

Positions on Regulations Affecting Auditing and Nonauditing Activities

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Abstract

The change in regulations that occurred in Spain in the domain of auditing has led to the analysis of regulations according to the positions adopted by different groups involved in the auditing market. The purpose of this study was to investigate the positions taken by professionals involved in this sector regarding those aspects of the law that regulate the provision of services other than the auditing of annual accounts, with a view to obtaining relevant conclusions for the regulation of the auditing activity. Findings show the existence of three professional subgroups according to the level of global prohibition of the incompatibilities analyzed and the level of importance assigned to the prohibitions in two important groups of prohibitions. The difference between these professional groups is analyzed in terms of their level of prohibition in comparison with the law. Other results show the most important variables for measuring a firm's degree of independence.

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The auditing services market today includes, in addition to the traditional auditing of accounts, a relatively wide range of services depending on the prohibitions and exceptions established by the regulations of the country in which auditing firms operate. This reality of the auditing market stands in sharp contrast to the position adopted by some researchers on the strictest prohibition of services carried out by these firms (Abbott, Parker, Peters, & Raghunandan, 2003; Ashbaugh, Lafond, & Mayhew, 2003; Bartlett, 1993; Basioudis, Papakonstantinou, & Geiger, 2008; Davis & Hollie, 2008; Duh, Lee, & Hua, 2009; Felix, Gramling, & Maletta, 2005; Gonzalo, 1995; Lowe & Pany, 1995; Pany & Reckers, 1988; Sharma, 2001). Regulators have shown themselves aware of the controversial effects on auditing firms' independence of those firms' offering both nonauditing services (NAS) and auditing services. Hence, there have been many legislative efforts and actions to solve this conflict worldwide, such as the Sarbanes-Oxley Act in the United States, the reform of the Auditing Law in Spain, and others.

The Spanish context provides an opportunity to study the effects of the change in rules produced by reforms to Auditing Law in the years 2002 and 2010, one of the consequences of which is the increasing number of incompatibilities with regards to the professional activities carried out by firms. Different investigations of this issue have produced conflicting results. Some studies have shown that these activities can harm the independence of the auditors (Basioudis et al., 2008; Davis & Hollie, 2008; Duh et al., 2009; Frankel, Johnson, & Nelson, 2002; Ye, Carson, & Simnett., 2011), while others show opposite results (Antle, Gordon, Narayanamoorthy, & Zhou, 2004; Ashbaugh et al., 2003; Chung & Kallapur, 2003; Monterrey & Sánchez, 2007).

The purpose of this study was to analyze the provision of NAS through an empirical investigation of the positions of academics and auditors on the legal aspects that regulate the execution of auditing services. In particular, the purpose was to determine the degree of agreement or disagreement with the current legislation and to provide relevant conclusions that could be of interest for future reforms to auditing regulations. The research method used was a questionnaire sent to the professionals enrolled in the Registry of Spanish Auditors (REA) and academics enrolled in the Spanish Accounting Professors' Association (ASEPUC).

The study first reveals the existence of subgroups with similar perceptions about regulating incompatibility regarding the level of importance they assign to such incompatibilities. These groups should be taken into account in future regulations of auditing activities. Findings indicate that those incompatibilities should be controlled by more regulations. The evidence is in accordance with other movements on an international level toward stricter incompatibilities with auditing activities, such as the Sarbanes-Oxley Act in the United States.

In the second section, the review of the literature provides an analysis of the most important consequences of auditors' offering multiple services and the modifications made to auditing law which affect the joint provision of auditing and other additional services. The third section of the paper describes the methodology and the research design used in the study. The next section describes the main results obtained from the empirical investigation. The final section outlines the conclusions obtained from the study and its most important implications for future research and limitations.

Background of the Research

According to Beattie and Fearnley (2004), one of the main concerns that have emerged following a number of financial scandals occurring in the last decade of the 20th century and the beginning of the 21st century is related to the execution of multiple and varied services by auditors. Fees charged for these services grew even faster than those charged for auditing services. All of this led to the general belief that the execution of other services could cause these professionals to compromise their independence.

Two main concerns arose. On the one hand, auditors tend to avoid disagreements with the management of companies in order to maintain the abundant income derived from the provision of services not related to auditing (Ashbaugh et al., 2003; Basioudis et al., 2008; Nice & Trompeter, 2004; Ruddock, Taylor, & Taylor, 2006; Van Der Plaats, 2000). On the other hand, the offering of a wide array of services could lead auditors to identify too closely with the management of businesses, thus ultimately losing the neutrality needed for auditing functions (Cahan, Emanuel, Hay, & Wong, 2008; Caplan & Kirschenheiter, 2000; Firth, 1997; Myring & Bloom, 2003; Ruddock et al., 2006).

