

ATTITUDE TOWARDS ACADEMIC SURVEY AMONG AUDIT FIRMS IN MALAYSIA: SOME CHALLENGES

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Abstract

The objective of this research is to identify the possible responses among small and medium audit firms in Malaysia toward surveys. A total of 119 audit firms were involved in this survey. The list of firms was acquired from the Malaysian Institute of Accountants (MIA), and the final sample consisted of firms particularly from Kuala Lumpur and Selangor. Questionnaire surveys were initially mailed to these firms, and several follow-ups were made for the completed survey hence response rate was 16.4 percent. Follow-ups involved phone calls and visits to the firms. It is found that Malaysian audit firms are not very friendly and supportive of academic research.

Keywords: small and medium audit firms, questionnaire survey, behaviour towards surveys, attitudes.

Introduction

In the past, it was common among the accounting domain literature to document studies on the avenue of behavioural aspects. Much past behavioral literature captures the ethical attitudes or ethical intentions towards a certain area of decision making and perceptions. Likewise, very seldom do we encounter research on the avenue of behavioural of accountants towards the survey. In the current study, we investigate the behaviour of accounting practitioners towards the survey. We sent surveys to these accounting practitioners at the end of the year starting from October 2017, just before the peak season starts. The mailing list of audit firms in Malaysia was obtained from the Malaysian Institute of Accountants (MIA) for a nationally representative, convenience sample. A total of 119 firms were finally sent a set of questionnaire surveys regarding independence and ethical requirements. Recipients were asked to complete the questionnaires, and the completed questionnaires would be collected by hand later.

The purpose of our research is to document the behaviour of practitioners towards the academic survey. This came to light due to our recent encounter with audit firms when collecting data on questionnaire surveys. The responses were very discouraging. Hence motivated us to examine and document the responses of these practitioners towards the academic survey.

Literature Review

Prior studies in the area of behavioural research have fairly discussed and examined the ethical behaviour or attitudes among accounting or auditing practitioners towards audit quality or perception towards accounting scandal. Paino, Ismail, and Smith (2010) have examined incidences of dysfunctional audit behaviour among auditors in Malaysia and found pieces of evidence that potentially could impair the audit quality. It is documented that the existence of dysfunctional behaviour involving PMSO (pre-mature sign-off), specific audit quality

reduction behaviour (AQRB) and some aspects of Underreporting of the actual time (URT) and time budget pressure. It has been suggested, the dysfunctional behaviour has also been referred to as reduced audit quality behaviour (Coram, Ng & Woodliff, 2003); where some controls are perceived to impact on the performance, evaluation, and rewards, indirectly having an impact on managerial stress and tension, hence lead to a potentially dysfunctional behaviour.

A recent study in Kuwait documents a general belief among auditors that the accounting profession predetermines their tendency to commit certain patterns of dysfunctional behaviour (Nehme *et al.*; 2016). Attitudes of accountants were also examined towards advertising and marketing, such as Clowet *et al.*, (2009) that examined the attitude of accountants towards advertising and changes in attitude that may have occurred between 1993 to 2004. It was noted there was a significant positive shift in the attitudes among accountants have toward advertising of accounting services; where there were changes in the marketing tools. Whilst Emerson, *et al.*, (2006) found that practitioners do not differ significantly by specialty area on ethical standards and behaviour, when there was a highly publicized business scandal.

Prior literature shows behavioural studies govern the area of dysfunctional behaviour of accountants and its impact on the audit quality, while there were also ethical attitudes concerns among practitioners. However, the current study explores attitudes among practitioners towards the survey and contributes to the current literature on behavioural accounting research.

Research Method

Research Design and Sampling

Prior literature in examining behaviour and attitudes of accountants or practitioners have conducted their research using questionnaire surveys as their research instruments. This was documented in Emerson *et al.*, (2006), Clow *et al.*, (2009), Paino *et al.*, (2010), and Alleyne *et al.*, (2014). The current study exercised the same method of data collection through the usage of a questionnaire survey as a research instrument to be consistent with prior literature.

In October 2017, a total of 119 postal questionnaires were mailed to small and medium audit firms located in Kuala Lumpur and Selangor. Kuala Lumpur and Selangor are considered to be in the Central region of Malaysia and were selected because they represent 70 percent of the audit firms in Malaysia, consistent with Sanusi *et al.*, (2018). The list of these firms was acquired from the Malaysian Institute of Accountants (MIA) similar to prior literature such as Paino *et al.*, (2010). After mail questionnaires, follow up calls were made to these firm senquiring on their completed surveys. In late January 2018 we had another follow-up, especially to all the non-responders where our research assistants went to the firms. The research assistants re-distributed the questionnaires and were supposed to collect any completed surveys. Figure 1 shows the processes that the current study had exercised to capture the behaviour of audit firms toward surveys.

