

# AUDITOR-CLIENT EXCHANGE COMPETENCY AND AUDIT REPORT EFFICIENCY: EVIDENCE FROM CPAs IN THAILAND

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**Abstract:** *The confidence of investors is a foundation of the capital markets, and audit reporting efficiency depends on the proper resolution of contentious accounting that surface during the audit process. The current view of the auditor and client exchange need to focus on working together to solve the difficulty of the debate about the use of client judgment. The aim of this study is to investigate the relationship among five dimensions of auditor-client exchange competency and, its consequences. The results were derived from a survey of 258 CPAs in Thailand. The regression analyses suggested that auditor- client exchange competency dimensions consist of procedural audit collaboration focus, joint audit planning orientation, integrated audit information awareness, insight audit practice emphasis, and detailed audit evidence concentration. These five dimensions are an influence on audit operational proficiency, audit functional achievement, audit quality enhancement, and audit report efficiency. Moreover, theoretical and managerial contributions, conclusion, and suggestions for future research are interesting to be discussed.*

**Keywords:** *Procedural Audit Collaboration Focus, Joint Audit Planning Orientation, Integrated Audit Information Awareness, Insight Audit Practice Emphasis, Detailed Audit Evidence Concentration, Audit Operational Proficiency, Audit Functional, Achievement, Audit Quality Enhancement, Audit Report Efficiency.*

## 1. Introduction

For capital market, stakeholder and other acceptance, the auditors can determine which is the key in creating confidence in the financial report. Especially, capital markets will trust the auditor with the ability to audit. Competency is a key component in building confidence in financial statement (Gibbins, Salterio & Webb, 2001; Gibbins, McCracken & Salterio, 2005).

Furthermore, the confidence of investors is a foundation of the capital markets (Brown & Wright, 2008). With this confidence, it causes them to recognize the completion of the audit reports (Chen, Elder & Liu, 2005). When the financial report is released into the public domain, it is a general recognition. It is the result of audit operational exchange between the auditor and the audit client (Gibbins, Salterio & Webb, 2001; Trotman, Wright & Wright, 2005; Gibbins, McCracken & Salterio, 2005). Therefore, the client is accepted in the audit process and agrees with the auditors on the adjustment of the financial statement and financial report disclosures (Chen, Elder & Liu, 2005). Thus, links between auditor and client on audit process effect to adjustment of financial statement disclosures, and financial reports are more effective (Chen, Elder & Liu, 2005). The problem, in this focus, is that the client may feel forced to defend their resulting. It is a communication between the auditor and client who must follow the rules (Brown & Wright 2008; Salterio 2012; Kleinman, Palmon & Yoon, 2013).

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Currently, exchange between the auditor and client is one of the most important links in modern business (Kleinman, Palmon and Yoon, 2013). Since, failure to influence the client to accept changes to the financial statements sufficient to make the statements not materially misstated (Rezaee, 2005; Kleinman, Palmon and Yoon, 2013). Meanwhile, auditor's primary responsibility is to service professional accounting with a client, based on the performance of the audit according to auditing standards and regulations, leading to audit operational proficiency (Kleinman, Palmon & Yoon, 2013).

However, the auditor must provide assurance of audit quality when their client prepares it. To ensure the financial statements of clients who have misstated or misrepresented information, important content may detect errors that are proposed to be adjusted before the disclosures (Kleinman, Palmon & Yoon, 2013). Thus, in this research, the CPAs are the key informants of sampling study to answer the research question. This research suggests that CPAs must possess the ability to communicate with clients to obtain important evidence to lead to better performance reporting. How auditor-client exchange competency assists CPAs in audit report efficiency is the key research question in this paper. However, the primary purpose of this research is to investigate the relationships between auditor-client exchange competency and audit report efficiency of CPAs in Thailand. The effects of auditor-client exchange competency consequences on audit operational proficiency, audit functional achievement, and audit quality enhancement and audit report efficiency are examined.

## **2. Literature Review**

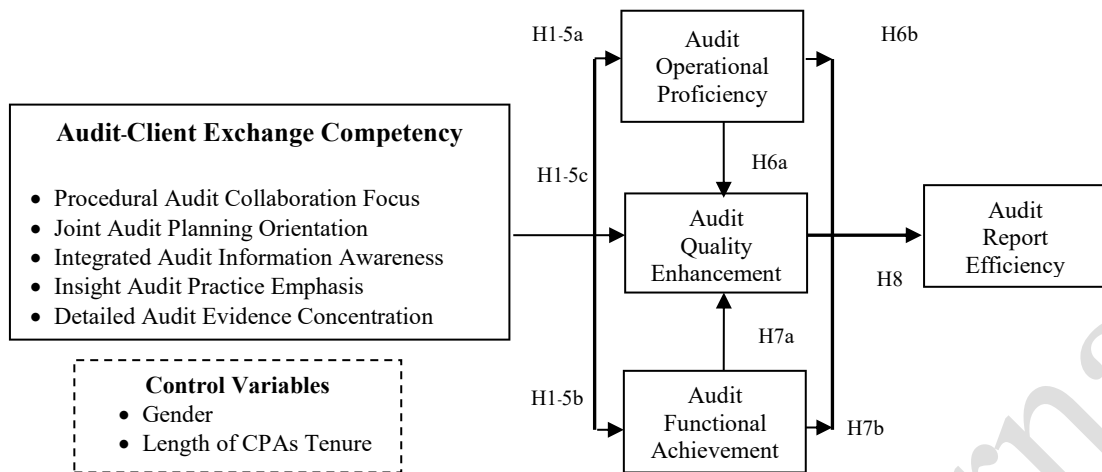
Based on review of the relevant previous literature, the application of the social

