.13).
4. A) JA allows for more opinions so that both auditors provide more views than in the case of single audits.

B) JA increases the keenness of each auditor to raise the quality of the audit process in his part (mean response of 4.12).
5. A) JA reduces the chances of making an error in financial statements.

B) JA increases the commitment in the application of IFRA/IASs.

C) Cooperation between two audit firms under JA system generates a high-quality financial report from that of the single audit. (mean response of 4.11).
6. JA reduces the manipulation of financial statements (mean response of 4.10).
7. JA increases the element of expertise, which positively affects the audit process (mean response of 4.05).
8. JA increases the independence of auditors, which positively affects the audit process (mean response of 3.99).
9. The audit of two big four firms under JA system results in higher audit quality financial statements than audited data from one of big four (mean response of 3.96).
10. JA compensates for any weaknesses of one of the auditors (mean response of 3.94).
11. JA has more financial, human, and technical capabilities than the single audit (mean response of 3.88).
12. JA reduces the probability of any legal issues for both the auditor and the client as a result of any error in the audit process (mean response of 3.82).
13. JA contributes to raising the company's credit standing (mean response of 3.73).

14. JA increases confidence incorporate information and hence a funding advantage, such as borrowing at a lower interest rate compared to other firms audited by a single auditor (mean response of 3.56).

Table 7.5: JA Advantages

Statement	Strongly disagree		Disagree		Neutral		Agree		Strongly agree		Mean	Std. Deviation
	F	%	F	%	F	%	F	%	F	%		
c22 JA adds more assurance to financial report.	1	0.5	9	4.6	18	9.3	100	51.5	66	34.0	4.14	0.806
c23 JA reduces the chances of making error in financial statements.	2	1.0	10	5.2	12	6.2	110	56.7	60	30.9	4.11	0.813
c24 JA allows for more opinions so that both auditors provide more views than in the case of single audits.	2	1.0	6	3.1	19	9.8	106	54.6	61	31.4	4.12	0.785
c25 JA increases the commitment in the application of IFRA/IASs.	1	0.5	10	5.2	27	13.9	84	43.3	72	37.1	4.11	0.868
c26 Cooperation between two audit firms under JA system generates a high-quality financial report from that of the single audit.	2	1.0	5	2.6	23	11.9	104	53.6	60	30.9	4.11	0.784
c27 JA increases the keenness of each auditor to raise the quality of the audit process in his part.	1	0.5	8	4.1	24	12.4	95	49.0	66	34.0	4.12	0.815
c28 JA increases the independence of auditors, which positively affects the audit process.	1	0.5	16	8.2	22	11.3	99	51.0	56	28.9	3.99	0.885
c29 JA compensates for any weaknesses of one of the auditors.	1	0.5	14	7.2	26	13.4	107	55.2	46	23.7	3.94	0.841
c30 JA increases the element of expertise, which positively affects the audit process.	2	1.0	13	6.7	18	9.3	101	52.1	60	30.9	4.05	0.874

c31	JA enhances the confidence of financial report users.	1	0.5	7	3.6	15	7.7	98	50.5	73	37.6	4.21	0.776
c32	the audit of two big four firms under JA system results in higher audit quality financial statements than audited data from one of big four.	2	1.0	13	6.7	32	16.5	91	46.9	56	28.9	3.96	0.904
c33	JA reduces the probability of any legal issues for both the auditor and the client as a result of any error in the audit process.	1	0.5	16	8.2	42	21.6	93	47.9	42	21.6	3.82	0.884
c34	JA reduces the manipulation of financial statements.	1	0.5	11	5.7	20	10.3	97	50.0	65	33.5	4.10	0.839
c35	JA adds high credibility to the financial statements.	1	0.5	6	3.1	19	9.8	108	55.7	60	30.9	4.13	0.750
c36	JA has more financial, human, and technical capabilities than the single audit.	1	0.5	19	9.8	33	17.0	91	46.9	50	25.8	3.88	0.925
c37	JA contributes to raising the company's credit standing.	3	1.5	24	12.4	39	20.1	84	43.3	44	22.7	3.73	0.998
c38	JA increases confidence in corporate information and hence a funding advantage, such as borrowing at a lower interest rate compared to other firms audited by a single auditor.	6	3.1	28	14.4	51	26.3	70	36.1	39	20.1	3.56	1.062

7.5.4 JA Disadvantages

In terms of perception about the disadvantages of JA, survey participants were asked the extent to which they agreed with statements regarding auditors' opinions on audit process and results, time and consumes of audit procedure, coordination between auditors, and the possibility of agreements between two auditors to complete the process as a free-ride. As shown in Table 7.6, more than 40 percent of the participants strongly agreed or agreed that: "JA does not allow each of the audit parties to have a full view of the audited company, unlike the single audit, which provides the auditor with a full view of the financial statements." (46.9 %). In contains, the participants strongly disagreed or disagreed that: "JA can create a conflict of opinion between the two auditors on the financial statements" (71.1 %), "under the JA system, there is the possibility of agreements between two audit offices to complete a joint audit in a form that will eventually be turned into an individual audit." (68.6 %), and "In the joint audit system, coordination is difficult between auditors, especially if there is a difference in the size of audit firms" (64.9 %). Slightly less than 60 percent strongly disagreed or disagreed that: "JA takes more time than the single audit" (57.7 %) and "JA consumes more effort than the single audit" (45.8 %). Regarding mean score, the mean responses' range was narrow with a mid-value varied between 3.40 and 2.11. Participants perceived the highest level of JA disadvantages in "JA does not allow each of the audit parties to have a full view of the audited company, unlike the single audit, which provides the auditor with a full view of the financial statements" (mean response of 3.40).

Table 7.6: JA Disadvantages

Statement	Strongly disagree		Disagree		Neutral		Agree		Strongly agree		Mean	Std. Deviation		
	F	%	F	%	F	%	F	%	F	%				
d39	It does not allow each of the audit parties to have a full view of the audited company, unlike the single audit, which provides the auditor with a full view of the financial statements.		1	0.5	39	20.1	63	32.5	63	32.5	28	14.4	3.40	0.983
d40	It takes more time than the single audit.		33	17.0	79	40.7	46	23.7	32	16.5	4	2.1	2.46	1.023
d41	It consumes more effort than the single audit.		35	18.0	54	27.8	50	25.8	51	26.3	4	2.1	2.66	1.113
d42	It can create a conflict of opinion between the two auditors on the financial statements.		38	19.6	100	51.5	37	19.1	17	8.8	2	1.0	2.20	0.891
d43	In the joint audit system, coordination is difficult between auditors, especially if there is a difference in the size of audit firms.		34	17.5	92	47.4	39	20.1	25	12.9	4	2.1	2.35	0.981

d44	Under the joint audit system, there is the possibility of agreements between two audit offices to complete a joint audit in a form that will eventually be turned into an individual audit.	57	29.4	76	39.2	43	22.2	18	9.3	0	0.0	2.11	0.937
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7.5.5 Stakeholders' Preference

In the survey, one of the sections is designed to obtain data about the respondents' understanding about stakeholders' preference to JA in Kuwait. The question contains five statements. The statements address the various all levels of financial report users, as measured the degree of preference for this type of audit. Table 7.7 presents a summary of statistics for all the respondents who answered the question. The findings show that around 70 percent of the respondents strongly agreed or agreed that they have an understanding that “big investors prefer JA over SA” and “government's bodies prefer JA over SA”. More interestingly, 55.7% neutral or disagree with the statement that “management of companies prefer joint audit on single audit”, while same 55.7% neutral or disagree that “small investors prefer joint audit on single audit”. Overall, just above 70 percent strongly agreed or agreed with the statement that they “JA is generally accepted by all stakeholders”. Table 7.7 shows survey evidence on the extent relation of board directors to the JA system. Just above 87.6 % of stakeholders strongly agreed or agreed that their committees are “JA enhances shareholders' confidence in the decisions of the board directors in companies they have invested in it”, and 83.5% strongly agreed or agreed that “under the JA system, the opinion of the auditors in front of the board of directors is stronger compared to the opinion of the auditor in the case of individual audit.

Table 7.7: Stakeholders' Preference

	Statement	Strongly disagree		Disagree		Neutral		Agree		Strongly agree		Mean	Std. Deviation
		F	%	F	%	F	%	F	%	F	%		
ea45	Big investors prefer joint audit on single audit.	3	1.5	14	7.2	44	22.7	83	42.8	50	25.8	3.84	0.944
ea46	Small investors prefer joint audit on single audit.	14	7.2	55	28.4	53	27.3	52	26.8	20	10.3	3.05	1.121
ea47	Management of companies prefer joint audit on single audit.	7	3.6	56	28.9	52	26.8	54	27.8	25	12.9	3.18	1.096
ea48	Government's bodies prefer joint audit on single audit.	2	1.0	16	8.2	43	22.2	88	45.4	45	23.2	3.81	0.920
ea49	JA is generally accepted by all stakeholders.	2	1.0	13	6.7	38	19.6	110	56.7	31	16.0	3.80	0.824
eb50	Under the joint audit system, the opinion of the auditors in front of the board of directors is stronger compared to the opinion of the auditor in the case of individual audit.	1	0.5	6	3.1	25	12.9	93	47.9	69	35.6	4.15	0.797
eb51	JA enhances shareholders' confidence in the decisions of the Board Directors in companies they have invested in it.	1	0.5	7	3.6	16	8.2	99	51.0	71	36.6	4.20	0.777

7.5.6 Laws and Regulations

Fundamentally, to explain the concept of JA should understand the perception of stakeholders of laws and regulations, as well as if they have a solid knowledge background of this type of audit. In the survey, one of the questions is designed to obtain data about the respondents' understanding of JA laws and regulations in Kuwait. The question contains five statements. The statements address Kuwait legislation's various aspects, as stakeholders should gain this knowledge as part of work under the JA system. Table 7.8 presents a summary of statistics for all the respondents who answered the question. The findings show that 65.4% of the respondents strongly agreed or agreed that “There are no clear laws in Kuwait on how to distributed the audit fees among two auditors under the joint audit system” and 65% “There are no clear laws in Kuwait on how to distributed the audit work among two auditors under the joint audit system”. Furthermore, 60.3% strongly agreed or agreed with the statement that “JA in Kuwait means sharing the audit process between the two auditors, not double audits”. In contrast, 41.8 % strongly disagreed or disagreed with the statement that “There is a clear mechanism in Kuwait on how to conduct JA”, while 40.2% strongly disagreed or disagreed with the statement that “In Kuwait, there are adequate laws for the joint audit system”. The findings also reveal that all respondents rated each of the five statements with a mode value between 3 to 2. Regarding mean ratings, the average ratings of four in five statements have a mean score above 3.00, the highest statement “There are no clear laws in Kuwait on how to distributed the audit work among two auditors under the joint audit system” and the statement “there are no clear laws in Kuwait on how to distributed the audit work among two auditors under the joint audit system”, which has a mean score slightly below 4.00. Indicating a majority of the respondents either strongly agreed or agreed that there are no clear laws and regulations in Kuwait regarding organizing the process of distributing work between the two audit firms and the method of distributing fees.

