

## Perceptions of auditors and financial-statement users regarding auditor independence in Bahrain

Jasim Al-Ajmi; Shahrokh Saudagaran

✚ Author & Article Information

Managerial Auditing Journal (2011) 26 (2): 130–160.

<https://doi.org/10.1108/02686901111095010>

### Purpose

The purpose of this paper is to investigate the perceptions of auditor independence between auditors, bank-loan officers, and financial analysts in Bahrain.

### Design/methodology/approach

This study examines the effect of 41 independence-enhancing and – threatening Factors on the perceptions of auditor, bank-loan officers, and financial analysts regarding auditor independence in Bahrain. Out of 450 questionnaires distributed, 281 usable responses were received, representing a response rate of 62.4 percent.

### Findings

Overall, the three groups agree on the classification of the 41 factors into two groups; however, they do not agree on the relative importance of those factors on their perception of auditor independence. Economic reliance of auditors on their clients and the provisions of non-audit service, competition, and long tenure of audit services are considered the most important independence-threatening factors. The risks posed to auditors in fulfilling their audit engagement, regulatory rights and requirements surrounding auditor change, regulation concerning the appointment/remuneration of auditors, and the disclosure of financial and nonfinancial relationships are among the most important factors that are perceived by the three groups to enhance auditor independence.

### Research limitations/implications

The samples did not include all users of financial statements; the samples were drawn only from institutions that were willing to take part, and consequently the results might not be applicable to those that did not take part in the study; and data were collected using a survey questionnaire and this approach is subject to certain types of bias such as response bias, which may affect the reliability of the respondents'.

The paper can inform policy makers, governments, and professional accounting bodies in emerging markets in countries that share similar economic, political, and cultural environment on how policies and frameworks related to auditor independence can be structured to ensure adequate regulation of the capital market, and enhance the awareness of users and auditors about the contextual factors surrounding the role of an auditor, in addition to the possible threats and enhancing factors that affect auditor independence.

## Originality/value

The paper offers rich data on the perceptions of auditors' independence of auditors and users of financial statements. This is the first time, this type of research has been conducted in Bahrain.

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**Keywords:** [Auditors](#), [Bahrain](#), [Emerging markets](#), [Capital markets](#), [Regulation](#)

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