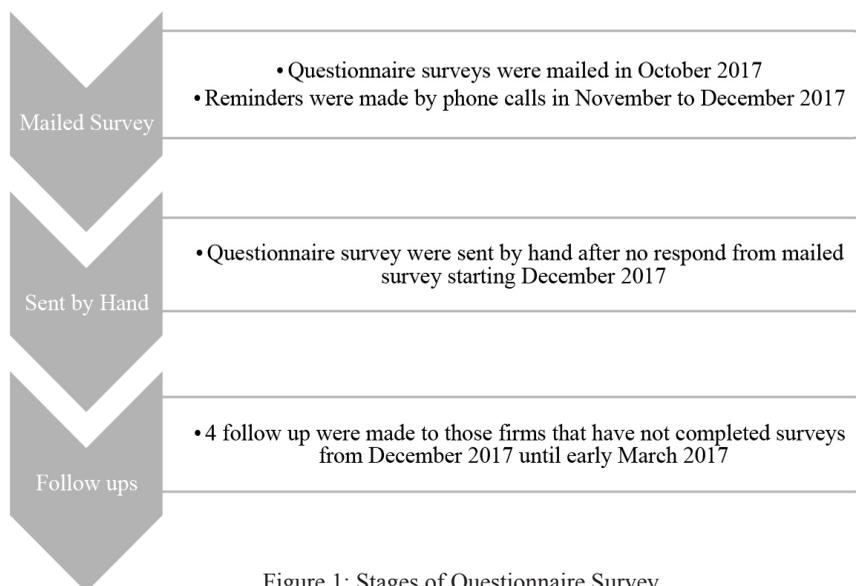


Figure 1: Stages of Questionnaire Survey

From Figure 1 above, the study started with questionnaire surveys that were mailed to the sample firms in October 2017. Following this, follow up was made by calls to all the sample firms in November and December 2017. Upon finishing with the reminder calls by the end of December 2017, the study started to reach out for the audit firms from December 2017 to early March 2018. Our research assistants went to all of the sample audit firms to assure that they have received the mail questionnaires. If they have not received any, a new set of questionnaires were given. Subsequently before visiting the firms for the second, third and fourth follow up, phone calls were made before going to the firms. This was to give some assurance to us on receiving the completed questionnaires.

Research Instruments

As mentioned earlier, the current study had utilized questionnaire survey as research instrument consistent with prior studies such as Emerson *et al.*, (2006), Clow *et al.*, (2009), Paino *et al.*, (2010), and Alleyne *et al.*, (2014) to collect the information. The research instrument consisted of 4-page questionnaire surveys on

auditor independence and ethical requirements related to ISQC 1 (International Standard on Quality Control). The survey instrument includes 27 vignettes based on ISQC 1, FRC's Audit Quality Thematic Review (2017), AICPA's (American Institute of CPA) Auditing and Accounting Practice Aid Series and some reference to ISA 220 (International Standard of Auditing). The survey instruments were validated by academicians of auditing background, and to increase the validity of the research instruments, the consistency of our approach is in line with that used in the empirical prominent business ethics literature among the behavioural accounting research domain. Further, the vignettes include important elements of ISQC 1 from IFAC (International Federation of Accountants) such as leadership responsibilities for quality within the firm, relevant ethical requirements, human resources, and monitoring. For the information, ISQC 1 spells out the quality control for firms that perform audits and reviews of financial statements, and other assurance and related services engagements. However, the content of the questionnaire survey is not the objective of the current research.

Analysis of Results

Statistics

Table 1 shows the response rate and the usable questionnaire survey. These were collected after a few follow-ups were made as shown in Table

2. Table 2 shows the frequencies of follow-ups that were made to the audit firms. There were up to 4 follow-ups made to ensure the returned and completed questionnaire surveys. The 14.3% response rate is slightly higher than Emerson et al., (2006) at 10.4%.

Table 1: Response rate

	Received	Usable
Questionnaire surveys	20	17
Response rate	16.8%	14.3%

Table 2 below shows the statistics of firms that have responded according to the number of times follow up were made. These follow up were made after all firms were contacted through phone calls as a reminder to complete the surveys. There were 4 follow-ups made following the earlier gentle reminder by phone calls. On the first visit, only 5 firms had completed the questionnaire survey upon

the first meeting; where two firms had mailed their completed questionnaire survey with the self-address stamp envelope that was provided with the mailed questionnaire surveys. For the second follow up there were 7 firms that had successfully responded, whilst the 3rd and 4th follow-ups show, 4 and 1 firms that had completed the survey consecutively.

Table 2: Number of firms and follow-up statistics

Frequencies	1 st visit	2 nd follow up and visit	3 rd follow up	4 th follow up
Completed	5 (2 firms completed the survey by mail)	7	4	1
Rejected	52	12	8	5
Not completed	62	43	31	25

Note:

Rejected = Reject/refuse to accept or answer questionnaire.

Not completed = Questionnaire was accepted but did not answer the questionnaire survey until the next follow up.

Table 2 shows the number of firms that had rejected and did not complete the questionnaire survey. ‘Rejected’ means the firms had refused to answer the survey. While ‘not completed’ means firms that had ignored our follow-ups until a certain period. They had received the questionnaire survey but have not completed the survey until the next follow was made. The current study had decided to stop upon the fourth follow up; as it was of no use to proceed further since it had taken a long time from when the mailed questionnaires were sent i.e.

approximately about 4 months.

Besides, Table 2 also shows that 52 firms had refused to answer the questionnaire on the first visit. Followed by 12 firms who refused to be involved after being approached for the second time. 8 firms were not interested to answer when were approached for the 3rd time, while 5 firms decided not to be involved when approached at the 4th time. 25 firms had not given any decision until the 4th time they were being approached; hence these were considered as questionnaire surveys that were not completed.

Table 3: Average number of days between follow-ups

<i>Frequencies</i>	<i>Between 1st and 2nd follow-up</i>	<i>Between 2nd and 3rd follow-up</i>	<i>Between 3rd 4th follow up</i>
The average number of days between follow-ups	12 days per firm	5.5 days per firm	5.8 days per firm

In Table 3, the study documented that it had taken 12 days from the first visit to the second visit or second follow-ups. This was due to the tight schedule of the research assistants to go to each of the audit firms. However, between the 2nd and 3rd follow up, it took 5 and a half days (5.5 days); while 6 (5.8) days for the duration between the 3rd and the 4th follow up.

Responses from Reminder by Phone

After more than two weeks the questionnaire surveys were first sent by mail in October 2017, a gentle reminder was made by phone calls to all the firms. The conversation via phone would start by introducing the research assistant and the purpose of the conversation. After the introduction, the respondents were asked if they have received the earlier mailed questionnaire survey. The study documents many responses and among the responses that were received were shown in Table 4.

Table 4: Responses from phone call

<i>Among the Responses from Phone Conversation</i>
We received. We are looking at it
We received. But we don't have time
We are busy
Please email us
We have lost the questionnaire
We didn't receive any
Do not call or try to reach us again
Contact the following person
The person addressed had left the firm
The person addressed had passed away
Please call later
What benefit we will get if we fill the questionnaire?

Apart from the above responses, the study faced other challenges too in completing this task. Hence, we must document these responses too. Among the response that was received; the staff of the firms would pass the line from one extension to another extension, or, from one department to another department, and to a certain degree, the call was left being idle. Besides, every time a new extension or staff being passed on, we had to explain the stance over again.

Responses from first visit

After the calls made to the firms, the study continued with visits to the audit firms and to send a hardcopy of the questionnaire. Each of the audit firms would get a new questionnaire survey. Table 5 shows the responses and reasons for the 'Reject' during the first visit. It is alarming to find out that there were firms that had closed down, and not easily accessible by the public. It is found that 4 firms might have closed down, from the feedback received by offices located near the firms. However, we have not confirmed these firms' closure with MIA.

Table 5: Among the response for rejections

<i>Reasons</i>	<i>1st visit</i>	<i>2nd follow up</i>	<i>3rd follow up</i>	<i>4th follow up</i>
Part of another audit firm/associates	8			
Closed down	4			
Wrong address/changed address	10			
Under construction	1			
Physically Unreachable/inaccessible	6	1		
Refuse to accept/not interested to participate	23	11	8	5

Eight of the audit firms refused to answer or accept the questionnaire, simply because they said there was part of another audit firm. Whilst an alarming 10 firms had changed address, moved to another place, or there was no office available there. It was a surprise to find out that the list of addresses we received from MIA, took us to the residential housing area. Not one but two audit firms' addresses. There was even an audit firm's address where it led us to a building that was under construction. And an address that no longer serves as an office, but eatery area. Some firms were not easily accessible by the public, such as no signage, and no proper access to offices and office phone number was not in service. Some offices were locked tightly, with no doorbell or mailbox available. Some offices were locked away and were only allowed to be communicated through the intercom. Hence, the distribution of the questionnaire survey was stopped at the entrance due to the difficult access to the office, ultimately easy rejections by the audit firms even before reading the survey.

These were just among the physical challenges that the study experienced, however, there were other social challenges that the study went through during the data collection period. We felt that it is important to document the responses we received while trying to disseminate the questionnaires. As was noted earlier, some offices were tucked away from public accessibility hence causing difficulties to send the questionnaires to them. Communication was made through the intercom. Some of the responses we received during the first visit; we were also being told to not even drop any

questionnaire into their mailbox. The act of hostility was rather immense among these firms when declining or retreating themselves from any academic surveys. Other than that, some firms were communicated through their practical training students, which conveyed the message the partner or firms were not interested to participate. Also, some firms use a very common reason to decline; namely they are very busy and they are not willing to share any information. Among other reasons for their rejections were; since the research assistants were not their practical training students, they are not willing to participate, and share any information. Further, they said that they know nothing of any questionnaire surveys, so they do not want to participate and asked us to go to other firms to answer the surveys.

Responses from second visit

During the 2nd visit, the responses were a bit less challenging than our first visit. Generally, the second visit was a follow up from the incomplete questionnaire that was sent during the first visit. We received 11 rejections on our second visit. Most of the firms refused to participate due to many reasons. Among the reasons were; they were not willing to share any information, or they said they have not received any questionnaire surveys or were aware of any questionnaire sent to them, hence they were not participating. Other than that, similar to earlier reason; our research assistants were not their practical training students, therefore they were not interested to participate. Finally, there was a

firm that their phone number was not in service anymore.

Responses from third

We received eight rejections on our third visit. During this visit, these eight firms decided not to participate due to many reasons such as busyness and had no time to answer the surveys, or had no idea about any questionnaire survey, or didn't receive any. Other than that, they simply were not willing to participate in this academic survey.

Responses from fourth visit

At the fourth visit, we received five rejections. The reasons were similar to earlier responses; not willing to participate, ask other firms to answer the survey, or they have not received any questionnaire hence not participating. It was interesting to note further, there was a firm that suddenly no longer exist after we have had 3 follow ups before. After further investigation, it was found that during the first visit, the door was locked and hence the questionnaire was dropped into the mailbox. After follow-ups were made through phone calls, a person managed to answer and said that the survey was passed to the Human Resource Department. After the third time being called, they said they were no longer the company the mentioned audit firm and hung up.

Following this last visit, any incomplete questionnaires would be included as 'Reject'. We could not wait further and extend the research due to time and budget constraints.

Conclusion

The current research's objective is to explore the behavioural responses and attitudes of accounting and/or auditing practitioners from small and medium audit firms in Malaysia. The research documents their responses when

they were approached to answer an academic questionnaire survey. The questionnaire requires either a partner or manager to answer the topic such as independence and quality control. After a few months, the current study managed to document some findings that could shed some light into the behavioural accounting research. It could be suggested that among the accounting practitioners in Malaysia, there is still some barrier that causes a demarcation line between academics and practitioners in general. Hence, suggesting that there is still a long way for both, the academics and practitioners to work together rather than working in *silos*.

It is prevalent for the authority or legislative institutions, to always seek the cooperation from both eminent people from the academics as well as practitioners, in improving the accounting and auditing landscape in the country. On the contrary, we would also like to highlight the limitation that we think might have contributed to the lack of response in the current study. The research instrument was a questionnaire survey on a heavy topic such as auditor independence and ethical requirements related to ISQC 1. This topic itself is rather sensitive to many, hence the low response rate and negative responses from the audit firms.

It may be suggested for future research, a more qualitative in nature of research method to be considered, to improve the outcome and responses from the research. Hence a more substantial output may be recognised that may allow bridging exercise or collaboration between the academics and the practitioners.

Acknowledgements

We wish to thank the Ministry of Education (MOE) Malaysia for the Fundamental Research Grant Scheme (FRGS) for this research. And not forgetting the assistants; Tasnim Masdur, Ardeela Ali and Nurulain Husna Azmi for their help.

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