Table 7.8: Laws and Regulations

Statement	Strongly disagree		Disagree		Neutral		Agree		Strongly agree		Mean	Std. Deviation		
	F	%	F	%	F	%	F	%	F	%				
f52	In Kuwait, there are adequate laws for the joint audit system.		26	13.4	52	26.8	69	35.6	39	20.1	8	4.1	2.75	1.055
f53	There is a clear mechanism in Kuwait on how to conduct JA.		30	15.5	51	26.3	62	32.0	39	20.1	12	6.2	2.75	1.129
f54	There are no clear laws in Kuwait on how to distributed the audit work among two auditors under the joint audit system.		1	0.5	12	6.2	55	28.4	71	36.6	55	28.4	3.86	0.920
f55	There are no clear laws in Kuwait on how to distributed the audit fees among two auditors under the joint audit system.		1	0.5	13	6.7	53	27.3	73	37.6	54	27.8	3.86	0.922
f56	JA in Kuwait means sharing the audit process between the two auditors, not double audits.		2	1.0	12	6.2	63	32.5	82	42.3	35	18.0	3.70	0.872

Findings show that 84% of the stakeholders' views that JA can add value to AQ by having auditors with diverse backgrounds and experience in the field of audit, which contributes to increasing the AQ, followed by JA ensures the auditor's rotation, which achieves the necessary neutrality resulting in high-quality audit. Further, JA stimulates competition among the largest number of auditing firms, leading to innovate more and improve the response to the needs of the audit market. In terms of perception of the quality of audit practices and the extent to which they agreed with statements regarding measures that can improve the AQ practices. Also, about factors by which it is possible to increase the quality of audit outputs if it is available at the audit firms. Participants considered that auditors skills and experience, compliance with professional standards, the reputation of the auditors and auditors independence. They are the most critical factors that, if they are available in the auditors, can be that the AQ is present in the audit outputs. Among the most prominent positive aspects of the JA from the stakeholders' standpoint are, this type of audit can reduce the chances of making an error in financial statements; also, JA adds high credibility to the financial statements. Interestingly, JA allows for more opinions so that both auditors provide more views than in the case of single audits. Conversely, the findings show that many stakeholders are discontented and concerned from some downsides, such as that under the JA system, there is the possibility of agreements between two audit offices to complete a JA in a form that will eventually be turned into an individual audit (free-ride). Moreover, coordination difficulties between the auditors under the JA system, especially if there is a difference in the size of audit firms, and JA does not allow each of the audit parties to have a full view of the audited company, unlike the single audit, which provides the auditor with a full view of the financial statements.

Interestingly, there is ignorance and a lack of clarity of vision in the JA legislation. Where up to 65% of the stakeholders showed a lack of knowledge and understanding about the laws regulating how work and fees of audit are distributed. The findings showed that half of the participants agreed on the no existence adequate laws for the JA system in Kuwait.

Stakeholders, including auditors, do not have sufficient knowledge of the mechanism for implementing JA; this is the result of the lack of laws and legislations regulating this type of auditing, as the results showed in the previous question. Around 40% of the financial users do not have enough understanding if JA in Kuwait means sharing the audit process between the two auditors, not double audits. However, findings show that The JA has preference and acceptance among stakeholders, the most group that preference JA was 1) Big investors, 2)

Government's bodies, 3) Management. Meanwhile, 37.1% of small investors prefer JA on a single audit.

7.5.7 Perception Differences

One-way ANOVA was used to explore the importance of JA in Kuwait, and it aided in the identification of if JA increases the quality of audit. In addition to this, one-way ANOVA was used to identify whether JA can impact positively on audit practices in Kuwait. Table 7.9 shows the results of the triple variance analysis of the differences between the averages. The results show that there is no statistical significance for these differences according to the age variable, the gender variable, the job variable and the experience variable, and the presence of statistical significance, for the differences in the sixth axis in the academic qualification variable between holders of (Postgraduate diploma) and holders A Master degree in favour of (Postgraduate diploma).

Table 7.9: Perception Differences

		One-Way ANOVA				
Source		Type III Sum of Squares	df	Mean Square	F	Sig.
Age	Your views about the Joint Audit (JA) and its importance	2.300	4	0.58	1.515	0.20
	Your opinions about the quality of Audit Practices	1.574	4	0.39	2.277	0.06
	Your views about the advantages of Joint Audit	3.056	4	0.76	2.078	0.09
	Your views about the disadvantages of Joint Audit	1.237	4	0.31	1.211	0.31
	To what extent do you agree that the following Stakeholders prefer joint audit in Kuwait.	0.617	4	0.15	0.379	0.82
	Board of directors under the joint audit system.	0.317	4	0.08	0.156	0.96
	Stakeholders with Joint Audit	0.322	4	0.08	0.236	0.92
	Joint Audit legislations in Kuwait	2.834	4	0.71	2.879	0.02
Gender	Your views about the Joint Audit (JA) and its importance	0.000	1	0.00	0.000	0.99
	Your opinions about the quality of Audit Practices	0.010	1	0.01	0.061	0.81

	Your views about the advantages of Joint Audit	0.533	1	0.53	1.449	0.23
	Your views about the disadvantages of Joint Audit	0.140	1	0.14	0.548	0.46
	To what extent do you agree that the following Stakeholders prefer joint audit in Kuwait.	0.040	1	0.04	0.098	0.75
	Board of directors under the joint audit system.	0.000	1	0.00	0.000	0.99
	Stakeholders with Joint Audit	0.021	1	0.02	0.061	0.80
	Joint Audit legislations in Kuwait	0.024	1	0.02	0.098	0.75
Job	Your views about the Joint Audit (JA) and its importance	2.067	3	0.69	1.815	0.15
	Your opinions about the quality of Audit Practices	0.334	3	0.11	0.645	0.59
	Your views about the advantages of Joint Audit	0.713	3	0.24	0.646	0.59
	Your views about the disadvantages of Joint Audit	0.232	3	0.08	0.303	0.82
	To what extent do you agree that the following Stakeholders prefer joint audit in Kuwait.	2.127	3	0.71	1.743	0.16
	Board of directors under the joint audit system.	0.590	3	0.20	0.388	0.76
	Stakeholders with Joint Audit	1.517	3	0.51	1.480	0.22

	Joint Audit legislations in Kuwait	0.305	3	0.10	0.413	0.74
	Your views about the Joint Audit (JA) and its importance	2.716	5	0.54	1.431	0.22
	Your opinions about the quality of Audit Practices	1.143	5	0.23	1.323	0.26
	Your views about the advantages of Joint Audit	1.479	5	0.30	0.804	0.55
	Your views about the disadvantages of Joint Audit	1.296	5	0.26	1.015	0.41
Exp	To what extent do you agree that the following Stakeholders prefer joint audit in Kuwait.	3.415	5	0.68	1.679	0.14
	Board of directors under the joint audit system.	1.325	5	0.27	0.523	0.76
	Stakeholders with Joint Audit	2.587	5	0.52	1.514	0.19
	Joint Audit legislations in Kuwait	2.061	5	0.41	1.675	0.14
	Your views about the Joint Audit (JA) and its importance	1.218	3	0.41	1.069	0.36
Edu	Your opinions about the quality of Audit Practices	0.634	3	0.21	1.223	0.30
	Your views about the advantages of Joint Audit	2.541	3	0.85	2.303	0.08
	Your views about the disadvantages of Joint Audit	0.922	3	0.31	1.203	0.31

	To what extent do you agree that the following Stakeholders prefer joint audit in Kuwait.	1.888	3	0.63	1.547	0.20
	Board of directors under the joint audit system.	5.346	3	1.78	3.515	0.02
	Stakeholders with Joint Audit	2.686	3	0.90	2.620	0.05
	Joint Audit legislations in Kuwait	1.930	3	0.64	2.615	0.05
Error	Your views about the Joint Audit (JA) and its importance	67.190	177	0.38		
	Your opinions about the quality of Audit Practices	30.581	177	0.17		
	Your views about the advantages of Joint Audit	65.094	177	0.37		
	Your views about the disadvantages of Joint Audit	45.209	177	0.26		
	To what extent do you agree that the following Stakeholders prefer joint audit in Kuwait.	72.010	177	0.41		
	Board of directors under the joint audit system.	89.727	177	0.51		
	Stakeholders with Joint Audit	60.481	177	0.34		
	Joint Audit legislations in Kuwait	43.549	177	0.25		

	Your views about the Joint Audit (JA) and its importance	3118.922	194
	Your opinions about the quality of Audit Practices	3511.359	194
	Your views about the advantages of Joint Audit	3185.775	194
	Your views about the disadvantages of Joint Audit	1291.833	194
Total	To what extent do you agree that the following Stakeholders prefer joint audit in Kuwait.	2504.360	194
	Board of directors under the joint audit system.	3477.250	194
	Stakeholders with Joint Audit	2748.653	194
	Joint Audit legislations in Kuwait	2270.400	194

7.7.8 Correlation

Table 7.10 shows the correlation coefficients between the resolution axes and shows weak, strong positive and negative differential correlations. However, a positive correlation is a relationship between two variables in which both variables move in the same direction. Therefore, when one variable increases as the other variable increases or one variable decrease while the other decreases. Findings show a positive correlation between JA importance (axis one) and advantages of JA (axis three) 0.804. That is, stakeholders find that there is a notable correlation between the JA importance and its advantages. Since the importance of JA comes from the reflection of its features, and the participants agreed that its advantages would increase the JA importance. Moreover, stakeholders with JA (axis seven) and To what extent do you agree that the following stakeholders prefer JA in Kuwait (axis five) 0.956. Also, JA advantages (axis three) and stakeholders prefer JA in Kuwait (axis five) 0.509. Further, JA advantages (axis three) and stakeholders prefer JA in Kuwait (axis five) 0.509, the data indicate that the advantages of JA affect in general all sectors of stakeholders, whether directly or indirectly, as the participants' preference comes as a result of the JA features, the more advantages of JA, the greater the preference of the participants for this type of audit.