exchange theory explains that the auditor and the client are not only fulfilling a role that has been expected by society (Dezoort & Salterio, 2001). The auditor builds exchange competency and manages their resources in solving problems with the audit in this research (Das & Teng, 2002). However, the auditor's decision is based on communication for mutual benefit to acquire in-depth information with incremental impact on audit operational proficiency, audit function achievement and audit quality enhancement. The author believes that auditor competency is required to link client relationships. It helps to important accounting material with the highest interest of audit report efficiency. Thus, the social exchange theory explains the phenomenon of auditor to have a closer relationship between themselves and their clients. This theory indicates that the relationship is a dynamic process through sequential interactions in which partners operate activities with one another and exchange valuable resources based on mutual trust (Lee, 2001).

### **2.1 Auditor-Client Exchange Competency**

Competency is the capability or the ability (Boyatzis, 2008). Meanwhile, Boritz and Carnaghan (2003), identified the competency-based approach specifies the operation anticipation of terms of outcome, or in what an individual can be proficient, rather than in terms of an individual's knowledge and ability. Furthermore, the final outcome of the cooperation between the auditor-client is the audit report in accordance with the terms set out together (McCracken, Saterio & Gibbins, 2008). In preference, it may be seen as an instrumental effect such as an administrator achieving a higher reported income so as to qualify for bonuses; or the audit firm being reappointed, quit, or being replaced by management (McCracken, Saterio & Gibbins, 2008; Salterio, 2012).

**Figure 1: A Research Model of Auditor-Client Exchange Competency**



As mentioned above, auditor-client exchange competency refers to the ability to use communication skills, linking knowledge and attitude to clients for building trust and reducing conflicts about the evidence that is materially important, according to related auditing standards for achieving maximum audit report efficiency (Brown & Wright, 2008; McCracken, Saterio & Gibbins, 2008; Salterio, 2012). This conceptual framework investigated the relationship among five dimensions of auditor-client exchange competency to its antecedents and consequences based on previously literature review, as shown in Figure1.

#### *- Procedural Audit Collaboration Focus (PAC)*

Financial reporting quality coming from a quality report inspection must conform to the standard of review. The auditor performs by the issuance of a reasonable audit report on the client's compliance with generally accepted accounting principles (Francis, 2011). There are two primary observable outcomes of the audit process according to Nelson, Elliott and Tarpley (2002) and Gibbins, McCracken and Salterio (2010) who suggest that the audit process is a shared responsibility between the auditor and client towards the audit of the financial statements prepared by the client. Also, the audit report is under the

direct control of the auditor. Consistent with Kleinman and Palmon (2000) it is believed that auditor-client relationships are under the ability of an auditor to manage the relationships with client firms. It helps them to resolve the problem by client collaboration utilization, and checks for understanding and the results of the audit, which will be helpful in resolving the client who is in control of the auditor (Salterio, 2012).

Based on the above reasons, in this research, procedural audit collaboration focus is defined as the ability to convince clients to participate, give feedback and discuss between the parties regarding the verification process until it results in defined terms for the mutual benefit of both parties, to achieve the objectives of the joint investigation (Francis, 2011; Gibbins, McCracken & Salterio, 2010; Salterio, 2012). From the literature review previously found the principles outlined of an auditor-client relation is to accept the collaboration in serving the public interest, honoring the public trust, and demonstrating commitment to the procedural audit focus, based on generally accepted accounting standards (Bakre, 2007). Meanwhile, Lee, Mande and Son (2009) indicate the relationship between audit and client, in the term of office of the auditor, that the audit delays decrease due to the increased efficiency of the auditor

extra working time. Based on previous literature, the related hypotheses are postulated as follows:

**H1:** *Procedural audit collaboration is positively related to (a) audit operational proficiency, ( b) audit functional achievement, and ( c) audit quality enhancement.*

*- Joint Audit Planning Orientation (JAP)*

The audit planning procedures are not isolated from other audit procedures, but the audit planning procedures are held throughout the audit until the audit ends. Auditors will be updated at any time after the audit plan to get more information on auditing. The audit planning is used in audit practice to achieve the goal of auditing or audit effectiveness ( Shoommuangpak & Ussahawanitchakit, 2009) . In addition, Salterio ( 2012) indicates that the partnership between an auditor and client in audit planning would result, 1) the preparation to investigate powerfully and quickly, 2) specifying the scope option and the type of monitoring tools to be shared, 3) scheduling as agreed, and 4) strengthening the morale of the employees. However, Arens, Elder and Beasley (2008) pointed out that the plan of the joint investigation between the auditor and client is based on pre-approval to accept the check.