The supply of NAS has been the most debated topic of all the threats to independence identified in the literature (Bartlett, 1993; Canning & Gwilliam, 1999; Callagan, Parcas, & Singhal, 2009; Habib & Islam, 2007). Many authors have argued that the provision of services is a practice that has negative consequences on the functioning of the auditing market (Ashbaugh et al., 2003; Bloomfield & Shackman, 2008; Quick & Warming-Rasmussen, 2009; Windmüller, 2000). The following negative consequences of this practice have been identified:

- It increases the economic dependence of the client (European Commission, 2000 a,b, 2003; International Federation of Accountants - IFAC, 2001a; Khurana & Raman, 2006);
- It provokes a loss in auditing quality (Felix et al., 2005; Francis, 2006; Gonzalo, 1995);
- It increases familiarity and trust with the client (Chen, Elder, & Liu, 2005; European Commission, 2000 a,b, 2003; Gul, Jaggi, & Krishnan, 2007; IFAC, 2001a,b);
- It creates complicated situations for self-revision (IFAC, 2001a,b; Myring & Bloom, 2003);
- It harms the prestige of the auditing profession (Francis & Ke, 2006; Gonzalo, 1995; Law, 2008).

However, other authors have also pointed out a number of positive effects of the practice of joint service provision and the execution of other types of work by auditors:

- It increases knowledge of the client (Asare, Cohen, & Trompeter, 2005; Beck & Wu, 2006; Gul et al. 2007; Seunghan, 2006);
- It improves competition within the market of auditing firms (Ruiz, 2002; Wu, 2006);
- It benefits auditors' independence (Arruñada, 1999; Lennox, 1999; Myungsoo, 2005);

- It improves the satisfaction of clients of auditing firms (García, Garrido, Vico, Moizer, & Humphrey, 1999; Lee, Mande, & Son, 2009; Malley, 2000);
- It increases the chances of attracting and retaining personnel in auditing firms (Hillison & Kennelley, 1988).

On the whole, though both negative and positive consequences exist, expressions of alarm and concern are more frequent than those of praise for the positive consequences.

As far as legislation on incompatibilities within auditing activities is concerned, a comparative study of the statements and measures taken by different international agencies shows that the agency adopting the strictest and most severe position on prohibitions is the Securities Exchange Commission (SEC) through the Sarbanes-Oxley Act (2002). Greater consensus exists between the positions of the International Federation of Accountants (IFAC) and the General Accounting Office (GAO). Lastly, the American Institute of Certified Public Accountants (AICPA) is the least stringent agency in this respect (López, 2005).

The modification of the legislation on auditing in Spain was a long-awaited event desired by all the groups involved, as many topics required revision and updating in the context of the new panorama affecting the auditing services market. This situation was especially urgent with regards to the provision of nonauditing services by auditors because, given the evolution of the auditing market, it was a topic needing specific modifications and, above all, broader and more precise regulations. The previous rules established only a few sparse references on the topic of confronting the issue of joint provision of auditing and other services.

Through the terms of Law 44/2002, the legislation on auditing was modified, with the aim of resolving existing conflicts and deficiencies. Specifically, Article 8.2 indicates the following:

It is established that the auditor does not possess sufficient independence in the exercise of his functions in relation with a business or entity, when he or she provides the following services or when a series of circumstances occur: the execution of services of design and launching of financial information technology systems, evaluation services, services of internal auditing, maintaining business relations, advocacy services, participation in the hiring of executives or key personnel for the auditing client, and the provision by the signing partner of services other than auditing to the audited entity, as well as the payment of fees for providing auditing and non-auditing services to the same client, if the latter constitute an unduly high percentage of the total annual income of the account auditor in relation to the average of the last five years. (Law 44/2002)

Moreover, in the same article, the law also establishes that the calculation period for incompatibilities will include the year in which the work was carried out as well as the third year previous to the tax year to which the financial statements being audited refer.

Methodology and Research Design

To carry out this investigation, a system of email surveys was chosen in order to compile the opinions of auditors and the academic community. This procedure was chosen because it is a straightforward research method for collecting opinions, and it allows researchers to reach quickly a large number of elements of the population under study. In addition, it provides many other advantages, such as the rapid reception of responses from those being surveyed, the possibility of broadening the study's geographical scope, and a considerable reduction of research costs. Nonetheless, it also presents some disadvantages, such as difficulty in obtaining certain email addresses, the fact that some people do not use email, and the loss of some responses because the survey arrives along with a large number of spam messages.

With regards to the participating population, the choice of participants was based on the twin concepts of knowledge and professional work. Thus, auditors chosen had a direct interest in the regulated matter, together with a high knowledge of auditing and accounting. The selection of academics was based on the fact that it is logical to think that they have a good knowledge of auditing and that the regulated activity could influence their professional work as they must incorporate changes in rules into the classes that they teach; moreover, their opinion on those changes must be considered free of partisan bias. These two groups were thus considered to be an excellent proxy for those involved in auditing functions, as they initially present disparate positions, and both groups' opinions are supported by their knowledge of the regulated area.

In this study, the usual steps were followed for this type of research: definition, design of the study, selection and definition of variables, design of the questionnaire, selection of the sample, validation and testing of the questionnaire (Ruiz et al., 1998). Next, the process carried out is briefly summarized.

Definition and Purpose of the Study

The purpose of the study was to assess whether changes made in the auditing legislation are likely to contribute to a reduction of the existing controversy surrounding the execution of various services by auditors. If this is not the case, the study findings may serve to ease the conflict by proposing alternatives. Hence, the potential effect of the changes was investigated via the opinions of two groups of users involved in and committed to auditing activities. The target population was composed of auditors belonging to the Registry of Spanish Auditors (REA) and academics belonging to the Spanish Accounting Professors Association (ASEPUC).