In contrast, A negative correlation is a relationship between two variables in which an increase in one variable is associated with a decrease in the other. following, the main negative correlation, JA legislations in Kuwait (axis eight) and views about the disadvantages of JA (axis four) -0.181. Following, Stakeholders prefer JA in Kuwait (axis eight) and views about the disadvantages of JA (axis four) -0.152, Where the better or bigger the defects of JA, the less the stakeholders' preference for this type of audit, and vice versa, so that audit defects if addressed, the preference of financial statements users will improve. Moreover, views about the disadvantages of JA (axis four) and Stakeholders with JA (axis seven) -0.150.

Table 7.10: Correlations

Correlations								
	Your views about the Joint Audit (JA) and its importance	Your opinions about the quality of Audit Practices	Your views about the advantages of Joint Audit	Your views about the disadvantages of Joint Audit	To what extent do you agree that the following Stakeholders prefer joint audit in Kuwait?	Board of directors under the joint audit system.	Stakeholders with Joint Audit	Joint Audit legislations in Kuwait
Your views about the Joint Audit (JA) and its importance	1	0.105	.804**	-0.082	.547**	.572**	.621**	.333**
Your opinions about the quality of Audit Practices	0.105	1	.214**	-.144*	0.090	0.032	0.081	.272**
Your views about the advantages of Joint Audit	.804**	.214**	1	0.027	.509**	.580**	.595**	.303**
Your views about the disadvantages of Joint Audit	-0.082	-.144*	0.027	1	-.152*	-0.095	-.150*	-.181*
To what extent do you agree that the following	.547**	0.090	.509**	-.152*	1	.523**	.956**	.385**

stakeholders prefer joint audit in Kuwait.								
Board of directors under the joint audit system.	.572**	0.032	.580**	-0.095	.523**	1	.751**	.219**
Stakeholders with Joint Audit	.621**	0.081	.595**	-.150*	.956**	.751**	1	.374**
Joint Audit legislations in Kuwait	.333**	.272**	.303**	-.181*	.385**	.219**	.374**	1
** Correlation is significant at the 0.01 level (2-tailed).								
* Correlation is significant at the 0.05 level (2-tailed).								

7.8 Evaluation of Quantitative Analysis

Overall, from the results reported in the previous section, stakeholders realize the importance of JA to increase audit quality (f 84% m 4.10). Moreover, Stakeholders agreed on the importance of JA in the Kuwait financial environment by developing the level of auditing and the auditors themselves (f 80.9% m 4.1), which is consistent with previous research (André *et al.*, 2009, European Commission, 2010, Herbinet, 2007, Vera-Muñoz *et al.*, 2006 Francis & Yu, 2009, Bianchi 2017). That, by creating an opportunity in the audit market and through the friction of audit firms with each other, creates the development of their employees due to the backgrounds and experiences that are exchanged between them under the JA system (f 88.6% m 4.10). The results reveal that the psychological advantages were most important characteristics that were taken into consideration by the stakeholders. Where the role of JA in enhances the confidence of financial report users (f 88.1% m 4.21) and adds more assurance to the financial report (f 85.5% m 4.14), these findings are supported by the work of Abu al-Jabal (2016) that demonstrates that a positive impact on the degree of confidence in the initial lists of external owners and investors under the JA system. Also, Baldouf and Stacker (2012) suggested that JA plays a vital role in enhancing user confidence. It was the notable statements that participants agreed. As well as technical features such as JA allows for more opinions so that both auditors provide more views than in the case of single audits (f 86% m 4.12), and JA increases the keenness of each auditor to raise the AQ process in his part (f 83% m 4.12). Participants do not have a clear sense about the deficiencies of JA. Their answers centred on disagree and neutrality concerning these defects. But the most obvious factor is: JA does not allow each of the audit parties to have a full view of the audited company, unlike the single audit, which provides the auditor with a full view of the financial statements (f 46.9%. m 3.4). More interestingly, there is ignorance of JA mechanism and regulations. Where regarding mean score, there had a low mean response for two statements “In Kuwait, there are adequate laws for the JA system” (mean response of 2.75), and “ There is a clear mechanism in Kuwait on how to conduct JA”. Also, the participants in the sample believe that “There are no clear laws in Kuwait on how to distributed the audit work among two auditors under the joint audit system”, while “There are no clear laws in Kuwait on how to distributed the audit fees among two auditors under the joint audit system” (mean response of 3.86).

7.9 Chapter Summary

This chapter presents descriptive analysis (i.e. frequency, mode, mean and standard deviation) of the information obtained from the questionnaire survey. The outcomes in this chapter centre on answering the first research question: to what extent is there a background about effects of JA on the AQ within Kuwait audit field? Moreover, the assessment of reliability and validity have been presented as well. Concerning the data analysis, this chapter has reported a descriptive statistic of the quantitative data collected through a questionnaire from the stakeholders' respondents. In discussing these data and findings, the analysis started with describing the respondents' demographic data in the research sample, a descriptive statistic of their responses is presented. In conclusion, the questionnaires survey outcomes revealed that participants perceived that JA can add value to AQ by having auditors with diverse backgrounds and experience in the field of audit, which contributes to increasing the AQ. Further, JA stimulates competition among the largest number of auditing firms, leading to innovate more and improve the response to the needs of the audit market. In terms of perception of the quality of audit practices and the extent to which they agreed with statements regarding measures that can improve the AQ practices. Also, about factors by which it is possible to increase the quality of audit outputs if it is available at the audit firms. Also, this basic data set was used for the statistical analysis in the next chapter to test the discuss the findings.

The next chapter presents the outlines finding in detail.

Chapter 8

An Analysis of Different Groups' Perceptions

8.1 Introduction

This chapter reports the main findings that have emerged from both the quantitative and qualitative the analysis (Chapters Six and Seven, respectively). In relation to the research objectives, the findings revealed six factors: importance, practices, advantages, disadvantages, legislations, and perforation. This chapter focuses on analysing and integrating the qualitative and quantitative findings to identify the perception of each group of stakeholders (audit offices - investors - government-corporate management).

8.2 Overview of Research Findings

To answer the first question of this research, this analysis focuses on the perception of stakeholders and their vision for the JA in Kuwaiti terms of importance, advantages, disadvantages, legislations and preference regarding JA. In general, the Kuwaiti auditing community is currently undergoing an unprecedented level of focus. As a result, the expectations of investors and other stakeholders, including clients and lenders, have grown in recent years, and the AQ practice and purpose need to keep pace. Under the JA system, the evidence that exists is far from compelling in terms of the impact of a second audit firm on AQ. There is also, inevitably, uncertainty about how successful any reforms might be in increasing competition and choice. Nevertheless, as a general principle, two professional judgments are often considered better than one, and seeking a second view is seen as good practice. This is at the heart of the JA debate for some, to whom it seems evident that two auditors issuing a JA view should be better than one. For others, JA is simply one way of developing selection and competition in the audit market, which, in itself, should improve AQ. Still, some users and interested parties remain unconvinced that the difficulties and costs associated with JA, in particular, can be overcome. They argue that while JA it is not feasible in terms of the quality of the audit, as there are several defects and difficulties in its application.

In this section, we discuss in detail the perceptions of each group. That is after collecting the quantitative and qualitative results. As the main aim of this research is to explain the vision of

each group of stakeholders in detail, the combination of qualitative and quantitative methods provides a clear picture of this vision. Merging interviews and questionnaires in one research study brings together the features of depth and breadth linked with these two particular methods. The impact of combining the findings of these two methods gives the opportunity to provide a complete image of a study subject that can address a range of questions and via so doing, can give full understanding that can improve knowledge development in any phenomenon or case under study. However, mixed methods study includes collecting and analysing both quantitative and qualitative data and merging the two sets of results at some stage in the study to draw inferences from the qualitative and quantitative findings (Tashakkori and Teddlie, 2010). Through undertaking this integration, it can provide an advanced understanding of stakeholders' perceptions via the depth and breadth of the mixed methods. In this section, the researcher will review the perceptions of each stakeholder group about the JA in detail.

8.2.1 Research Questions

The primary goal of this study is to investigate each stakeholder's perceptions and understand JA in the unique Kuwaiti setting, where a JA is mandatory for some listed companies on the KSE. To this end, two research questions have been formulated:

RQ1: To what extent do the various stakeholders of joint audits (audit firms, clients, investors and regulators) in Kuwait converge/diverge in their conceptualisation and characterisation of joint audits?

RQ2: With reference to Kuwait, does the joint audit add value to audit quality?

8.3 Audit Firms

As explained earlier, the influence the JA process had on the various actors' processes was found to be due to the lack of consensus among the BAF and MSF audit firms. In this thesis, audit firms are a major component among the stakeholder groups and an essential player in the JA system. They are central to the rationale for this type of audit. It was necessary to understand their perceptions through deeply qualitative interviews, and then investigate the details of this understanding through a quantitative questionnaire. Before that, audit firms should be classified into three categories. big firms, medium and small firms, and auditors themselves, because each category has a different vision and perception of the JA.

8.3.1 Big Audit Firms

The meaning here is the big Four firms and firms that have partnerships with international audit firms. This category has a particular perspective for JA; this category, in general, believes that JA is a positive engine for the audit environment in Kuwait for several reasons, the most important of which is that joint auditing can create an appropriate environment for the exchange of experiences and information between them, by working as a single entity with common goals. On the qualitative level, many of these offices emphasized that cooperation between them contributes to increasing knowledge and expertise. Here, we divide cooperation into two levels, firstly, big offices, which come from three accounting backgrounds, American, British and European. All of these backgrounds have different knowledge and experiences from the others. Therefore, when cooperating between these offices, each side benefits from the knowledge and skills of new auditing methods and systems. These big firms have their own development programs, and auditors from other offices may not be familiar with them. As a result of friction in the JA, the other side acquires some of these experiences, this will ultimately benefit the AQ. The quantitative results show that cooperation between two audit firms under the JA system generates a higher quality financial report from that of a single audit ($p= 84\%$ $m= 4$).

The BAF in Kuwait have a negative perspective on JA for two main reasons. The first issue is the delay, which is considered a negative factor in their professional work during the audit work under the JA system, especially for the big four offices that have a lot of business such as financial consulting and auditing. Delay in the audit process is due to lack of coordination between audit firms. Audit delay caused by difficulty in coordination during the process of auditing is an essential factor in the timeliness of publishing financial statements. Financial reports communicate crucial information about the financial position of an organisation to a wide range of stakeholders, in order to make economic assessments and decisions in the stewardship of management. In the BAF under the JA system, they have pre-start meetings, in the client's auditing process for coordination and arrangement for the fiscal year, to agree upon the mechanism of work and appointments. But after the passage of time and during this year, delays occur when plans and appointments change as a result of each office engaging in private business.