The previous study found that each intervention leads to more effective modifications to standard audit procedures and that the combination of their interventions is not significantly effective more, if either intervention used to the benefit of himself (Hoffman & Zimbelman, 2009). Meanwhile, the study of Low & Tan (2011) shows that forewarning auditors during audit planning, of impending time constraints, leads to better time-constrained performance on an inventory task.

As mentioned above, in this research, joint audit planning orientation refers to the guidelines, methods of cooperation from

clients to support the audit plan, and guidelines according to the auditor that are determined for achieving both the potential and ability in audit efficiency and for more effectiveness. The auditor agrees with the process of obtaining and maintaining a job (Arens, Elder & Beasley,200 8; Salterio, 2012). Based on previous literature, the related hypotheses are postulated as follows:

**H2:** *Joint audit planning orientation is positively related to (a) audit operational proficiency, (b) audit functional achievement, and (c) audit quality enhancement.*

*- Integrated Audit Information Awareness (IAI)*

The prior view on-going debate about is the effectiveness of the audit report in communicating with financial statement users ( Bamber & Stratton, 1997) . Therefore, in the audit process, the auditor must be aware of formal information sources with an emphasis on the client's document management (McAllister & Bell, 2011). Currently, the auditor recognizes the role of monitoring data and methods to the investigation of the specific activities to demonstrate the suitability of methods and monitoring tools (Rus, 2012). The auditor must give priority to developing an integrated information strategy and monitoring and evaluating conformance with information- related standards, legislation and policy guidelines (Buchanan & Gibb, 2007).

Previous literature found that to provide information to determine the need for strategic information is one of the popular methods to link the information or data integration. Thus, integrated audit information awareness for monitoring effects audit operational proficiency (Buchanan & Gibb, (1998.

Consequently, integrated audit information awareness refers to using knowledge to gather information, techniques, methods, and evidence-based

monitoring of clients to connect, and brings together analysis, confirming the accuracy of this information from the auditors who are available in order to determine the best quality (Buchanan & Gibb, 2007; Rus, (2012. Based on these arguments, the related hypotheses are postulated as follows:

**H3:** *Integrated audit information awareness is positively related to (a) audit operational proficiency, (b) audit functional achievement, and (c) audit quality enhancement.*

*- Insight Audit Practice Emphasis (IAP)*

The CPA who must strive to withstand the pressure of all the competition and others under the rules and regulations to provide audit report efficiency as well as standard quality (Alles, Kogan & Vasarhelyi, 2008). Thus, that change affects the auditor increased efforts to monitor the implementation of development as well as the practices associated with the development of the ability to audit quality. The audit quality of financial statement is based on the performance of the auditor (McKnight & Wright, 2011). However, the auditors will focus on the audit with clear understanding, and with collaboration from information provided by the client (Salterio, 2012). The auditor must comply with auditing standards in every issue related to the cognitive content of the auditing standards (Salterio, 2012).

The audit practice will be received from the audit planning procedure and through risk assessment on both inherent risk and control risk (Rennie, Kopp & Lemon, 2010). In addition, the results suggest that it is desirable for auditors and auditing standard-setters to be aware of factors that may lead to greater auditor reliability of client management (Rennie, Kopp & Lemon, 2010). In this research, insight audit practice emphasis is defined as the ability to build trusting relationships

with clients, and provide access to evidence from monitoring the environment appropriately, according to the situation of a client's industry. It provides inspection reports that are even more effective (Dennis, 2000; Alles, Kogan & Vasarhelyi, 2008; Salterio, 2012). Based on the previous literature, the related hypotheses are postulated as follows:

**H4:** *Insight audit practice emphasis is positively related to (a) audit operational proficiency, (b) audit functional achievement, and (c) audit quality enhancement.*

*- Detailed Audit Evidence Concentration (DAE)*

As to the bankruptcy of a company, there are serious implications for various external and internal economic agents who are shareholders, inclusive of moneylenders, clients, suppliers, employees, and corporations themselves. That is why business insolvency has been a recurrent topic in previous literature (Sánchez, Monelos & López, 2013). Despite these rules, the external audit is the main guarantee of the quality and reliability of financial information. Auditors are dedicated to issue professional opinion about whether financial reports have been developed according to GAAP and communicate a fair expression of the financial and economic shape of the company (Herbohn & Ragunathan, 2008). The auditor, to management control about the truth of the evidence effectively assessing the risk of fraud is even greater (Trotman, & Wright, 2012).

A review of empirical evidence in previous literature, and according to Trotman and Wright ((2012, one experimentally tests for conditions, if any, under which financial-report auditors change both fraud and risk assessments based on whether external evidence provides positive or negative news about fundamental business performance. In the determination of the risk of contemporary

clients, auditors must understand that the client's business model is higher and likely to be different audit evidence and conclusions emerging from the trends of financial figures (Knechel, 2007; Schultz, Bierstaker & O'Donnell, 2010).