The objective of this investigation was to raise a debate on the modifications to auditing law with the purpose of reaching a consensus on such questions. With regards to those parts of the law which have undergone change, the aim of this study was to find empirical evidence of the level of acceptance shown by the individuals involved. With regards to those parts of the law which have not been modified, the aim of the study was to provide additional evidence related to matters not changed or treated in the reform but which individuals believe should have been taken into consideration.

Selection and Definition of the Variables

The next step was the selection and definition of different items of interest to gather relevant information to meet the aims of the study. Starting with the key auditing and legal concepts, a set of variables was constructed that would ultimately constitute the complete questionnaire. The variables analyzed correspond to the different incompatibilities that are described in the extract from Article 8.2 of the Auditing Law quoted above. Table 1 shows a list of these variables and the modalities taken into consideration.

Table 1
Variables and Modalities under Consideration

Nomenclature	Variables analyzed	Modalities considered
IncD	Incompatibility related with "Design Services and Implementation of Financial Information Technology Systems".	NP = No prohibition. -E = Less strict than Law. IL = In accordance with Law. +E = Stricter than Law. RP = Radical Prohibition.
IncAS	Incompatibility related with "Assessment Services".	The same.
IncIA	Incompatibility related with "Internal Auditing Services".	The same.
IncRM	Incompatibility related with "Maintenance of Managerial Relationships".	The same.
IncLS	Incompatibility related with "Legal Services".	The same.
IncTM	Incompatibility related with "Top Manager or Key Personnel Recruiting".	The same.
IncSP	Incompatibility related with "Signatory Partner of auditing report carrying out any type of nonauditing service".	NP = No Prohibition. IL = Prohibition only signatory partner = In accordance with Law. RP = Prohibition all members = Radical Prohibition.

The level of prohibition equal to the law, for each starting variable, was established as 0.5, the minimum value as 0, and the maximum as 1. Other values of each variable were rescaled according to those values.

Design of the Questionnaire and Selection of the Sample

The questionnaire used was of a mixed, structured type, using both open and closed questions. A codification phase facilitated the subsequent statistical treatment of data obtained through this survey. The representative sample was composed of 1 610 members of REA who were sent a questionnaire by email. The rate of response was around 12.3%. In the case of the academics, the sample was composed of 900 individuals belonging to ASEPUC. The index of responses received was approximately 10.4%. In both cases, the number of responses achieved was satisfactory in relation to the minimum standards established in the literature for similar studies (Assessing the representativeness of public opinion surveys, 2012). Once the data were purged, the final participants were 80 academics and 186 auditors.

Validation and Test of the Questionnaire

For the validation and final test of the survey, a pretest was administered to a group of 15 academics in the Department of Accounting and Financial Economics of the University of Seville. Additionally, a pilot survey was carried out with the following groups: students in a Master Degree Program in Bank Management and auditing professionals, two from large auditing firms and one from a medium-size local firm.

Statistical Methodology

First, a statistical analysis of the variables included was carried out in order to make sure there were no anomalies in the data. Next, a principal components analysis (PCA) was executed to achieve the segmentation of the individuals involved and determine the number and type of groups into which the individuals could be subdivided. This process enabled us to find groups of variables in such a way that the behavior of individuals in each professional segment was similar in variables of the same group and different in those of different groups.

Once the segments of professionals and groups of variables were determined, such segments of professionals were characterized depending on their behavior in the original variables. For this characterization, several confidence intervals were carried out. These are summarized as follows:

- Determination of the confidence intervals for the average level of prohibition of each professional segment in each principal component (PC). Hence, it was then possible to see whether statistically significant relationships existed between the degree of prohibition for each of the groups of incompatibilities studied and for each professional segment.
- Determination of the confidence intervals for the average level of prohibition of each professional segment for each of the incompatibilities studied.

In accordance with those confidence intervals, the objective of the study was to determine the position of each professional segment for each of the incompatibilities under study, in terms of agreement or disagreement regarding the level of prohibition established in the regulation.

Results

A multivariate study was carried out in order to determine unobserved relationships between the variables. For this purpose, a PCA was applied in order to construct latent variables to explain the joint behavior of the variables IncD, IncAS, IncIA, IncRM, IncLS, IncTM, and IncSP (see Table 1).

Next, the existing correlation between the different variables was verified in order to discover whether it was of interest to conduct the analysis. Table 2 shows the correlation matrix that reveals that all correlations are highly significant; hence, common factors must be causing these high correlations, and, thus, PCA could be carried out. Retaining the first three principal components, it was possible to retain 74.62% of the information provided by the original variables.

Table 2
Correlation Matrix

	IncD	IncAS	IncIA	IncRM	IncLS	IncTM	IncSP
IncD	1	0.663**	0.416**	0.357**	0.360**	0.355**	0.441**
IncAS	0.663**	1	0.438**	0.409**	0.368**	0.355**	0.546**
IncIA	0.416**	0.438**	1	0.509**	0.446**	0.477**	0.327**
IncRM	0.357**	0.409**	0.509**	1	0.562**	0.447**	0.274**
IncLS	0.360**	0.368**	0.446**	0.562**	1	0.501**	0.379**
IncTM	0.355**	0.355**	0.477**	0.447**	0.501**	1	0.341**
IncSP	0.441**	0.546**	0.327**	0.274**	0.379**	0.341**	1

Note. (**) Significant Value for $p < 0.05$.

Table 3 shows the component score coefficient matrix: For each professional, the score in each component is obtained by multiplying the standardized variables values for the case by the weights or component's score coefficients.

Table 3
Component Score Coefficient Matrix

	Component		
	PC1	PC2	PC3
IncD	0.202	-0.423	-0.448
IncAS	0.213	-0.446	-0.244
IncIA	0.203	0.219	-0.498
IncRM	0.200	0.393	-0.305
IncLS	0.203	0.353	0.416
IncTM	0.194	0.324	0.375
IncSP	0.183	-0.419	0.806
% of Variance Explained	50.982	65.492	74.622

The first component is interpreted as a joint level of prohibition of all the concepts analyzed; in other words, a new variable was obtained explaining the level of global prohibition for each item of the set of variables analyzed. The second component represents a contrast between the level of prohibition manifested in the variables IncD, IncAS, and IncSP, on the one hand, and the variables IncIA, IncRM, IncLS, and IncTM, on the other. Thus, the first group of variables could be considered to represent additional services directly related to the financial information verified by the auditing activity (SDA) whereas the second group of variables would indicate services indirectly related to the financial information verified by the auditing activity (SIA). Thus, the second principal component could be interpreted as a contrast between the importance granted to prohibitions on SDA and the relevance granted to prohibitions on SIA.

In the third component, the variable whose weight far exceeds that of the others is the one that measures which members of an auditing team are incompatible with the realization of any other type of service provided by the firm (IncSP). In other words, the third component represents the level of importance assigned to the prohibitions, namely which members of the auditing team are incompatible with the realization of other services provided by the firm.

Figure 1 shows where the original variables are represented in the space of the first two principal components. There are two groups of variables: on the one hand, variables IncD, IncAS, and IncSP and, on the other, variables IncIA, IncRM, IncLS, and IncTM.

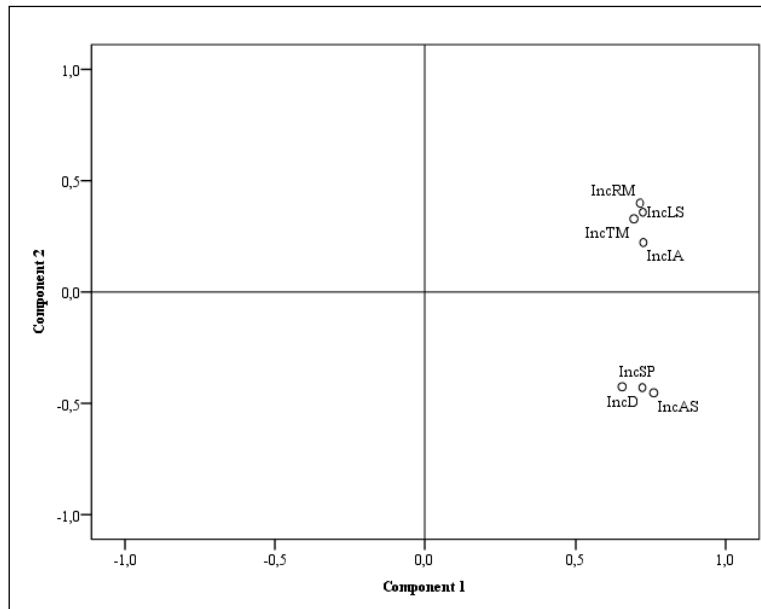


Figure 1. Representation of the initial variables in the space of first and second principal components.

Next, in Figure 2, the original variables are represented in the space of the first and the third principal component. The variable which is at a greatest distance from the others and from the origin of the coordinates is IncSP, which indicates that it is the most significant variable in this PC3.

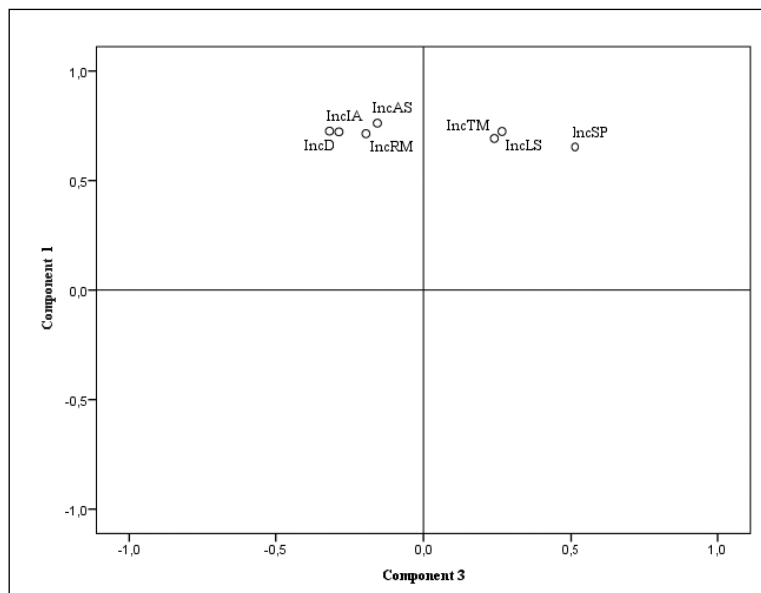


Figure 2. Representation of the initial variables in the space of the first and third principal components.

Moreover, analysis showed that among auditors, two subgroups could be defined according to the function of the type of auditor and his or her experience. On the one hand, 147 partners with considerable experience (five years or more) and individual auditors with even more experience (10 years or more), who have been called consolidated auditors (CA). On the other hand, 39 partners who do not have considerable experience (less than five years) and individual auditors who do not have much experience (less than 10 years), who have been called nonconsolidated auditors (NCA).

Figure 3 shows the centroids of the three groups obtained in the spaces of the first and second principal component, and Figure 4 shows the same centroids in the space of the first and the third principal component.

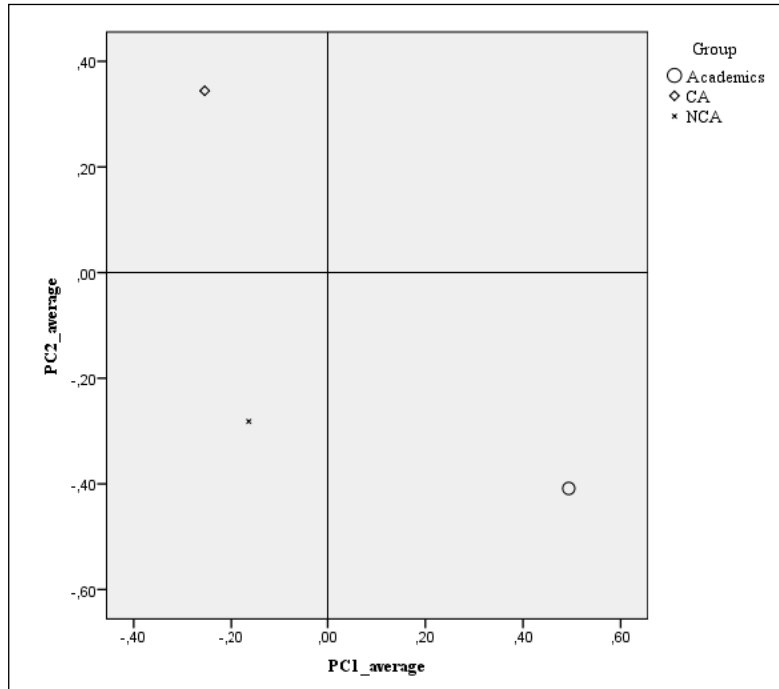


Figure 3. Centroids in the space of first and second principal components.

In Figure 3, consolidated auditors are located in the second quadrant, nonconsolidated auditors in the third quadrant, and academics in the fourth. These positions show the following evidence: academics have a greater tendency to prohibit than auditors (CA and NCA), and CA tend to prohibit more in variables IncIA, IncRM, IncLS, and IncTM than in variables IncD, IncAS, and IncSP. In the case of NCA and academics, the tendency is in the opposite direction: they tend to prohibit more or equally in variables IncD, IncAS, and IncSP than in variables IncIA, IncRM, IncLS, and IncTM. Later, we show that NCA and academics prohibit to the same degree in the two groups of variables.

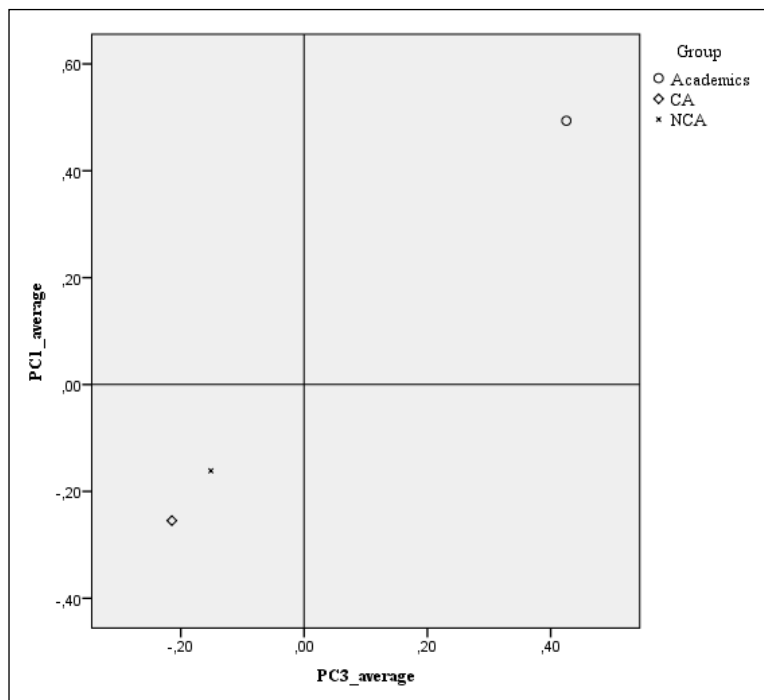


Figure 4. Centroids in the space of first and third principal components.

In Figure 4, academics are located in the first quadrant and NCA and CA in the third quadrant. Considering, as indicated previously, that PC3 comes to represent the behavior of variable IncSP, these positions show the following evidence: Academics tend to prohibit much in the variable IncSP, but in the case of NCA and CA, the tendency is in the opposite direction: they tend to prohibit little in the variable IncSP. Later, we show that NCA have an intermediate degree of prohibition in IncSP and that CA have a very low level of prohibition in this variable.

The overlap in the scores of academics, nonconsolidated auditors and consolidated auditors is shown graphically in three box/plot diagrams, namely Figures 5, 6, and 7.

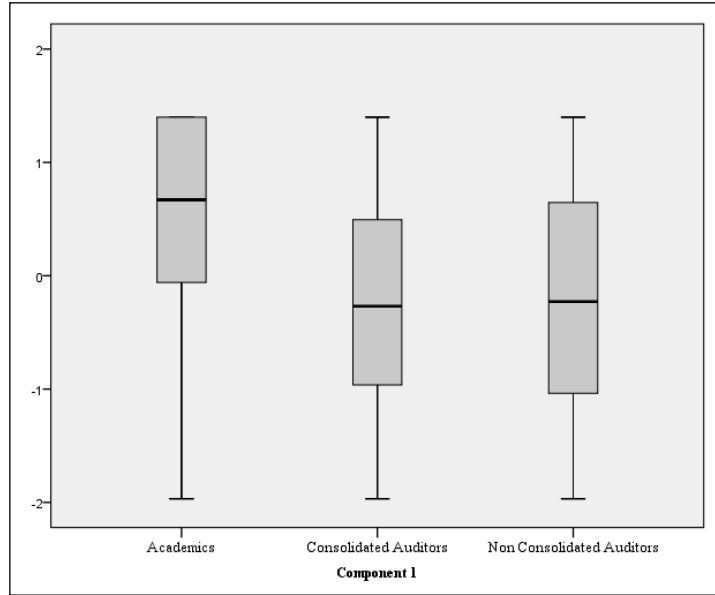


Figure 5. Box/plot graph of the principal component 1.

Figure 5 shows that the scores for the first component are higher in academics than in auditors (CA and NCA). In addition, academics' scores are asymmetric on the left; in other words, there are academics who clearly differ from the general behavior of the group in the sense that they assign a lower prohibition. With regards to auditors, there is no significant asymmetry.

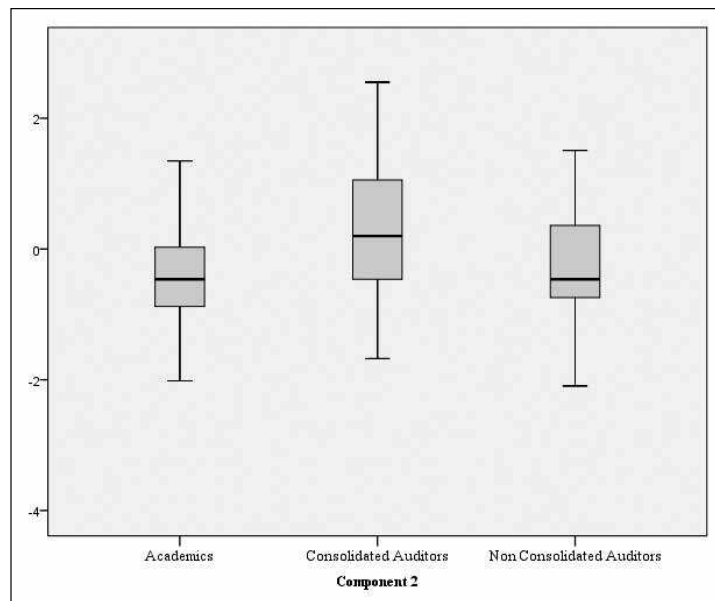


Figure 6. Box/plot graph of the principal component 2.

Figure 6 shows that for the second component, the auditors' score (CA and NCA) is higher than that of the academics. The auditors' scores are asymmetric on the right: There are auditors who have a preference for SIA as opposed to SDA prohibitions, which is more pronounced than in the case of other auditors in their group.

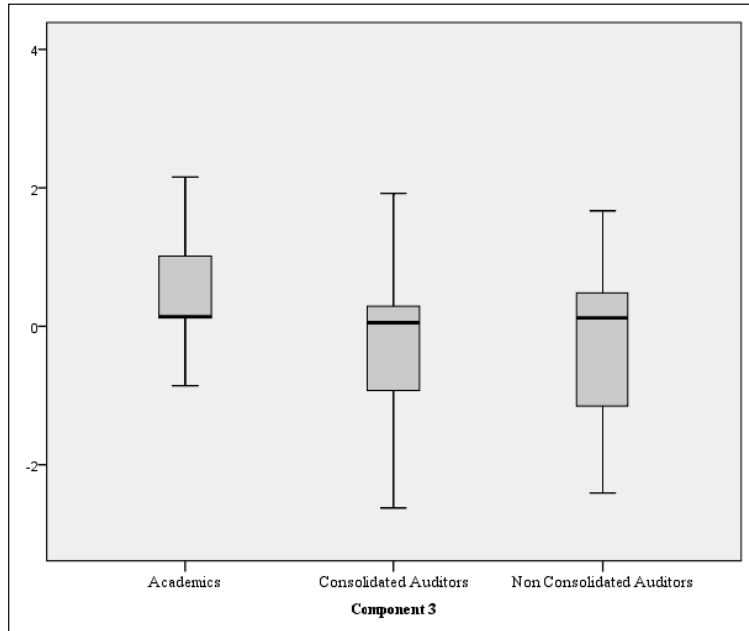


Figure 7. Box/plot graph of the principal component 3.

Figure 7 shows that in the third component, the scores are fundamentally positive for academics and negative for auditors (CA and NCA). In other words, academics grant more importance to IncSP prohibition, whereas auditors do the opposite, giving little priority to IncSP prohibition. In addition, academics' scores are clearly asymmetric on the right and auditor's scores (CA and NCA) are clearly asymmetric on the left, which shows that there are people in the three groups who have much more extreme opinions than the rest of their group.

The next step was to corroborate through a confidence interval (CI) the graphical observations made earlier on academics and auditors, CA and NCA, in the three principal components. An alternative procedure would be hypothesis tests. In general, a confidence interval for the parameter θ with $100(1 - \alpha)\%$ confidence level will be defined as any interval that contains all numbers θ_0 for which the corresponding null hypothesis, $H_0: \theta_0 = \theta_0$, is not rejected with a significance level of $100\alpha\%$. Thus, a 95% confidence interval for the mean equals a significance level of 5% for the corresponding hypothesis test $H_0: \mu_0 = \mu_0$. Hence, Tables 4 to 6 show the analysis of confidence intervals for PC1, PC2, and PC3 (namely for IncSP), respectively:

1. CI for Average level of prohibition in each PC by academics;
2. CI for Average level of prohibition in each PC by consolidated auditors;
3. CI for Average level of prohibition in each PC by consolidated auditors.

Table 4
Confidence Interval for the Mean in PC1

	Average	95% confidence interval for the mean	
		Lower limit	Upper limit
Academics	0.4937	0.2807	0.7067
PC1	CA	-0.2546	-0.4081
	NCA	-0.1615	-0.5024
	Law	-0.2848	0.1795

Table 4 shows the following consequences regarding PC1:

- The level of prohibition in the legislation is less than the lower limit of CI of the academics in PC1, such that academics prohibit globally more than the legislation.
- The CI of CA and NCA are totally overlapping in PC1, such that NCA and CA globally prohibit on a similar level.
- The CI in PC1 of academics is superior to the CI of NCA and CA, such that academics prohibit globally more than auditors (CA and NCA).
- The level of prohibition in the legislation is contained in the CI of CA in PC1, such that CA have a level of global prohibition similar to that of the legislation.
- The level of prohibition of the legislation is in the CI of NCA in PC1, such that NCA have a level of global prohibition similar to that of the legislation.

Table 5
Confidence Interval for the Mean in PC2

		Average	95% confidence interval for the mean	
			Lower limit	Upper limit
PC2	Academics	-0.4086	-0.6030	-0.2143
	CA	0.3443	0.1848	0.5037
	NCA	-0.2820	-0.5663	0.0024

Table 5 shows the following consequences regarding PC2:

- The upper limit of CI of academics is less than zero in PC2, such that academics prohibit more in SDA than in SIA.
- 0 is within the CI of NCA in PC2; thus, NCA can be considered to prohibit on a similar level in SDA as in SIA.
- The lower limit of CI of CA is greater than zero in PC2; thus, CA can be considered to prohibit more in SIA than in SDA.

Table 6
Confidence Interval for the Mean in IncSP

		Average	95% confidence interval for the mean	
			Lower limit	Upper limit
IncSP	Academics	0.8000	0.7216	0.8784
	CA	0.2449	0.1806	0.3091
	NCA	0.4359	0.2774	0.5944

Table 6 shows the following consequences regarding IncSP:

- The mean of IncSP for CA is less than the lower limit of the CI for NCA, such that CA prohibit less than NCA in IncSP.
- The mean of IncSP for NCA is less than the lower limit of the CI for academics; thus, NCA prohibit less than academics in IncSP.

The summary of these conclusions in that in the variable IncSP, CA prohibit less than NCA, and the latter less than academics.

Next, the behavior in the initial variables of the three groups of professionals was analyzed. Specifically, the level of prohibition of each of these variables for each group was compared with level 0.5 of the legislation. In other words, the 95% confidence interval for the mean was carried out for each starting variable and for each professional segment.

Table 7
Confidence Interval for Mean Level of Prohibition in Original Variables

		Average	95% confidence interval for the mean	
			Lower limit	Upper limit
IncD	Academics	0.6728	0.586	0.7596
	CA	0.4184	0.3543	0.4824
	NCA	0.5385	0.413	0.6639
IncAS	Academics	0.7037	0.6171	0.7903
	CA	0.3537	0.2887	0.4188
	NCA	0.4744	0.3432	0.6056
IncIA	Academics	0.6563	0.5579	0.7546
	CA	0.5986	0.5301	0.6672
	NCA	0.6282	0.4917	0.7647
IncRM	Academics	0.7938	0.7177	0.8698
	CA	0.6888	0.6254	0.7522
	NCA	0.5833	0.4541	0.7126
IncLS	Academics	0.7531	0.6685	0.8378
	CA	0.5799	0.5107	0.6492
	NCA	0.5897	0.4513	0.7282
IncTM	Academics	0.7563	0.6700	0.8425
	CA	0.631	0.5621	0.6998
	NCA	0.4872	0.3558	0.6186
IncSP	Academics	0.8000	0.7216	0.8784
	CA	0.2449	0.1806	0.3091
	NCA	0.4359	0.2774	0.5944

The following conclusions may be drawn from Table 7:

- In the case of the academics, the level of prohibition of the legislation, 0.5, is less than the lower limit of the seven CI. For this reason, it can be assumed that this group prohibits more than the legislation in all variables.
- In the case of CA, the level of prohibition of the legislation, 0.5, is less than the lower limit of CI for the variables IncIA, IncRM, IncLS, and IncTM (SIA) and greater than the upper limit for the variables IncD, IncAS, and IncSP (SDA). Thus, it can be assumed that AC prohibit more than the legislation in SIA and, in contrast, prohibit less than the legislation in SDA.
- In the case of NCA, the level of prohibition of the legislation, 0.5, is within the seven CI, and, thus, NCA appear to prohibit on the same level as the legislation in all variables.

These findings provide a clear characterization, using the original variables, of the three professional segments found through the analysis of principal components.

Conclusions and Avenues for Future Research

The research study was based on the firm conviction that the auditing profession is necessary and useful to the economy of any country, given that it can provide an important added value to the economic and financial information provided by firms. In this context, an analysis of the quality of independence of auditors was carried out. Specifically, the investigation focused on an issue that has generated controversy in the auditing profession during recent years: the regulation of the joint offering of auditing and other multiple services.

The research study shows the positions maintained by both auditors and academics regarding the legislation governing this type of activities. Within the two targeted professions, three groups of individuals were identified: academics, nonconsolidated auditors, and consolidated auditors. Findings show a considerable

difference in criteria between the two professions. The joint analysis of the variable of experience and the type of professor/auditor indicates that CA diverge significantly from academics. However, NCA have a clearly intermediate opinion on prohibitions, between academics and AC. In addition, the starting variables were subdivided into two groups: SDA and SIA.

The characterization of the three groups of participants, using the original variables representing different prohibited services, provides the following evidence:

- Academics tend to prohibit more than the legislation on all variables.
- NCA prohibit on the same level as the law regarding both SDA and SIA.
- The level of global prohibition of CA appears similar to the law even though it is not. This group opts to prohibit more than the law in SIA and less in SDA, and both situations cancel each other out, such that the final result is deceptive.

More specifically, the results demonstrate that academics show a high level of prohibition in SDA when compared to SIA, CA show a high level of prohibition in SIA when compared to SDA, and NCA prohibit on the same level for both SDA and SIA. In addition, in the case of IncSP, the relevant variable that measures the level of importance assigned to the prohibitions, namely which members of the auditing team are incompatible with the realization of other services of the firm, findings show that academics show a high level of prohibition in IncSP, CA show a low level of prohibition in IncSP, and NCA have an intermediate level of prohibition in this variable.

It thus appears that the most important variables for the independence of auditing work are those that have been grouped under the heading of services directly related to auditing (SDA), and the least important are grouped under the heading of services indirectly related to auditing (SIA). This finding is consistent with the professional reality of each group. Academics are in an impartial position that allows them to see the need to reinforce auditors' independence through regulation, a fact that is reflected in their high level of prohibition, actually more elevated than the current legislation. In contrast, CA, probably influenced by their line of work, consider that a high level of prohibition in regulation is detrimental to their professional activity. NCA are located in an intermediate position between the other two groups, demonstrating agreement with the level of prohibition stipulated in the regulations. Given that they have not yet consolidated their position in the auditing profession, they share certain features of neutrality with academics, and they do not yet show a pessimistic view of the influence of the regulations on their professional activity.

Finally, the results obtained in this investigation, convergent in great measure with statements made at international level regarding stricter incompatibilities with auditing activity (for example, the Sarbanes-Oxley Act in the United States), provide important conclusions that could usefully be taken into account for future legislation in auditing markets.

The study showed a number of limitations:

- The use of a questionnaire as a method for obtaining empirical evidence has inherent limitations. Notable among these limitations are the participation of people who give random responses, problems in interpretation, and difficulties in responding to questions related to specific topics.
- The conclusions obtained have full validity in reference to the two groups providing the sample data. Thus, the criteria of other groups such as firms, financial analysts, and so on cannot necessarily be extrapolated. For this reason, future research could incorporate the opinion of these groups to give the results more perspective.
- The opinions shown in the questionnaire could contain a considerable amount of subjectivity, especially in reference to one of the groups surveyed: auditing professionals.

Future lines of investigation could focus on the following avenues:

- Analyzing whether the current legislation serves to encourage the independence of the auditing profession or, on in contrast, is too permissive.
- Investigating whether earning excessively high payment in NAS can affect the independence of the auditing profession.
- Analyzing in depth and in more detail the role played by the variable IncSP in the independence of auditing firms.

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