Conversely, some firms consider JA a system that has no effect, since they assume that one office could carry out an audit according to the highest auditing standards and without the

need for any other office. Further, they believe that they have all the necessary material and professional to conduct a high-quality audit, without any support from other partners.

Moreover, they consider JA as a time and effort consuming system without any apparent benefit for either the auditor or the client. The major audit firms in Kuwait show a negative perspective to JA for two main reasons. This was clearly evident from section 7.5.4, as the delay factor was the one of the highest four factors affecting the JA system of actors.

Second, frequency or duplication, some big audit firms believe that JA causes administrative headaches due to the difficulty of coordination, which causes duplication of accounting procedures, whatever experience, and expertise in JA procedures the auditors have. In some cases, there is difficulty in working together, due to the difference in work policies from one office to another and individual mistakes. The frequency or duplication of procedures, in particular, concerns auditors and the management of audited companies. Repetition means that auditors perform each accounting procedure two or more times. In other words, under the system of joint auditing, each of the two offices performs the same auditing work that the other office did. Repetition, a usual sign of lack of coordination within an organisation, is redundancy. This happens when there is poor communication between the two audit firms.

The big audit firms in Kuwait are an essential part of the JA concept. Their understanding is a crucial element in explaining this type of audit. Their most vital impression was that the joint audit adds to the audit quality and improves outputs in terms of increasing the exchange of experiences and competitiveness between these offices. In contrast, some of their observations were that the joint audit causes some problems such as delays and coordination difficulties.

8.3.2 Medium and Small Audit Firms

This category is significantly present in the JA system, even if the effect is not like that of the large firms, these firms participate directly and indirectly in the audit processes. Also, government bodies looking after these firms is among the main reasons for implementing JA in Kuwait, for reasons mentioned in the previous chapters. In general, these offices strongly believe that JA represents a positive case in the audit environment in Kuwait at all levels, both for clients and auditors, unlike big firms that see some negative aspects. The extant research shows that this category has two main perspectives on JA financially and professionally.

At the financial level, JA can effectively reduce the high audit market concentration and be a core driver of stimulating audit market competition. Auditors have felt the importance of joint auditing in terms of opening channels and opportunities with clients, which will contribute to increasing their business and reducing the concentration of market audit. This will grow the business of these offices and create additional profitability for them. This financial perspective reflects one of the notable points in terms of its effect on JA advantages. For example, the quantitative findings discussed in Chapter 7 suggested that JA helps develop Kuwait's audit market (mean response of 3.9), and JA is important because it can contribute to the emergence of new audit offices in the market (mean response of 3.9).

As for the professional level, MAS firms realise that JA can support the professionalism of their audit work in many aspects. The most important is independence and development. First, independence, this category of auditing firms faces a major dilemma when carrying out their accounting work, which is that the client as a financial entity is larger than these audit firms. This weakens their ability in some cases to give a professional opinion or present a view in the financial statements. In this case, JA supports medium and small firms to be a catalyst in enhancing independence, which contributes to giving comfort and freedom in expressing an accounting opinion, especially if the cooperation in JA is with an office of the big four firms. This is a significant factor in increasing independence, and it does not cause a direct collision with the customer. In the long run, it allows these firms to keep their clients. Therefore, they believe that JA is an essential element in increasing the quality of auditing, by strengthening independence.

This thesis identifies that most of this category perceived the importance of JA in terms of auditor's independence. There are two constructive processes suggested by participants from this research: (1) JA can reduce client pressure, and (2) JA helps them to give an unbiased and honest professional opinion on their financial statements to the shareholders. Nonetheless, it should be noted that medium-sized audit firms need to estimate the balance between independence and the relationship with clients. Based on the quantitative results in section 7.5.3, it can be clearly seen that JA increases the independence of auditors, which positively affects the audit process (P= 80% mean= 3.99).

Second, MAS firms consider JA is an opportunity to develop a high-quality professional industry in the Kuwaiti auditing sector, in the sense that the dealings between the audit firms themselves contribute to raising the level of the local auditor, especially when doing audits

with the major offices of the Big Four or the international offices operating in Kuwait. The exchange of auditing methods and skills results in the acquisition of new technical knowledge and skills. Moreover, networking between big and MAS firms leads to raised levels as individuals. When conducting audits in cooperation with counterparts from international firms operating in Kuwait, new horizons of knowledge open up for these firms, and new methods of auditing are followed in these offices. These offices have basic and modern auditing capabilities due to their high potential because of their interaction with larger firms during the JA; they gain part of this knowledge and methods.

Auditors believe that the AQ depends mainly on the auditors themselves, which is an essential component, as the AQ as a product is considered an intangible thing. Therefore, this quality is related to the type of auditor and the standards they have; the more these high standards exist, the more the quality of financial statements improves. This research revealed that among the most common indicators that the auditors look for in the auditor and audit firms, and consider evidence of high AQ, are:

1. Auditors skills and experience
2. Compliance with professional standards
3. Independence
4. The reputation of auditors

Independence: Independence of the auditor is considered a state of mind that renders the auditors devoid of any interests when expressing their opinion and able to look at all the facts objectively, with the need for the auditor to understand all the factors and pressures affecting its objectivity.

Experience: The experience of the auditor is considered one of issues in which interest has increased in recent years in the Kuwaiti financial environment. This is as a result of the high number of failures of the audit process resulting from the inability to discover fraud in the financial statements, due to inexperienced auditors performing the audit work. Experience represents an essential year for efficiency and effectiveness performance of auditor.

Auditors realisation centred on AQ means the auditor should express a neutral technical opinion on the financial position of an institution, its performance and the extent of its

commitment to accounting principles recognised in its preparation and presentation. This neutrality is achieved, through the auditor being independent from the institution and having professional competence and experience. This is within the framework of the generally accepted standards that were set to organise this profession to achieve the required quality in the audit process. In terms of the contribution of JA to AQ, 79.4% percent of audit firms strongly agreed or agreed that “JA increases the quality of audit” (mean response of 4).

The empirical findings also revealed that JA could create an open market that consists of the largest segment of AF, where there is competition among these firms to attract clients, especially with increasing opportunities to obtain clients and enter new offices into the market. The fair competition between AF is one of the reasons for the JA system's success, given the “importance of competition between audit offices and its impact on the AQ”. Competition pushes AF to achieve more specialisation, efficiency, and commitment to the profession's standards and ethics to maintain a good reputation. This will lead to a rise in the AQ. Additionally, AQ is one of the areas of differentiation among AF, as competition based on AQ as an alternative to price competition leads to increased client attraction and supports the credibility of audit reports and the degree of reliance on it. Stakeholders support this view that the more competition there is between auditors in obtaining clients, the greater the customer's willingness and ability to change the auditor, which, in turn, affects the quality of auditing the accounts positively.

Overall, Audit Firms consider JA as a system capable of supporting its professionalism and business, including exchanging experiences, information and technical expertise among practising auditors to eliminate any weaknesses in a specific aspect of practices by professional development. This could be among national professionals or from Big to medium firms.

8.4 Investors

This category includes large investors, small investors, and board members. They are a category that uses financial reports and disclosures extensively in order to develop their business. Financial audit plays a fundamental role in the validity and quality of these reports. Investors rely on the financial statements provided by public firms when making investment decisions. Therefore, the auditors are vested with the vital responsibility of bestowing relevance and credibility upon such statements. If auditors fail to deliver high AQ, investor

confidence may plummet, ending in negative results for capital markets and local economies (Prada, 2007). Moreover, the audited financial report represents a leading factor used by investors to evaluate institution performance and to make appropriate financial decisions. The quality of auditing and its ability to ensure a credible financial report plays a vital role in minimising information boosting and asymmetric shareholder confidence in stock markets (Khlif and Samaha, 2014). Therefore, their dealings with the JA system were direct for the previous 26 years; it is a vital resource for explaining stakeholder perception.

The findings have revealed that the big investors came from a background of negative investment experiences, such as the financial crises of 2008, 1995 and, most importantly, the crisis in 1982 where the one of main causal factors was the manipulation of financial statements. This type of investor sees that JA is able to increase investor confidence in financial reports more than the single audit. If there are two auditors who share responsibility in this report, it is natural that this report is of higher AQ. Moreover, this type of investor, whether individuals or investment companies, depends heavily on financial information in making investment decisions. Therefore, the big investors consider JA is an additional factor to improve the reliability of this data. When viewing this information, they feel more comfortable than with a single audit on the psychological and financial level. As for small investors, they do not care much about the type of audit or financial statements. The most critical element in their vision is the type of company they want to invest in and the potential return. Therefore, JA does not generally affect small investors, who are mostly either long-term investors based on the invested entity or speculators in the stock market interested in the rise and fall of the stock.

Another primary finding in this research was that board members see JA as a positive engine in their business environment. Based on the qualitative responses in Section XXX, it was revealed that Board members see JA as an essential element in the trust between them and the shareholders, as two audit firms certifying financial statements is considered a positive and vital point in supporting their decisions and policies in front of the shareholders. JA can guarantee complete protection of the minority rights of the shareholders from the exploitative practices of the controlling shareholders, as well as enabling the effective participation of the shareholders in the main decisions in Kuwaiti firms.

Investors considered the most important auditor factors that help to increase AQ are:

1. Compliance with professional standards
2. Auditors skills and experience
3. The Audit Firm Size
4. Partnership with international audit firms

The Audit Firm Size: BAF are motivated to perform better audits because they have a high professional reputation, and do not risk lose their reputation. Also, they have sufficient human and financial capabilities that enable them to attract more skilled staff. The Audit Firm Size is one of the most critical factors in measuring the AQ. It is directly (positively) related to the audit quality, as BAF often provides a higher AQ than others (Dang, 2004).

From investors, it is audit firm size that has attracted a high attention, with the assertion being that bigger firms deliver a higher AQ than their smaller counterparts. This is consistent with Rusmin, 2010 and Lawewnce suggesting that firm size has an impact on AQ, with quality improving as the size of the firm increases (Rusmin, 2010 ,Lawrence, Minutti-Meza and Zhang, 2011). In terms of the contribution of JA to AQ, 91.7% percent of investors strongly agreed or agreed that “JA increases the quality of audit” (mean response of 4.3).