In this research, detailed audit evidence concentration refers to the ability to analyze and evaluate the sufficiency of the evidence to check that which is received from clients in accordance with the situation (Janvrin, Caste & Elder, 2010; Trotman & Wright, (2012. Based on the previous literature, the related hypotheses are postulated as follows:

**H5:** *Detailed audit evidence concentration is positively related to (a) audit operational proficiency, ( b) audit functional achievement, and ( c) audit quality enhancement.*

## **2. 2 The Relationships among audit operational proficiency, audit functional achievement, audit quality enhancement and audit report efficiency.**

This section examines the relationships among the consequences of auditor-client exchange competency consisting of audit operational proficiency, audit functional achievement, audit quality enhancement, and audit report efficiency. The critical literature review on the definition of each construct and purposed hypothesis are discussed below.

### **- Audit Operational Proficiency (AOP)**

Audit operational proficiency means the ability to manage the review process with the goal of monitoring and adapting to the changing environment which has continued, and to perform an investigation successfully within the specified period (Watson & Dow, 2010). The auditor examines the purpose, and with the correct function of the inspection, reviews, using minimal resources. They also investigate likelihood within the given time, saving resources and labor (Watson, & Dow, 2010;

Schyf, 2000). The auditor should seek to maintain a higher level of expertise to monitor the participation of meetings with people who have expertise in the investigation and benefit from a positive impact on auditor ability (Al-Khaddash, Al-Nawas & Ramadan, 2013). Meanwhile, Dilip (2014) suggested that the tool used to measure operational proficiency is time proficiency. Time proficiency is to evaluate performance compared to the established criteria.

Thus, in this research, audit operational proficiency refers to the competency of the auditor to achieve both timeliness and audit processes according to the GAAP (Watson & Dow, 2010; Dilip, 2014). The previous literature reviews on audit operational proficiency found that Al-Khaddash, Al-Nawas and Ramadan (2013) attribute many researchers to have found a positive relationship between audit quality and an auditor's qualifications and expertise. They indicate that there is a positive relationship between audit quality and audit operational proficiency. Furthermore, Gifford, and Howe (2011) indicate that audit operational proficiency affects audit quality and audit report efficiency, in determining who is on a recurring basis of the company. Consequently, the following hypotheses are postulated as follows:

**H6:** *Audit operational proficiency is positively related to (a) audit quality enhancement and ( b) audit report efficiency.*

### **-Audit Functional Achievement (AFA)**

Shafer, Poon, and Tjosvold, (2013) define audit functional achievement as achieving the auditor's objective by gathering enough evidence and the right audit evidence in order to obtain reasonable opinions regarding the financial statements permissible by audit standards. The audit function is focused on the issue of an auditor's opinion in the public market and the markets negative reacts to nonstandard

opinions (Shafer, Poon, & Tjosvold, 2013 ). Thus, the auditors who specialize in providing audit accept a role in protecting the interests of the public ( Shafer, Poon, & Tjosvold, 2013).

The literature previously found that the client's financial statements influence the loan officers' risks assessments, the interest rate premium, and the decision whether or not to grant the loan (Bamber & Stratton, 1997). Fontaine, Letaifa and Herda (2013) the results show that the client recognizes the auditor's audit functional achievement as the instructions received from their auditor, and is the source of value. Based on the above reasons, in this research, audit functional achievement refers to achieving the purpose of the inspection that was planned for the monitoring and inspection guidelines set forth, as well as to simplify the audit process to be excellent (Lilien, 2008; Shafer, Poon, & Tjosvold, 2013). Therefore, audit functional achievement relationships are related to audit quality enhancement and audit report efficiency. Thus, it leads to the hypotheses posited as follows:

**H7:** *Audit functional achievement is positively related to ( a ) audit quality enhancement and ( b ) audit report efficiency.*

*- Audit Quality Enhancement (AQE)*

Previously, according to DeAngelo (1981) who indicates that framework, an auditor's incentive is to reach a compromise on audit quality with respect to a particular client, and it depends on the economic emphasis of the client relative to the auditor's client portfolio. Audit quality is a probability that an auditor will detect and report regarding an infringement in their client's accounting system (Mazur et al., 2005). However, the financial statement user's perception of quality is a function of their perception of both auditor expertise and independence (Manita & Elommal, 2010). The previous

literature review shows that auditing the quality to increase is due to the auditor who has operational proficiency in the validation process for the inspection. In fact, audit functional achievement and the reliability of the evidence is from the source of responsibility (King, Davis & Mintchik, 2012). Therefore, audit quality enhancement must adhere to these standards, indicating the auditor's liability as to the confidence level of audit report efficiency (DeFond, & Zhang, 2014). Thus, in this research, audit quality enhancement refers to expressing an opinion on the financial statements of the auditors in the audit report with increased efficiency and accuracy, complete in all material respects to the auditing standard, including regulations related to the highest optimum (Widiastuti & Febrianto, 2010). Hence, it leads to the hypothesis posited as follows:

**H8:** *Audit quality enhancement is positively related to audit report efficiency.*

*- Audit Report Efficiency (ARE)*

Audit report efficiency is a source of high-quality financial information to reduce the information asymmetry between managers and outside investors (Kothari, 2000). If the auditor's effective monitoring reflects a client's corporate governance, it results in the confidence of investors and external stakeholders in the inspection report, including the confidence to use the information from the report to determine efficiency (Pratt, 2011). In this research, audit report efficiency refers to an expose of an opinion on the financial statements of the auditors in the audit report that increases efficiency and accuracy, and is complete in all material respects as to the auditing standard, including related regulations, and is of the highest optimum (Kothari, 2000; Debreceeny, Glen & Theodore, 2001; Pongsatitpat & Ussahawanitchakit, 2013).

## 2.3 Control Variables

### - Gender (GE)

Gender is likely to impact the audit work (Zaman et al., 1997). Prior research suggests that in the relationships of audit ethics and audit discretion of auditors, that the male auditors consistently found the ethically questionable situations presented in the vignettes more acceptable, indicating that male auditors have lower audit ethics than females (Emerson, Conroy & Stanley, 2007; Karacaer et al., 2009). However, gender is argued for by the dearth of women in senior anagement. This is because behavioral styles and personality characteristics of females make women for leadership roles in management positions less suited than men (Hull & Umansky, 1997). From the above, and in this research, gender affects the relations of auditor-client exchange competency and audit report efficiency.

### - Length of CPAs Tenure (LE)

The length of a CPA's tenure affects the relationships among auditor-client xchange competency, audit performance, and the audit judgment of auditors. The previous research according to Emerson, Conroy and Stanley, (2007); Karacaer et al., (2009) gives the results that short-term auditors persistently found ethically suspicious situations presented in the vignettes more acceptable, which indicates that short-term auditors have lower audit performance than long-term auditors. Meanwhile, Iyer and Rama (2004) show that the CAPs tenure less length to recognized by clients to manage audit because they are committed to the pursuit of knowledge and the ability to audit higher than the CPAs tenure long length. Fischer and Montondon (2005) indicate that length of CPAs tenure less can be accepted higher from the client to manage audit process.

## 3. ResearchMethodology

### - Sample selection and data collection procedure

In this research, the key informant in this research is the certified public accountant (CPA), the sample selected from the Federation of Accounting Professions under the Royal Patronage of His Majesty the King's online database. They obtain the reality of information and have he/she clear truly the auditors who meet the criterion and have addresses available in the database totaling 9,250 certified public accountants who are active (information drawn on June 30, 2014). The Krejcie and Morgan's sampling equation under the 95% confidentiality rule is used to calculate the appropriate sample size. Accordingly, an appropriate sample size is 368 certified public accountants under the 95% confidentiality rule (Krejcie & Morgan, 1970). Based on prior accounting research, a 20% response rate for a mail survey is deemed sufficient (Aaker, Kumar, & Day, 2001). Finally, to achieve a sufficient amount of returning mail surveys, 1,835 mailed are an appropriated sample for a distributed mail survey.

For 1, 835 mailings were sent to CPAs in Thailand. Each instrument package contained an explanation of the research, a questionnaire, a pre-paid postage envelope and a cover letter. The process of data collection of this research was to collect data within eight weeks. Firstly, the questionnaire was answered and returned to the researcher in the first four weeks. Then, in order to increase the response rate, a follow-up postcard was sent to CPAs that had not replied, to ask them for a favor in completing the questionnaire after four weeks. The coded number on the left corner on the back of the page of the questionnaire is assigned to each questionnaire for the usefulness of a follow-up mailing.

The questionnaires are directly distributed to 1,835 CPAs, the successful questionnaires mailing are 1,835 surveys, from which 258 responses are returned. Moreover, the comparison between early and late respondents implied that a non-



response bias was not a problem in this study.

In this research, the author uses the mailed questionnaires to collect the data. It consists of seven parts. Part one asks for the personal information of the key informant such as gender, age, marital status, level of education, experience in audit field, length of CPAs tenure, average audit revenue per year, number of average audited financial statements per year, types of client, and employment status. Parts two through six request to measure each construct in the conceptual model. These items are adapted from the previous literature and are designed on a five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree).

#### - Reliability and validity

The reliability of the collected data was tested by Cronbach's alpha to measure this internal consistency of respondents' answers for all items in the questionnaire. Cronbach's alpha coefficients are greater than 0.70 (Nunnally & Bernstein, 1994). For testing the validity, this study uses exploratory factor analysis (EFA) to examine the construct validity of the instrument by investigating the relationships of a large number of items which can be reduced to a smaller set of factors. All factor loadings are greater than

the 0.40 cut-off (Nunnally & Bernstein, 1994) and are statistically significant. The results for both factor loadings and Cronbach's alpha for multiple-item scales used in this study are presented in Table 1.