To conclude, the investors showed an increased level of understanding of JA's role in reducing the financial statements manipulation. JA enhances public awareness of investment and investors by transparency and fairness and prevents conflicts of interests and the use of inaccurate information, as well as ensuring compliance with the rules and regulations related to securities and financial activities. It also gives investors a more comprehensive picture of their investment in the market, which enhances their investment awareness with regards to financial reports and disclosures, as well as improving the Kuwait stock market transparency in general. Where the previous negative experiences have affected stakeholder opinion in the financial environment in Kuwait, as a result of previous financial crises in Kuwait, confidence in the financial data is greatly reduced. This results in the interest in JA as a means of increasing the reliability of the financial statements.

8.5 Government Authorities

The regulatory bodies in Kuwait are carrying the weight of negative control experiences in previous years, which resulted in financial crises and problems in the Kuwaiti investment environment, whether for individuals and companies. These crises resulted in a severe decline in community confidence in these bodies, in the context of the authority's monitoring of the safety and strength of the financial positions of companies operating in the Kuwaiti stock market. These bodies were keen not only to follow up on the commitment of these companies to prepare the financial statements periodically, but also to increase the quality of these reports through the existence of a high-quality auditing system. Therefore, JA was implemented as a system to support this aim. The authorities in Kuwait view JA as a means to help protect investors. Further, the JA can give the impression that Kuwait is serious in protecting and increasing their investments through the credibility of financial information.

The Kuwaiti government seeks to create an entity built on trust and high credibility, as well as gaining the confidence of both foreign and local investors. Especially, after the Kuwaiti stock exchange market has been promoted from "frontier markets" to "emerging markets", this will put it further under foreign investment in the near future. Therefore, this category believes that JA is a factor in the reflection of the seriousness of the bodies in Kuwait to enhance confidence in the market, due to the lack of legislation that serves the transparency of financial information in Kuwait. Also, a foreign investor could see that this type of audit distinguishes Kuwait from other countries in the region in terms of the credibility of information as well as the local investor, where many of them believe that the existence of two auditors is, indeed, in their interest and is an element in protecting their investment. The strengthening of confidence in the Kuwaiti Bourse with the credibility of financial information may prompt foreign investors to look at Kuwaiti investment tools.

Governmental bodies in Kuwait consider that the best measure of the quality of audits is the application of International Standards of Auditing (ISAs) and International Accounting Standards (IASs/IFRS). Accounting standards, as a whole, are fundamental in preparing financial statements. Those standards help investors to access a fair view of the enterprise under investment. They are also necessary for audit firms for building up and maintaining the trust of the performance of auditors. Those bodies consider that JA, through the cooperation of two firms, is to a great extent capable of applying the largest measure of these standards, if the cooperating audit firms have knowledge and experience in how to use accounting

standards during the audit process, especially if they are from the big firms. This will contribute to raising awareness of these standards for the local audit firms in the long run, as a result of their cooperation under the JA system. Moreover, JA helps to increase Investor confidence in Kuwaiti financial markets and contributes to national economic stability and growth, which is the ultimate aim of this category. JA in their understanding play an essential role in enhancing the reliability of financial information produced by companies by assuring the financial statements reliability as a result of applying international auditing standards, which will lead to improving the AQ.

Government bodies believe that JA may be advantageous compared to SA for several reasons. Under this system, the joint responsibility institutes strategic options for the auditors participating in JA. One auditor may anticipate that the other auditor is concerned about whether he has performed due diligence. Common responsibility constitutes the obligation of both parties to make sure that the overall outcome is reasonable. Hence, in the event of damage, stakeholders may sue both audit firms. Therefore, JA standards often require common liability and responsibility of all participating auditors. In the event of damage, each auditor faces the whole liability and can be sued personally. As the law establishing an auditing office in Kuwait (as mentioned in the previous sections) gives the owner of the office the risk of personal litigation, making it possible to seize private property, not only taking compensation from the firm's assets, each auditor is keen that outputs of the audit process are of high quality and at the highest level of transparency and credibility, which is in the interest of all financial statement users.

The findings also have revealed that regulators observe a negative point about JA represented in the phenomenon of a free ride. The phenomenon of free riding, in general, is a phenomenon through which the JA system is circumvented, by bringing another firm to be a sham partner. This is one of the main problems and difficult to address if there is no ethical and professional responsibility for the audit firms operating in JA. Legislators are aware of the presence of this phenomenon in some cases, but it is difficult to prove, which requires legislation that can combat this phenomenon. This negativity causes some problems in the Kuwaiti audit market as well as a failure to achieve the main objectives of JA. For example, failure to develop the local auditor, failure to exchange experiences between audit offices and the possibility of manipulating the financial statements.

To sum up, regulatory authority works on supervising and developing the capital markets activities in Kuwait and creating an attractive investment environment that obtains investors' trust. The JA can give the impression for the business community that Kuwait is serious in protecting and increasing their investments. JA may not be the only factor or even influential, but the essential point is that it can give the impression that Kuwait is serious in protecting and increasing their investments through the credibility of financial information.

8.6 Corporate Management

Management has a unique perspective for JA, as they do not consider it an essential component of their business. Managements rely on their internal audit, which is the means through which they expect to reach the required goals. JA, however, expresses an element that ensures compliance with the rules and regulations related to securities activities. Also, it gives investors a more comprehensive picture of their investment in the market, which would enhance the investment awareness with regards to financial reports and disclosures, as well as improving the financial image of the Kuwait stock market transparency in general. The realisation of corporate management about the JA revolves around the frequency or duplication of procedures. In particular, this point concerns auditors and management of audited companies. Repetition means that auditors perform the accounting procedure two or more times. In other words, under the system of joint auditing, each of the two firms performs the same accounting work that the other firm did. Repetition, a typical sign of lack of coordination within an organisation, is redundancy, which causes delays in the management work of companies' subject to audit. They consider the presence of auditors a negative factor that contributes to the delay in their business and projects.

Management considers that the most important factors that help to increase AQ by the auditor are:

1. Skills and experience of the auditors
2. Compliance with professional standards
3. The audit firm reputation
4. Auditor classification (A or B)

The audit firm reputation: The audit firm reputation means the circulation of the name of the AF in the vicinity of the financial market. It provides audit services of distinctive quality by giving credibility to the financial reports that have been subject to its audit. The auditor must act in a manner consistent with the profession's reputation and refrain from any behaviour that harms it. The measure or indicator of the reputation of the audit firms is expressed through the increase in the number of clients and the BAF. Moreover, the AF reputation is one of the intangible assets of the office that is acquired through practice and the ability to provide high-quality services. This reputation does not depend on the size and number of clients belonging to it or the type of office only, and although some SAF are not considered reputable, there are other small firms that do not belong to one of the large offices that enjoy an excellent reputation inside and outside their area. Reputation is a combination of many determinants intertwined with each other, represented in adherence to professional standards and codes of conduct and ethics, members' professional experience of the audit firms, experience in customer activity, and good communication between members of the audit firms and clients.

Overall, company managements consider JA a helpful factor to reach two parties' satisfaction (board of directors - investors). Management needs to have the confidence of the board, they gain this confidence when the auditors have assessed relevant information objectively and scrutinised evidence independently and critically. Shareholders also want to ensure that the auditors have undertaken their job and made their reviews free from any bias without being affected unduly by management. So, the need for JA by management has been a cornerstone of confidence in the company's financial systems. The advantage of JA is that it assures that management has offered a true view of a company's economic position and performance to the stakeholders. The JA system underpins the obligation and trust of stewardship between those who manage a company and those who own it or otherwise require a fair view, to improve the degree of confidence in the financial statements. The quantitative results reflected these views: managements perceived the highest level of enterprise risk management oversight role in “JA enhances the confidence of financial report users” (mean response of 4.2), and “JA adds more assurance to financial report” (mean response of 4.2).

There are three perspectives from a company's management on the JA:

Positive perspective: the management is aware that the role of JA is an essential factor in beautifying or improving its image in front of stakeholders, especially the boards of directors,

especially if the company's financial performance is good. The presence of two audit offices to certify the financial statements is a positive factor for these companies' management.

Negative perspective: This management believes that the existence of two audit firms is an additional means of pressure for them in terms of reviewing reports and accounting information, as the opportunity to detect any errors may be greater. In general, the management believes that the external auditor exaggerates any error or overdraws any note, which causes problems with stakeholders.

Neutral perspective: The management considers JA to be a system that does not have any positives or negatives, as the external audit is a fixed system that is not affected by the presence of one or more auditors. The most important thing is that the auditors have given a professional judgement and arrive at appropriate conclusions.

All these categories have been gathered in two points. First, JA may lead to the delay of some work as a result of repeated procedures. Second, JA involves factors that help companies increase the quality of their financial disclosures in front of stakeholders.

8.7 JA Laws and Regulations

Another major finding in this research was that there was obscurity in laws and regulations in Kuwait regarding the process of distributing work between the two audit firms and the method of distributing fees. The quantitative findings discussed in Chapter 6 show, the average ratings of four in five statements have a mean score above 3.00, the highest statement "There are no clear laws in Kuwait on how to distribute the audit work among two auditors under the joint audit system" and the statement "there are no clear laws in Kuwait on how to distribute the audit fees among two auditors under the joint audit system", which have a mean score slightly below 4.00, indicating that a majority of the respondents either strongly agreed or agreed that there are no clear laws for these regulations. The results showed that auditing firms who are supposed to be the most knowledgeable group in JA legislation have a lot of uncertainty about these laws. For instance, around 70% of the audit firms strongly agreed or agreed that there are no clear laws on distributing the audit work and fees in Kuwait. Besides this, around 40% of the management strongly disagreed or disagreed that there are adequate laws for the JA system.

Where the JA law is completely unclear is that it only requires all listed companies to be audited by at least two auditors from two separate audit firms, without explaining how the audit works and or giving any mechanism for allocating responsibilities between the audit firms and clients. This led to problems appearing between the auditors, and some legal issues are also starting to surface, dilemmas in the mechanism for the distribution of fees, which resulted in legal issues that caused material losses to audit firms. Conversely, some see benefits in the vacuum in JA legislation. This gives complete freedom to audit auditors and the client to outline the audit process, where every firm can plan and execute business without any need for guidance laws. BAF, especially, believes that every firm can execute business without any need for guidance legislations. They see that the JA law has its main essence, that two auditing firms must approve the financial report, which is the most important regardless of the mechanism of work with it. The quantitative research revealed, by mean score that there is no complete knowledge of the JA mechanism (mean 2.75). In Kuwait, there is no reference legislation that explains rights and obligations under the JA system. The law is based on the concept that the two audit firms are responsible for the financial report. Therefore, the JA is centred on usages, understandings and customer recommendations. Due to that, a clear law must be enacted to be an additional and essential guarantee for audits as well as a source of safety to avoid making audit errors, which results in the protection of auditors' business. In Kuwait, in accordance with the provisions of Decree-Law No. (1981/5) explained in Chapter III, the responsibility is the observer's for any mistakes, with emphasis on the joint liability of the partners in the audit company, and the law touches on the responsibility of the auditor when professional errors are made, and the obligation to compensate for the damage caused by those mistakes alone or jointly with a predecessor. That means the primary responsibility of the financial report lies with the auditor. Article (16) stipulates that the auditor shall be responsible for the professional errors committed and for the correctness of the data contained in the report. The JA constitutes an additional and essential guarantee for audits as well as a source of safety not to make audit errors, which results in the protection of auditors' business.

Furthermore, the research revealed that, in terms of JA mechanism, around 75% of managements, 82% of audit firms, and 72% of investors, have no knowledge of the JA mechanism and how it is conducted. This parallels the qualitative findings, which revealed no unified mechanism for how to operate audits under the JA system. A JA is the audit of financial statements by two separate and independent auditing firms, which are involved in

planning and implementing the audit process, examining and collecting evidence, and signing one audit report together, and are responsible for the opinion presented in this report together. In Kuwait, there is no law that advises auditing firms on how to conduct joint audits, mainly because two auditing firms are responsible for the financial report. Therefore, the audit mechanism is centred on usages, understandings and clients' recommendations. Harmony is essential between the two audit firms, where there must be an agreement on the audit mechanism. Clients' recommendations play an essential role in determining the audit mechanism, especially if the clients are major institutions such as banks and telecommunications companies. Additionally, audit firms select an appropriate audit mechanism. But before that, there is an essential element in choosing the audit mechanism, which is the extent of the difference in the sizes of cooperating audit firms. Where the cooperation is between a big firm and a medium-sized firm, the big firm usually chooses an audit method. If the JA is between two firms of the same size, then the understanding between them is the basis for selecting the audit work mechanism. In general, the audit method depends on a basic criterion, which is the division of labour according to several considerations such as experiences, capabilities, and skills.

Therefore, the findings confirm the riskiness of the legislative vacuum, as this vacuum in the JA legislation may be positive or negative: positive through flexibility in choosing the most appropriate methods between auditors and clients to implement the audit process, which creates high-quality output. At the same time, this vacuum may be negative if there is a difference in the vision and the implementation of the audit process or problems in the financial report, which causes problems for all users. Interviewees' responses revealed that in the JA system is the lack of interpretation about auditors' duties and rights. There is a void in explaining this aspect, which causes confusion among the parties to the audit operation. To develop JA, stakeholders believe that the authorities must clarify the role and responsibility of the parties to the audit process.

8.8 Overview

The perceptions of the interviewees were consistent with agency theory which provides an explanation of the importance of external auditing in protecting the interests of stakeholders. The findings suggest that JA generates cooperation and friction between large offices and offices of medium and small size, resulting in a rise in the level of the auditor in terms of

exchange of information and experience. It also helps the Kuwaiti audit firms to develop their abilities by using advanced techniques and technology, and transfers rare expertise to the auditors, which is reflected in the end in high AQ. The findings also revealed that the advantages of JA affect in general all sectors of stakeholders, whether directly or indirectly, including the absence of additional costs, raising the level of AQ, and reputation. The findings also suggested the stakeholders' perception of developing this type of audit is across two levels, external and internal. External by regulating bodies through the issuance of legislation and regulations guarantees the rights and duties of the parties in the audit process, also organizes the work mechanism and division of audit fees. On the internal level, audit offices have a great deal of weight to develop the concept of JA. By changing the behaviour and methods of the audit mechanism to be as common as possible, by integrating their procedures.

JA is an audit system that helps and reinforces the aspirations of all stakeholders. It is a system able to directly improve AQ through the main factors that exist in the audit entity, such as experience, skill, independence and firm size. All these elements have been agreed upon by the accounting studies, which indicate that the more these elements are present in the auditor, the more the AQ will improve. The majority of stakeholders agreed that JA increases the level of auditors, who are the cornerstone of increasing AQ. The degree of importance of each of these components varied among the stakeholder groups. For example, auditors considered skills and experience the most critical factors, as for investors, they focused on the audit firms' size.

8.9 Chapter Summary

This chapter has presented the three main findings to emerge from the previous two chapters, namely the quantitative and qualitative analyses presented in Chapters 6 and 7, respectively. The findings were discussed in line with the available literature review and adopted theory. In some cases, a few findings were found to confirm the results of earlier studies as well as more recent studies in the area, while in other instances, these findings shed light on some of the features discussed in the literature review chapter. The discussion showed that each category of stakeholders has a diverged view on JA concept in terms of importance, practices, advantages, disadvantages, legislations. In contrast, they agree to a large extent that JA is able to increase the AQ.

This chapter has provided answers to the two research questions, therefore fulfilling the respective aims (Chapter 1). Moreover, the chapter sheds light on identifying the perception of stakeholders in terms of explaining their experiences with JA. Furthermore, the chapter has revealed the audit quality determinants and how JA can increase and strengthen audit outcomes.

Chapter 9

Conclusion

9.1 Introduction

This chapter provides an overview of the key findings for the study stages, which are qualitative (semi-structured interviews) and quantitative (survey questionnaire). These stages were applied to answer the research questions. This chapter also presents the implications, limitations, future research and conclusions drawn based on the data and findings regarding the Kuwaiti context and the Kuwaiti audit environment perspective. Furthermore, this research endeavours to provide direct assessment of stakeholders' perception in terms of explaining their experiences with the JA. In addition, the preliminary findings to emerge from this analysis will be introduced and evaluated narratively and critically, in light of this thesis's theoretical and practical analysis and after analysing the interviews and the questionnaire. Moreover, this final chapter presents the thesis's conclusion and objectives to reflect on the extent to which the study's aims have been accomplished. A pragmatic approach was applied in this thesis, including the use of two stages for data collection. The primary data was obtained by Stage One, in which 31 semi-structured interviews were conducted with the financial report users. This was followed by Stage Two, in which a questionnaire of 190 surveys was collected from participants in the financial environment.

This chapter is organised as follows. Section 2 discusses the results of the thesis, Section 3 outlines the contributions and implications of this study and section xx.4 presents the limitations of the research. Section 5 addresses a number of opportunities for future research, and section 6 presents the conclusion.

9.2 Summary of the Key Findings

This thesis has examined the perceptions of stakeholders and their vision for the JA in Kuwait in terms of importance, advantages, disadvantages, legislations and preference. This thesis's focus was on the understanding of stakeholders' perception via the depth and breadth of the mixed methods. Four types of stakeholders (audit firms, government, management and investors) were examined. Merging interviews and questionnaires together in one research

study, they were used as an indicator for understanding these perceptions. The results indicated that:

1. The JA is a vital point to increase the AQ in Kuwait, by increasing the independence of auditors as well as improving the level of International Financial Reporting Standards and improving auditors themselves through the exchange of experiences and information. This will contribute to obtaining financial statements that as a whole are almost free from material misstatements.
2. JA generates cooperation and friction between BAF and SMAF, resulting in a rise in the level of the auditor himself in terms of exchange of information and experience. It also helps the Kuwaiti audit firms develop their abilities by using advanced techniques and technology and transferring rare expertise to the auditors, which is reflected in the end in high audit quality. Consequently, auditors' independence and financial expertise are critical for stakeholders to take advantage of the external auditors' performance. Furthermore, the joint audit constitutes an additional and essential guarantee for audits as well as a source of safety to make no audit errors, which results in the protection of the auditors' business. Second, on the financial level, the joint audit provides good opportunities for audit firms to gain market share, whereas BAF can be easily controlled, creating a monopoly in the market, leading to negative affects client's customers and other audit firms. Finally, the joint audit can help to develop a strong financial market with credibility through a fair and transparent financial report that will enhance the position of the Kuwait financial environment, regionally and globally.
3. The JA is an influential factor in the CMA's seriousness in increasing the financial statements' quality, which is vital in raising standards, particularly at a time when the Kuwait Stock Exchange has reached important levels of promotion on global indices of emerging markets, such as "FTSE Russell", "Standard & Poor's" and "Morgan Stanley", and aims to upgrade to the level of developed markets on the "FTSE Russell" index. Further, improving the quality of financial data through JA constitutes a helpful element in attracting more foreign liquidity and stimulating local investment in the stock exchange and encouraging various companies to improve the level of transparency and future performance expectations. The stock exchange is a vessel for savings and investment, and it cannot develop without two wings. The first is related

to tightening control over the quality of financial statements and reviewing regulations and laws that help develop auditors' level to increase the transparency of the money market and its multiple dealings with various parties. The second is to develop technical tools that attract liquidity and raise trading efficiency.

4. JA does not contribute to increasing audit costs, because the audit fees are divided between the audit offices, whether equally or differently. This brings two benefits: First is for the client as he gets a high-quality audit due to the cooperation of two auditing offices, which reflects positively on the quality of his financial statements and the same costs of a single audit. Second, it is for the audit firms in Kuwait in all its sizes, where the JA contributes to distributing the financial returns to a broad category of audit firms and contributes to reducing the monopoly in the audit market in Kuwait.
5. There are three main downsides to JA according to stakeholder's perceptions:
 - A. Free-ride: this issue has two objectives and three conditions. The first objective is saving time and avoiding the administrative concern as big and medium firms seek to exchange roles between them to circumvent the subscriber's audit and overcome the negative aspects of JA. The second objective concerns SAF, through free-ride, achieving financial profits without making any effort. As for the conditions, they are three. First, there should be a high degree of trust and knowledge between the two firms under the umbrella of joint auditing. A free-ride cannot happen without trust. Signing financial statements by an auditing party without sufficient knowledge is not easy. Second, two audit firms must share the same clients, since free-ride cannot happen without roles and clients being exchanged. Third, there must be an understanding of the percentage of audit fees. If the free ride is between BAF and MAF, there must be coordination for the distribution of clients according to their business size, where in the end the size of the business determines the fees. As for the smaller firms, this situation is easy. The small firm accepts any percentage of the fees.