#### - Statistical Techniques

Multiple regression analysis is used to test and examine the relationships among the dimensions of auditor-client exchange competency and consequences. With the need to understand the relationships in this study, five statistical equations of the aforementioned relationships are depicted as shown below.

$$Eq1: AOP = \alpha_{01} + \beta_{01}PAC + \beta_{02}JAP + \beta_{03}IAI + \beta_{04}IAP + \beta_{05}DAE + \beta_{06}GE + \beta_{07}LE + \varepsilon_{01}$$

$$Eq2: AFA = \alpha_{02} + \beta_{08}PAC + \beta_{09}JAP + \beta_{10}IAI + \beta_{11}IAP + \beta_{12}DAE + \beta_{13}GE + \beta_{14}LE + \varepsilon_{02}$$

$$Eq3: AQE = \alpha_{03} + \beta_{15}PAC + \beta_{16}JAP + \beta_{17}IAI + \beta_{18}IAP + \beta_{19}DAE + \beta_{20}GE + \beta_{21}LE + \varepsilon_{03}$$

$$Eq4: AQE = \alpha_{04} + \beta_{22}AOP + \beta_{23}AFA + \beta_{24}GE + \beta_{25}LE + \varepsilon_{04}$$

$$Eq5: ARE = \alpha_{05} + \beta_{26}AOP + \beta_{27}AFA + \beta_{28}AQE + \beta_{29}GE + \beta_{30}LE + \varepsilon_{05}$$

**Table 1:** Result of Measure Validation in Pre-Test<sup>a</sup>

Items	Factor Loading	Cronbach's Alpha
Procedural Audit Collaboration Focus (PAC)	0.685 - 0.872	0.830
Joint Audit Planning Orientation (JAP)	0.686 - 0.887	0.839
Integrated Audit Information Awareness (IAI)	0.833 - 0.890	0.882
Insight Audit Practice Emphasis (IAP)	0.703 - 0.871	0.789
Detailed Audit Evidence Concentration (DAE)	0.781 - 0.875	0.848
Audit Operational Proficiency (AOP)	0.748 - 0.815	0.777
Audit Functional Achievement (AFA)	0.848 - 0.922	0.855
Audit Quality Enhancement (AQE)	0.909 - 0.948	0.914
Adit Report Efficiency (ARE)	0.743 - 0.904	0.861

<sup>a</sup> n = 30

**Table 2: Descriptive Statistics and Correlation Matrix**

Variables	PAC	JAP	IAI	IAP	DAE	AOP	AFA	AQE	ARE
Mean	4.103	4.257	4.109	4.125	4.115	3.858	4.013	4.012	3.937
S.D.	.476	.499	.567	.487	.450	.509	.428	.508	.499
PAC	.453***								
JAP	.397***	.598***							
IAI	.409***	.514***	.598***						
IAP	.354***	.369***	.330***	.405***					
DAE	.303***	.175***	.199**	.231***	.228***				
AOP	.377***	.420***	.339***	.368***	.303***	.631***			
AFA	.355***	.251***	.305***	.311***	.311***	.697***	.739***		
AQE	.343***	.349***	.350***	.334***	.289***	.733***	.716**	.797***	
Gender (GE)	.026	.120	.099	.005	-.054	.003	.012	-.042	.047
Length of CPAs Tenure (LE)	-.112	-.068	.013	-.042	-.041	-.170	-.095	-.069	-.141**
***p<0.01, **p<0.05									

#### 4. Results and Discussion

##### - Descriptive Statistics and Correlation Matrix

Table 2 represents the descriptive statistics and correlation matrix of all variables. With respect to the potential problem relating to multicollinearity, none of the correlation coefficients exceed 0.80. Moreover, the variance inflation factors (VIF) in equation 1-5 (table 2) ranged from 1.939 to 2.764, which were below the cut-off value of 10 (Hair, et al., 2010). Hence, it can be concluded that multicollinearity is not a serious problem in this research.

##### - Inferential Analysis

Table 3 represents the results of multiple regression analysis of the relationships among each dimension of auditor-client exchange competency and its consequences. Firstly, models 1 to 5 illustrate that auditor-client exchange competency, namely, procedural audit collaboration focus, has significant positive effects on audit operational proficiency ( $\beta_1 = 0.212$ ,  $p < 0.01$ ) audit functional achievement ( $\beta_8 = 0.173$ ,  $p < 0.01$ ), and audit quality enhancement ( $\beta_{15} = 0.218$ ,  $p < 0.01$ ). According to previous research, Murphy (2014) indicate that procedural audit collaboration focus can improve audit operational proficiency, audit functional achievement, and audit quality enhancement. Consistent with Lee, Mande and Son (2009) who suggest that auditors focus on clients participate in the audit,

affect on the auditor's performance was timely and audit operational proficiency. Hence, hypothesis 1 is fully supported.

Next, the results illustrate that joint audit planning orientation has significant positive relationships with audit functional achievement ( $\beta_9 = 0.222$ ,  $p < 0.01$ ). Joint audit planning procedures are held throughout the audit until the audit ends. Auditors will be updated at any time after the audit plan to get more information from the auditing. In addition, joint audit planning orientation is used in audit practice in order to achieve the goal of auditing or audit effectiveness (Shoommuangpak & Ussahawanitchakit, 2009). Thus, hypothesis 2 is partially supported.

In hypotheses 3, the results show that an integrated audit information awareness has significant positive effects with audit quality enhancement ( $\beta_{17} = 0.136$ ,  $p < 0.10$ ). The result is consistent with Nicolaou and McKnight (2006; 2008) who suggest that the use of the link in a systematic, complete, and accurate information affects on audit quality more. Therefore, hypothesis 3 is partially supported.

In line with hypotheses 5, the finding exhibited that detailed audit evidence concentration positively relates to audit quality enhancement ( $\beta_{19} = 0.158$ ,  $p < 0.05$ ). In the determination of the risk of contemporary clients, auditors must understand that the client's business model is higher and likely to be different audit

evidence and conclusions emerging from the trends of financial figures (Knechel, 2007; Schultz, Bierstaker & O'Donnell, 2010). Hence, hypothesis 5 is partially supported.

In hypothesis 6a-b, the analysis revealed that audit operational proficiency has significant and positive relationships with audit quality enhancement ( $\beta_{22} = 0.390$ ,  $p < 0.01$ ), and audit report efficiency ( $\beta_{26} = 0.289$ ,  $p < 0.01$ ). According to Al-Khaddash, Al-Nawas and Ramadan (2013) indicate that there is a positive relationship between audit quality and audit operational proficiency. It is consistent with Gifford and Howe (2011) who show that audit operational proficiency affects audit quality and audit report efficiency, in protect assets within

the company. Hence, hypothesis 6 is fully supported.

In line with hypotheses 7a-b, the results show that the evidence indicated that functional achievement had a positive effect on audit quality enhancement ( $\beta_{23} = 0.497$ ,  $p < 0.01$ ), and audit report efficiency ( $\beta_{27} = 0.196$ ,  $p < 0.01$ ). The results demonstrate that audit functional achievement is one important factor that enhances audit quality enhancement and audit report efficiency. Lilien, (2008) shows that auditing functional achievement is determined by specialization in the risk analysis of the financial statement and the auditor who can use information technology for audit quality enhancement and audit report efficiency. In addition, audit functional

**Table 3:** Result of Regression Analysis of the Relationships Among Each Dimensions of Auditor-Client Exchange Competency and Its Consequences

Independent Variables	Dependent Variables				
	AOP	AFA	AQE	AQE	ARE
	H1-5a Eq. 1	H1-5b Eq. 2	H1-5c Eq. 3	H6-7a Eq. 4	H6-7b, 8 Eq. 5
<b>Auditor-Client Exchange Competency:</b>					
PAC	.212** (.069)	.173*** (.065)	.218*** (.067)		
JAP	-.048 (.079)	.222*** (.074)	.030 (.077)		
IAI	.064 (.082)	.039 (.076)	.136* (.079)		
IAP	.081 (.097)	.118 (.073)	.090 (.076)		
DAE	.109 (.067)	.096 (.062)	.158* (.065)		
AOP				.390*** (.049)	.289*** (.049)
AFA				.497*** (.049)	.196*** (.056)
AQE					.451*** (.051)
<b>Control Variables:</b>					
GE	-.048 (.127)	-.056 (.119)	-.119 (.123)	-.090 (.081)	.122* (.071)
LE	-.292** (.120)	-.113 (.112)	-.094 (.116)	.076 (.078)	-.066 (.069)
Adjusted R <sup>2</sup>	.113	.228	.172	.633	.714
Maximum VIF	1.939	1.939	1.939	1.698	2.764
Beta coefficients with standard errors in parenthesis, *** p < 0.01, ** p < 0.05, * p < 0.10					

achievement can improve the functional achievement of the auditor and tends toward audit quality enhancement (Judge et al., 1999; Rode et al., 2008). Thus, hypothesis 7 is partially supported.

Finally, the finding exhibited that audit quality enhancement has the significant and positive effects on audit report efficiency ( $\beta_{28} = 0.451$ ,  $p < 0.01$ ). This coincides with the business perspective that there are positive relationships among managers' risk-taking, innovation (DeFond & Zhang, 2014). Therefore, hypothesis 8 is partially supported.

#### - Additional Test of Effects of Auditor-Client Exchange Competency on Its Consequences

With respect to the relationship, this research posits auditor-client exchange competency (AEC) as the antecedents of consequences. For the independent variables is auditor-client exchange competency. The dependent variables are audit operational proficiency, audit functional achievement, and audit quality enhancement, and the role of the moderator, namely, collaboration

excellence in examined, which is presented in Equation 6-8 as follow:

$$Eq6: AOP = \alpha_{06} + \beta_{31}AEC + \beta_{32}GE + \beta_{33}LE + \varepsilon_{06}$$

$$Eq7: AFA = \alpha_{07} + \beta_{34}AEC + \beta_{35}GE + \beta_{36}LE + \varepsilon_{07}$$

$$Eq8: AQE = \alpha_{08} + \beta_{37}AEC + \beta_{38}GE + \beta_{39}LE + \varepsilon_{08}$$

Table 4 shows the results of OLS regression analysis of the relationships between auditor-client exchange competency on its consequences as show below. For additional testing, Table 4 shows that auditor-client exchange competency has significantly and positively affected audit operational proficiency ( $\beta_{31} = 0.277$ ,  $p < 0.10$ ), audit functional achievement ( $\beta_{34} = 0.477$ ,  $p < 0.10$ ), and audit quality enhancement ( $\beta_{37} = 0.394$ ,  $p < 0.10$ ). As a whole, auditor-client exchange competency has a potential influence on its three consequences which consist of audit operational proficiency, audit functional achievement, and audit quality enhancement.

**Table 4:** Result of Regression Analysis of Auditor-Client Exchange Competency and Its Consequences

Independent Variables	Dependent Variables		
	AOP Eq. 6	AFA Eq. 7	AQE Eq. 8
Auditor-Client Exchange Competency (AEC)	.277*** (.060)	.477*** (.055)	.394*** (.058)
<b>Control Variables:</b>			
GE	-.091 (.127)	-.066 (.117)	-.0164 (.123)
LE	-.322*** (.120)	-.146 (.111)	-.118 (.116)
Adjusted R <sup>2</sup>	.095	.226	.152
Maximum VIF	1.028	1.028	1.028

Beta coefficients with standard errors in parenthesis, \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.10$

## 5. Contributions

This research contributes importantly toward understanding how auditor-client exchange competency has an impact on audit report efficiency. Thus, in this

research aims to exhibit both theoretical contributions and managerial contributions. Theoretical contributions related to the development of a comprehensive concept model of auditor-client exchange

competency. To create a multi-dimensional constructs, which has new developed constructs and dimensions of auditor-client exchange competency differs from previous literature; which helped to develop the theory of audit research on empirical research in the future other context, preferably in Thailand.

This research confirms the social exchange theory to explain the exchange between the auditor and the client. Based on the exchange between the auditor and the client not take into benefits the maximum and minimum losses, but will take into account the benefits and drawbacks acceptable. The exchange will take place there must be trust between the auditor and the client allows auditors access to audit evidence lead to audit report efficiency even more. It also provides an understanding of the relationships among five dimensions of auditor-client exchange competency and audit report efficiency through audit operational proficiency, audit functional achievement, and audit quality enhancement

Managerial contributions in this research indicate the auditor-client exchange competency to get complete audit evidence based on GAAP and lead to an audit report efficiency of CPAs in Thailand. Especially, the importance of CPA's exchange competency that has earned the trust in link audit evidence to present the audit report to be credible to the public. In addition, CPAs must be aware of the procedural audit collaboration focus which will help auditor to achieve audit operational proficiency, audit functional achievement, and audit quality enhancement.

## **6. Conclusions and Future Research**

This research aims to investigate the consequences of auditor-client exchange competency evidence from CPAs in Thailand. The current view of the relationship between the auditor and the client is important in the business sector of

the world, including Thailand is even more. Therefore, the auditor and the client attempted to exchange knowledge, skills, and experience. These were to access audit evidence and led to the audit report which are even more efficient. Thus, to clearly understand the relationships among auditor-client exchange competency and its consequences; the social exchange theory was elaborated to explain the relationship of the above.

This research illustrates the influence of auditor-client exchange competency on audit report efficiency and exploring based on concepts of auditor-client exchange competency by identifying a more specific definition of auditor-client exchange competency and proposing the newly developed dimensions of auditor-client exchange competency. The data from 258 CPAs in Thailand focus that auditor-client exchange competency dimensions are positively related to audit report efficiency. The results reveal that procedural audit collaboration focus, joint audit planning orientation, integrated audit information awareness, and detailed audit evidence concentration are essential determinants to audit operational proficiency, audit functional achievement, and audit quality enhancement, and lead to audit report efficiency.

However, insight audit practice emphasis has no relationship with audit operational proficiency, audit functional achievement, and audit quality enhancement. This implied that insight audit practice emphasis has no direct effect on consequences aforementioned. Thus, future research is suggested to find the moderator variable, namely, collaboration excellence that can be effects related to auditor-client exchange competency and audit reporting efficiency. Recent research has increasingly attempted to check issues relating to auditor-client exchange competency, as well as obtain collaboration excellence from the audit partners and chief financial officers (CFOs) (Gibbins, McCracken & Salterio, 2005).

In addition, audit client exchange competency definitely efficiency and effectiveness monitoring. Therefore, in order to gain the generalizability and reliability of the result, future research may apply other methods such as in-depth interviews, and case studies to collect the data in order to the clearer understanding of each construct. The future research may also employ different samples from CPAs; such as tax auditor to compare and validate the results.

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