- B. Frequency or duplication: This issue concerns auditors and the management of audited companies. Repetition means that auditors perform the accounting procedure two or more times. Under the JA system, each of the two firms performs the same accounting work that the other firm did. Repetition, a usual sign of a lack of coordination within an organisation, is redundancy. This occurs when there is poor communication between the two audit firms. Because of duplication, the two audit firms and customers spend an unnecessary amount of effort and time to produce the same action or output twice.
- C. JA needs continuous coordination and communication, and in some cases, not everyone is ready or capable of achieving this, which causes problems such as delay: delay in the audit process resulting from difficulty in coordination, and slow transfer of information between the two audit firms participating in the audit, where each firm has a plan and dates that do not match the other office, especially if there is a similarity in the level of the size of the audit firm.
6. Stakeholders' perception of developing this type of audit is across two levels, external and internal. External by regulating bodies through the issuance of legislation and regulations that guarantee the parties' rights and duties in the audit process and organise audit fees' work mechanism and division. On the internal level, audit offices have a great deal of responsibility to develop the concept of JA, changing the audit mechanism's behaviours and methods to be as common as possible by integrating their procedures.
7. At auditor level, JA in Kuwait can add value on several levels:
- A. **Organizational:** represented in collaborative planning in the audit process, identifying it as the business, and determining the volume of audit work. Thus, two offices can audit the distribution of roles according to the skills and experience of each office.
- B. **Behavioural:** JA can support auditors at the behavioural level by increasing their independence and credibility, which increases the AQ and the validity of

financial statements. This support may not be available in the individual audit due to the absence of common interest.

- C. **Professional:** JA can increase the professional competence of auditors, by negotiating between two audit offices who come from different backgrounds and technical experiences. Moreover, general admission refers to the application of the principle of objectivity and adherence to professional standards for auditing, which results in improved professional standards.

In general, JA is a unique system and is not implemented in many countries. Therefore, no literature studies it directly or studies that try to know the vision of users and those dealing with JA. Two types of literature have reviewed JA. The first were studies that examined JA in general for its potential advantages and disadvantages. These studies were examined through secondary data, and there are many ambiguous points, such as how to increase auditors' independence through JA. There is nothing about what could result from this independence. This paper, examine and understand how JA contributes to increasing the independence of auditors. For example, participants suggested that JA can reduce client pressure, and JA helps them give an unbiased and honest professional evaluation of the financial statements to the stakeholders. However, it should be noted that mid-size firms need to consider the balance between independence and their relationship with clients. Previous studies were referring to the effects and points under the JA system, without explaining how it happened, for example, cooperation between audit offices and independence. While this study explains how these cases occur. For example, the findings suggest that JA generates cooperation and friction between large offices and offices of medium and small size, resulting in a rise in the level of the auditor in terms of exchange of information and experience. It also helps the audit firms to develop their abilities by using advanced techniques and technology and transfers rare expertise to the auditors, which is reflected in the end in high AQ.

Few papers have focused on the stakeholder perspective for JA in Kuwait or the general framework for the dimensions of this type of audit. Only Alshammari (2014) has considered some aspects of governance influence under the JA system. His research focused on “the three unique governance mechanisms of the recently developed Kuwaiti market: audit pair choice (JA), dominant block holders and the adoption of Islamic business principles

(Alshammari, 2014). Alanezi and Alfaraih's (2012) study also aimed to investigate the effects of JA on IFRS-required disclosure in Kuwait (Alanezi et al., 2012). However, those studies examined this perspective and relationship by collecting secondary data, which offers limited explanations concerning how these JA can influence stakeholders. In contrast, this research examines the JA dimensions in the Kuwaiti audit environment, which are numerous and varied among all stakeholder groups. These dimensions revolve around three centres. The first is internal to the audit offices and the auditors themselves. Second, for audited entities and companies. Third, the regulatory authorities and the economic environment in general in Kuwait. By developing a comprehensive empirical database and contributing to the existing literature by collecting primary data (interviews and questionnaires).

The majority of the previous studies only employed a dichotomous dependent variable (earnings conservatism, abnormal accruals and earnings quality) as the proxy for AQ due to limited data (Francis, Richard and Vanstraelen, 2009). Additionally, most prior empirical researchers have used evidence from developed context data, such as Sweden, Denmark and France (Karjalainen, 2011, Ratzinger-Sakel et al., 2012 Baldauf and Steckel, 2012, Lobo et al., 2017). However, those studies examined this perspective and relationship by collecting secondary data, which offers limited explanations concerning how these JA can influence stakeholders. In contrast, this paper was designed to investigate the stakeholder's perspectives on the dimensions of the JA in Kuwait. Also, concerned with whether JA adds value to the AQ. Besides, the questionnaire identified the difficulties and features facing these stakeholders during their involvement in this system of audit, as well as during their use in financial statement after the JA result. However, outcomes revealed that participants perceived that JA can add value to AQ by having auditors with diverse backgrounds and experience in the field of audit, which contributes to increasing the AQ. Further, JA stimulates competition among the largest number of auditing firms, leading to innovate more and improve the response to the needs of the audit market. In terms of perception of the quality of audit practices and the extent to which they agreed with statements regarding measures that can improve the AQ practices. Also, about factors by which it is possible to increase the quality of audit outputs if it is available at the audit firms.

However, after about 90 years of using this type of audit, current studies, especially studies in the Middle East, did not provide a clear explanation of the JA mechanism. Except for some French studies that referred to common audit laws in France. Most of the studies did not

explain how to do this type of audit. While this study discovers the mechanism for implementing the JA process. The findings show that is no unified mechanism for how to operate audits under the JA system. A JA is the audit of financial statements by two separate and independent auditing firms, that are involved in planning and implementing the audit process, examining and collecting evidence, and signing one audit report together, and are responsible for the opinion presented in this report together. In Kuwait, there is no law that compels auditing firms on how to conduct JA, mainly because two auditing firms are responsible for the financial report. Therefore, the audit mechanism is centred on usages, understandings and customer recommendations.

9.3 Implications and Contributions

This study has several theoretical, regulatory, and practical implications. These implications represent the contributions of the thesis that are expected to add to the JA and AQ literature, as well as to the audit market, via stakeholders and regulators.

9.3.1 Implications for the Regulators

The research findings presented implications for the regulators. Especially in the light of the recent regulations, the participants recommended developing this type of audit across two levels, external and internal. Externally, regulating bodies through the issuance of legislation and regulations guarantee the rights and duties of the parties in the audit process, and organise the work mechanism and division of audit fees. On the internal level, audit offices have a great deal of responsibility to develop the concept of JA, by changing the behaviours and methods of the audit mechanism to be as common as possible, by integrating their procedures. In Kuwait, under the JA system, there is a lack of interpretation about the duties and rights of auditors. There is a void in explaining this aspect, which confuses the parties to the audit process. To develop JA, stakeholders believe that the authorities must clarify the role and responsibility of the parties to the audit process. At investment level, JA's significant value for stakeholders' parties, specifically the investors in the Kuwaiti financial context, is the critical basis for making investment and commercial decisions by relying on audited statements to make their financial policies. JA can support the quality of the statements as well as enabling stakeholders and investors to rely on the auditor's independent reviewing of financial statements. Thereby, high JA leads to enhanced investor confidence and protects shareholders in the Kuwaiti economic environment.

Audited entities or clients must choose the auditors according to the correct basis, such as experiences and specializations. Therefore, to achieve the maximum benefit from JA, the basis of the audit partner selection mechanism should be changed. Through laws and legislation from the regulatory bodies, so that the choice of the audit partner not based on friendly relations, understandings, and mutual benefit exchange between audit firms. Moreover, the auditing field has both good and bad, especially in the Kuwaiti audit environment, which has some legal loopholes and the lack of close monitoring of audit firms. Therefore, the JA can be a successful and effective way to address the deviation of some audit firms. Where under the JA system, it is difficult for the auditor to blackmail and pressure the clients for any purpose because there are two different entities involved in the audits.

The thesis findings are necessary for regulatory, professional and academic organisations in Kuwait such as BK, CBK to organise regular courses, workshops and brochures to improve awareness regarding the importance of the JA in improving the audit service quality and financial report. The study's findings highlighted that the rotation of one partner under the JA system can expand the scope of cooperation between the audit firms in Kuwait. Thereby a high percentage of the firms operating in the Kuwaiti audit market can cooperate with each other, which exchanges experiences and skills. Furthermore, it can bring in fresh perspectives from new auditors who may be more capable and independent to develop and improve auditing methods, while also enabling the incoming firms to bring fresh eyes to the audit process. Therefore, regulators need to enhance the means of cooperation among auditors by laws and recommendations through which it is possible to make the most of JA.

9.3.2 Implications for Researchers

Audit research can offer a framework and theoretical perspective for the audit system and process, particularly the role of JA in developing some aspects of AQ. This research makes a novel contribution to research on JA cases by enhancing understanding of JA's dimensions and effects on stakeholders for those responsible for the audit environment in Kuwait. Furthermore, the findings can serve as a guide for researchers to develop the audit field in Kuwait. Moreover, this study will increase researchers' awareness of the importance of JA as a field of research, especially in light of the paucity of such research.

This research has established a conceptual perspective between the stakeholders and JA. Furthermore, it contributes to the body of knowledge, in terms of audit and accounting paper, by developing the understanding of the meaning of JA and how it can be enhanced from the Kuwaiti stakeholders' perceptions, as explained in Chapters Five and Six. Regarding methodology, this study stems from applying the qualitative and quantitative methods that have not been used previously, as this methodology and its findings produce a comprehensive picture and enhance the interpretations of the stakeholders of these factors. The results recommended that effective JA are associated with better AQ outcomes and auditors' level.

This research has also demonstrated the importance of this system's monitoring role and how it can enhance the audit process. The results highlighted the JA role as a vital point to increase the AQ in Kuwait, by increasing auditors' independence and improving the level applied to International Financial Reporting Standards, and improving auditors themselves through the exchange of experiences and information. This will contribute to obtaining financial statements that as a whole are almost free from material misstatements, whether due to error or fraud, and to issuing a report that includes the auditor's view. The JA is important in keeping pace with internal and foreign developments, particularly given the increasingly critical role of understanding information in the financial statements that have better quality contributing to the progress of economic and social development in the Kuwait audit environment. This thesis also offers understanding and new insights gained by using mixed methods which can encapsulate that knowledge and empirical evidence about this audit system. Thus, this thesis has connected the theoretical gaps and practical work. These results can be extended through studying other developing countries' context, such as GCC which has similar institutional features.

9.4 Limitations

The results of this research should be examined in the context of its limitations. First, the research outcomes are based on Kuwaiti listed companies in the Kuwait Boursa, which introduces a potential bias regarding internationalisation effects and thereby limits the results' generalisability to other markets. Due to Kuwait's JA requirement, accounting, auditing and cultural environment, generalising this study's outcomes to other contexts should be done with care. Moreover, given its organisational and structural differences, the Kuwaiti Boursa may show unique features in regards to its number of listed firms, market capitalisation,

maturity, ownership and size. All these determinants may limit the study's application to other countries.

The second limitation is regards to the audit fees information. Due to the market size and competition between audit firms, there is no requirement for listed companies and audit firms to report final audit services invoices or any audit fees in Kuwait. In the Kuwait Boursa, it is common practice among listed companies not to disclose any information concerning audit fees. The AQ literature reveals that audit fees are one of the primary measurements and indications of AQ (DeFond and Zhang 2014). The lack of data about audit fees limits the measurement of JA and AQ in Kuwait.

The third limitation is difficulty in extracting information about certain phenomena related to JA, such as free ride. Some participants avoid answering some inquiries, as some data related to external audits, which could have helped in gathering comprehensive insights from various stakeholders' positions. Also, because of the researched topic's financial sensitivity related to some details of audit practices and fees audit, a few participants were reluctant to participate in the thesis.

The fourth limitation is related to scarcity of research and studies related to JA, as most of the available studies are concentrated in specific countries such as Denmark, Sweden and France. Also, this type of audit is unique and not enforced in many countries. Therefore, there were limitations to this research in terms of the limited availability of studies. Nevertheless, this limitation has been addressed by conducting an extensive literature review, methodology and research design, representation of data, truthful analysis, and interpretation and subsequent discussion.

9.5 Future Research

The current study's examination of the stakeholders' perception in terms of explaining their experiences, JA quality and financial reports in a developing country with a mandatory audit system have paved the way and provided ideas for further research. Overall, the research relies on the data interviews and questionnaires. However, future research can use different approaches such as case studies or focus groups, providing more details, a richer understanding and comprehensive interpretations regarding the JA and its role in ensuring

higher AQ. These opportunities need more resources and effort to get inside the audit firms and stakeholders to address them in the future.

First, the current research could be extended to include Kuwaiti firms such as big family companies, which are not listed in the KB, where the JA requirement does not apply. Also, it would be interesting to compare the JA effect on chosen AQ with those of companies in other GCC exchanges, since these have similar legal and institutional settings.

Second, future study could concentrate on overcoming the limitations of the current thesis due to the lack of data concerning audit fees in Kuwait, as under Kuwaiti law, companies are not obligated to declare audit fees. Therefore, future research could examine audit firms and listed firms to collect data about audit and non-audit fees. Such data may provide more insight into the JA formation reality. The expectation is that audit fees vary between the two audit firms based on each auditor's expertise, specialization, and size and level of involvement in the process.

Finally, future research can compare some companies that use both the audit system, JA and SA, in different periods. Alternatively, future studies can address the two systems aspects (e.g. irregularities, firm size, fees, the firm legal status) as mediator variables of the relationship between these variables compared to the two-audit system.

9.6 Chapter Summary

The chapter has provided a summary and conclusion of the thesis for the purpose of analysis on the extent to which the study's objectives have been accomplished. It has also provided the study stages, which are qualitative (semi-structured interviews) and quantitative (survey questionnaire). These stages were applied to answer the research questions. This chapter has also presented the implications, limitations, future research and conclusions drawn based on the data and findings regarding the Kuwaiti context and the Kuwaiti audit environment perspective.

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Appendices

Appendix 1: Ethics Approval



Research, Innovation and Academic
Engagement Ethical Approval Panel

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31 August 2021

Mohammad Aljouan

Dear Mohammad,

RE: ETHICS APPLICATION SBSR1819-19: Do Important Stakeholders Converge in their Understanding of Joint Audit? A Comparative Study of How Auditors, Clients, Investors and Regulators in Kuwait Conceptualise and Characterise Joint Audit?

Based on the information that you provided, I am pleased to inform you that your application SBSR1819-19 has been approved.

If there are any changes to the project or its methodology, please inform the Panel as soon as possible by contacting SBS-ResearchEthics@salford.ac.uk.

Yours sincerely,

A handwritten signature in black ink that reads 'David Percy'.

Professor David F. Percy
Chair of the Staff and Postgraduate Research Ethics Panel
Salford Business School

Appendix 2: The Survey Questionnaire

My name is Mohammed sami Aljouan. a PhD student at the university of Salford, Manchester, United Kingdom. I am inviting you to participate in a research study to evaluate the joint audit system in Kuwaiti audit invroment. The results Filling out this survey will not compromise your privacy or subject you to any known risks. No identifiers are included in the questionnaires. The information in the study will be kept strictly confidential and data will be stored securely. Please do not hesitate to ask for the final results of this study, as all participants have the right to ask for the final report. I would greatly appreciate your completion of the survey. The survey should take you about 15 minutes to complete. Due to the fact that a small number of people are being surveyed, your response is very important and effort! Thank you in advance for your time and effort, Sincerely, Mohammed Sami Aljouan PhD student at the Salford Business School m.aljouan@edu.salford.ac.uk

I understand that my taking part is voluntary; I can withdraw from the study at any time and I do not have to give any reasons for why I no longer want to take part.

Section One: Personal Information

1. V.1 Please tick one box to indicate your age group:

- 18-24
- 25-34
- 35-44
- 45-54
- 55-64

2. V2 Please tick one box to indicate your gender

- Male
- Female

3. V3 User Classification

- Audit Firm
- Investor
- Management
- Other

4. V4 Please tick one box to indicate your auditing experience including training in Practice and years of using financial reports:

- Less than 2 years
- 2 -5 years
- 6-9 years
- 10-15 years
- 15-25 years
- 25 and more years

5. V5 Please tick one box to indicate your highest academic qualification

- Ph. D.
- Master degree
- Postgraduate diploma
- Undergraduate degree
- Commercial college certificate
- High school or less qualification

Section two: Your views about the Joint Audit (JA) and its importance

To what extent do you agree with the importance of JA and its importance in Kuwait.

6. V6 JA is important because it results in a high audit quality by having auditors with diverse backgrounds and experience in the field of auditing.

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

7. V7 JA ensures the auditor's rotation, which achieves the necessary neutrality resulting in high-quality audit.

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

8. V8 JA helps develop the audit market in Kuwait.

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

9. V9 JA contributes to the emergence of new audit offices in the market.

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

10. V10 In Kuwait, assets evaluation in JA are more accurate than the single audit.

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

11. V11 In Kuwait, the cost of JA is not high compared to the return it provides.

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

12. V12 JA stimulates competition among the largest number of auditing companies in different cultural backgrounds, leading to more innovate and improve the response to the needs of the audit market.

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

13. V13 JA increases the quality of audit.

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

Section Three: Your opinions about the quality of Audit Practices

To what extent do you agree that the following measures can improve the quality of Audit Practices.

14. V14 Skills and experience of the auditors.

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

15. V15 The Size of the Audit Firm.

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

16. V16 Independence of the auditors.

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

17. V17 The number of client's audit firms do have.

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

18. V18 The reputation of the auditors.

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

19. V19 Compliance with professional standards.

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

20. V20 Partnership with international audit firms.

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

21. V21 Classification of the auditor (A or B).

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

Section Four: Your views about the advantages of Joint Audit

To what extent do you agree that the following statements can impact positively on the quality of JA practices in Kuwait.

22. V22 JA adds more assurance to financial report.

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

23. V23 JA reduces the chances of making error in financial statements.

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

24. V24 JA allows for more opinions so that both auditors provide more views than in the case of single audits.

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

25. V25 JA increases the commitment in the application of IFRA/IASs.

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

26. V26 Cooperation between two audit firms under JA system generates a high-quality financial report from that of the single audit.

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

27. V27 JA increases the keenness of each auditor to raise the quality of the audit process in his part.

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

28. V28 JA increases the independence of auditors, which positively affects the audit process.

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

29. V29 JA compensates for any weaknesses of one of the auditors.

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

30. V30 JA increases the element of expertise, which positively affects the audit process.

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

31. V31 JA enhances the confidence of financial report users.

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

32. V32 the audit of two big four firms under JA system results in higher audit quality financial statements than audited data from one of big four.

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

33. V33 JA reduces the probability of any legal issues for both the auditor and the client as a result of any error in the audit process.

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

34. V34 JA reduces the manipulation of financial statements.

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

35. V35 JA adds high credibility to the financial statements.

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

36. V36 JA has more financial, human, and technical capabilities than the single audit.

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

37. V37 JA contributes to raising the company's credit standing.

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

38. V38 JA increases confidence in corporate information and hence a funding advantage, such as borrowing at a lower interest rate compared to other firms audited by a single auditor.

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

Section Five: Your views about the disadvantages of Joint Audit

To what extent do you agree that the following statements can impact negatively on the quality of JA practices in Kuwait.

39. V39 It does not allow each of the audit parties to have a full view of the audited company, unlike the single audit, which provides the auditor with a full view of the financial statements.

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

40. V40 It takes more time than the single audit.

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

41. V41 It consumes more effort than the single audit.

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

42. V42 It can create a conflict of opinion between the two auditors on the financial statements.

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

43. V43 In the joint audit system, coordination is difficult between auditors, especially if there is a difference in the size of audit firms.

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

44. V44 Under the joint audit system, there is the possibility of agreements between two audit offices to complete a joint audit in a form that will eventually be turned into an individual audit.

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

Section Six: Stakeholders with Joint Audit

A- To what extent do you agree that the following Stakeholders prefer joint audit in Kuwait.

45. V45 Big investors prefer joint audit on single audit.

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

46. V46 Small investors prefer joint audit on single audit.

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

47. V47 Management of companies prefer joint audit on single audit.

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

48. V48 Government's bodies prefer joint audit on single audit.

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

49. V49 JA is generally accepted by all stakeholders.

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

B- Board of directors under the joint audit system.

50. V50 Under the joint audit system, the opinion of the auditors in front of the board of directors is stronger compared to the opinion of the auditor in the case of individual audit.

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

51. V51 JA enhances shareholders' confidence in the decisions of the Board Directors in companies they have invested in it.

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

Section Seven: Joint Audit legislations in Kuwait

52. V52 In Kuwait, there are adequate laws for the joint audit system.

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

53. V53 There is a clear mechanism in Kuwait on how to conduct JA.

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

54. V54 There are no clear laws in Kuwait on how to distributed the audit work among two auditors under the joint audit system.

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

55. V55 There are no clear laws in Kuwait on how to distributed the audit fees among two auditors under the joint audit system.

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

56. V56 JA in Kuwait means sharing the audit process between the two auditors, not double audits.

- Strongly agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree