


AUDIT INDEPENDENCE AND CUSTOMER RELATIONSHIP MARKETING: AN ETHICAL CONFLICT OR AN ETHICAL MUTUAL EFFECT?

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Abstract. Independence in financial auditing is a topic with extensive research, due to the ethical values expected from accountants and the conflicts with agency pressures and commercial interests. However, there is a lack of research on the benefits of ethical behaviors in the dynamic interactions between auditors and clients. This study aims to achieve through a qualitative approach an in-depth understanding of the self-perceived auditor independence and how it intervenes in the relationship with clients. Ten semi-structured interviews with auditors from the five major audit offices in the city of Porto were conducted. The results explore conflicts of interest between auditor independence and customer relationships. However, the findings highlight that improving auditor's independence allows at the same time the development of a better professional relationship with the client, mitigating the conflicts of interests identified in previous literature. This paper presents a formula in which audit firms can leverage the concept of independence when they promote communication, transparency, and an open market. Regulation and supervision should work in favour for the same goal.

Keywords: auditor independence, customer relationship marketing, business performance, ethical conflicts, big auditing companies, business ethics.

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1. Introduction

Audit companies are responsible for expressing an independent opinion on client's financial statements, due to the duties of whistleblowing (Mansor et al., 2020). This process requires rigorous analysis of different business areas (Rijal et al., 2023). Agency costs are directly related to core problems that arise from conflicts of interest between stakeholders' governance (Amis et al., 2020) and the job of an external auditor is highly exposed to situations of conflict between the client and the audit company.

Personal independence is the most critical issue for the auditing practice (Tepalagul & Lin, 2015). Previous studies have explored how audit quality is compromised by audit ethics (Manap et al., 2023) and lack of professionalism (Pimentel et al., 2023). However, the auditor ethical conflicts depend on the organizational ethical climate (Tormo-Carbó et al., 2024). Economic dependence and the importance of clients (Cao et al., 2020; Gaver & Paterson, 2007; Lam et al., 2024) also affect auditor independence, although the large international accounting

firms, known as big four, and that might be less economic dependent of clients, are those with lower commitment to auditor independence (Gendron et al., 2006). Older management accountants tend to be more concerned with ethical values, giving reliable and meaningful work to business forms (Ariail et al., 2024).

Although the ethical conflict is well reported in the literature, there is a lack of research exploring the benefits of ethical behaviors regarding auditor independence. Morales-Sánchez et al. (2020) explore the reduction of costs with supervision as a consequence of trust in auditors' ethical behavior, but there is still a gap of knowledge on how conflicts of interest can be solved (Qi et al., 2015).

This paper explores, through qualitative research, the self-perceived audit independence and the audits' opinions about the threats that compromise such independence audit quality (Manap et al., 2023) as well as the external variables that influence the professional judgement (Weatherford & Ruppert, 2015), such as the commercial constraints and relationship with clients. This study aims to reach a better understanding of the conflict between professional activities in accounting firms and commercial activities. This perspective of relationship marketing in this field of research of audit independence draws on the recent evidences of dynamic interactions between clients and the problems of narcissism and skepticism (Kaszak et al., 2024). As audit services aim to be meaningful to companies (Ariail et al., 2024), this study discusses how auditor independence and ethical values can prevail in such context. The results of the research may open possible solutions for the balance between auditor independence and relationships with clients.

The paper presents the background of the topic, explaining the agency theory in the audit process, the state of the art about the challenges of auditor independence and conflicts of interest involved, as well as the ethical values considered in the literature about auditor independence. The third section of the paper explains how the qualitative methodology was conducted, particularly the process of data collection with in-depth interviews, and the coding and classification of content analysis. Then, the authors present the results and discuss the findings under the lens of the state of the art. The paper ends with a section of conclusions, where the authors highlight the contributions, theoretical and managerial implications, limitations and future research avenues.

2. Background

2.1. The agency theory in the audit process

Agency theory is a framework developed by Chow (1982) that explores the incentives of companies to hire external auditors. External audits control the conflict of interest between company managers and shareholders. The external auditor's role is imperative to add credibility to the information that is being shared with stakeholders (Messier et al., 2011). This conflict arises from the problem of quality information that requires an independence from an external party (Raimo et al., 2021). Joint-audit from internal and external auditors also increases audit quality (Garcia-Blandon et al., 2021).

The auditor is seen as an intermediary between the management body of a company and potential users of financial information. The process of auditing comprises a natural conflict of interest, considering the implications of auditing for decision-makers, the complexity and expertise that is often required for information preparation and verification and need of absence of direct involvement. That is why there is the need of an independent auditor (Soltani, 2007), reducing costs that are directly related to information asymmetry and

whistleblowing (Mansor et al., 2020). The auditor's report is not a simple communication of audited financial statements. It reveals a compromise between financial auditors and its final users (Dillard & Jensen, 2008).

2.2. The conflict in auditor independence

It is expected that the financial auditor can produce a report that always presents imperative professional standards (Pimentel et al., 2023; Reichelt & Wang, 2010). However, there is room for potential conflict of interests between the auditor and the firm, once there are distinct sources of pressure, such as fee dependence (Kim et al., 2010; Craswell et al., 2002), representing potential threats to independence. Big auditors modify audit opinions based on the economic importance of clients (Gendron et al., 2016; Lam et al., 2024) and client industry importance (Cao et al., 2020). This is particularly relevant, considering the audit business concentration that limits the entrance of small and medium-sized audit firms and enhances the importance of the "big 4" on the development of international accounting and audit standards (Gerakos & Syverson, 2015; Velte & Stiglbauer, 2012). Therefore, there is a need for anti-corruption efforts and measures to assure auditor independence (Al-Okaily, 2023).

Measuring audit quality is difficult (Reichelt & Wang, 2010) and the fact that audit quality can only be measured from audited financial statements issued in a standard form raises additional constraints (Francis, 2011). Previous researchers have concluded the impossibility of auditor independence (Bazerman et al., 1997), based on the inherent limitations in the way that auditors analyze information. Consequently, independence remains a problem even for the most honest auditor: despite the efforts to be objective, the auditor is probably unable to overcome cognitive (or psychological) partialities.

2.3. Ethical values for auditor independence

Auditor independence may be obtained through audit ethics (Manap et al., 2023), the sense of responsibility and care over objectivity (Pimentel et al., 2023), specialization and experience, and the development of intellectual capital in audit companies (Rijal et al., 2023). Auditors face relevant ethical challenges that are no longer addressed and limited by the professional code of ethics and regard to personal ethical values (Ariail et al., 2024). However, organizational ethical climate has influence in the auditor ethical conflicts (Tormo-Carbó et al., 2024).

The recent modifications on the audit market have changed the approach of public opinion about auditors because of a greater involvement of auditors in different types of non-audit services (NAS) (Quick & Warming-Rasmussen, 2009), such as the commercial roles in audit companies and the effect of auditor-client relationship in clients' added value perceptions (Amerongen et al., 2022). However, relationship marketing between auditor and client is not only important because of commercial purposes, but also a step to overcome problems in the dynamic interactions between clients and auditors. Clients tend to develop narcissism and restrict the access to information, while auditors develop skepticism toward clients' management (Kaszak et al., 2024), hindering the collaboration for a meaningful and reliable work to businesses (Ariail et al., 2024). In this sense, there is a lack of knowledge about the positive consequences of ethical values and behaviors in auditing independence (Morales-Sánchez et al., 2020).

Considering that auditor independence, although a wide researched topic, has still been receiving special attention in recent literature (Al-Okaily, 2023; Manap et al., 2023), this paper aims to offer a step forward to the current knowledge, focusing on the self-perception of auditors' independence and how they evaluate the relationship marketing developed with

clients. The analysis of the self-perceived conflict between independence and customer relationship management allows a further understanding of how the former intervenes in the latter and how the conflict can be balanced, through the eyes of the perceived experience of practitioners. In fact, auditor-client relationship is very important to prevent crash risk and usually not considered by regulators (Callen & Fang, 2017). Research about how a balance in the conflict of auditor independence may be achieved is an important contribution to this field of research.

3. Methodology

Professional and commercial activities in accounting firms are covered by conflicts. The way auditors solve the independence problem and enhance their relationship with customers at the same time remain a gap of knowledge. This is particularly relevant, considering the importance of auditor-client relationship (Amerongen et al., 2022). This study aims to improve the understanding of auditor independence, through a self-perception analysis, identifying the auditors' practices and the way they solve or not the perceived conflicts between auditor independence need and customer relationship management.

This study adopts the framework of qualitative research, conducting semi-structured interviews with different individuals among the five audit companies: the big-four auditing companies that dominate the industry in terms of their size, reputation in the market, and global presence; and a fifth company considered a mid-tier competitor. These companies provide specialized audit services and are in the frontline of any accounting issues. For this same reason, they serve clients having in their wallet the world's most important companies. This unit of analysis regards the fact that big auditors modify audit opinions based on the importance of clients (Lam et al., 2024). However, this study gains significance with the inclusion of a mid-tier competitor. The authors interviewed 10 staff members from the offices of five different international accounting firms located in Porto, Portugal, to obtain their perceptions on their independence and the conflicts faced inherent to their profession. The selection of interviewees considered distinct backgrounds and expertise (Senior Associate, Manager, Senior Manager, Partner). The selection of interviewees also considered the criteria of having at least five years of experience in accounting and being members of the Order of Chartered Accountants in Portugal.

The interviews gathered in-depth information about the participant's perceptions of the following four dimensions: 1) structure and process on audit quality that can safeguard audit quality and an analysis to the relationship between quality, customer service, and marketing; 2) expectations regarding the auditor's independence, identifying the impact that certain factors may have on their practice, compromising the independence exercise; 3) perceived outcomes of conflict of interest and perceptions of the factors that exploit conflicts and their influence on individual activity; 4) how can this problem become a tool to enhance the relationship between the customer and auditor. The researchers developed thematic analysis as a comprehensive process. The methodology of in-depth interviews with professionals with the purpose of understanding their self-perception of conflicts, challenges and results of their own activity is a consolidated methodology in business research, making theory from practitioners' self-reports (Solarino & Aguinis, 2021). Table 1 presents the theoretical categorization model for content analysis retrieved from literature review.

The authors classified data in the mentioned categories of analysis and found a saturation of results after finishing the 10 interviews.

Table 1. Data categorization (source: own elaboration)

#	Dimension	Categories of Analysis from Literature Review	
1	Pleasing the Customer	Audit Quality	Culture within the audit firm Technical and personal qualities of audit staff Effectiveness of the audit process Reliability and usefulness of audit reporting Relationship with customers
2	Ensuring Auditor Independence	Auditor Threats	Limitations analyzing information Fees dependence Provision of NAS services Self-Review Threat Advocacy Threat Familiarity Threat Intimidation Threat
3	Conflicts of Interest	Limitations of Scope	Expectation-gap Denied Access to information Divergence with management Audit-Concentration
4	Future Behavior		Joint-Audit

4. Results

4.1. Pleasing the customer: structure and process of audit quality

When confronting the factors that influence audit quality presented in the literature review with the answers obtained during our research, the alignment of ideas is clear. The participants focused on particular elements, such as the reliability and usefulness of audit reports, as mentioned in the literature (Pimentel et al., 2023). In addition, when promoting audit quality, the relationship with the client can benefit in terms of trust and cooperation between both parts. While previous literature mentions the effect of audit-client relationship on client's added value perception (Amerongen et al., 2022), this study extends the knowledge that the good relationship with the client is an outcome of audit quality. The auditors' perception is that the factors that influence audit quality ensure a better relationship between the customers and auditors, safeguarding a better work environment, and ensuring more effective compliance with the terms of the ongoing work. The following citations demonstrate that participants tend to agree that when promoting audit quality, audit companies can achieve relative advantage and increase brand awareness among their actual and future clients: *"It is crucial to ensure the quality of the audit and to be able to communicate with confidence about the services provided, by fostering greater communication between parts, without compromising the independence of the auditor. I understand that this balance is a factor of competitiveness and differentiation in a highly competitive market. However, it is necessary for the auditor to act in an ethically, fairly and rigorously manner"* (Interviewee 2); *"I consider that large audit firms as Big 4 can best safeguard the advantage over small competitors because of the optimization of the processes. The advantage over companies of the same size is on the way we manage these elements and attract the customer through a good relationship"* (Interviewee 4); *"It is essential to raise the level of satisfaction with the services and consequently the company's*

image in the market" (Interviewee 7); "Good experience with customers can be a differentiating factor and decisive in the choice of the audit firm to hire" (Interviewee 9).

Interviewees recognized that, in fact, audit quality can be compromised due to the lack of independence. However, participants have different opinions regarding the connection between what may compromise quality and its relation to independence: "It is clear that quality may be compromised. When work is delayed due to elements that were not available on time, the audit may have relevant scope limitations. The issue of independence affects the quality of work. If the auditor is fully independent, he or she will refuse to issue an opinion when the necessary elements to perform the audit work are not available. If not, it may result in a compromised solution that constrains the audit work" (Interviewee 6); "Nowadays, because of normal competitiveness among audit companies and economic crisis, audit companies come to practice even with lower fees, severely compromising their independence." (Interviewee 8); "It is clear that audit quality may be compromised if the auditor is not impartial and independent. We know that, in some particular situations, there are big business pressures on the auditor to change the opinion about the financial statements, consequently causing enormous damage to businesses and their stakeholders." (Interviewee 10).

Interviewees supported the idea that a reduction in audit quality is grounded on external factors and, as a consequence, may negatively influence auditor integrity and behavior.

In brief, audit quality may perish from the natural interaction with the client. When pleasing the customer, auditors are confronted with ethical challenges that cannot be limited by the use of professional codes of ethics (Soltani, 2007). The achieved results about the structure and processes of audit quality are summarized on Table 2.

Table 2. Audit quality structure and processes (source: own elaboration)

Description	Participants
Factors that influence audit quality	
Independence	1, 4, 5, 6, 7, 8, 9, 10
Technical and personal qualities of audit staff	2, 3, 5, 6, 7, 8, 9
Approach based on risk and effective risk assessment	1, 2, 3, 4, 6
Resources and adjusted planning by the audit company	3, 5
Transparency	1, 2, 5, 6, 7, 9, 10
Availability of elements of work by the client	4, 8
Effect on the relationship with customers	
Improvement of audit quality	1, 2, 3, 4, 5, 6, 7, 9, 10
Increased cooperation between the auditee and the auditor	4, 5, 8
Increased customer satisfaction provided by the auditor	2, 3, 7, 9
Establishment of an ethical and trusting relationship with the customer, without compromising the integrity of the auditor	1, 2, 6, 8, 9, 10
Audit company image improvement	2, 4, 7
Do these factors have impact on advantage over competitors?	
Very low	3, 5
Significant but non-determinant	1, 2, 4, 6, 7, 8, 9, 10
Could audit quality be compromised by audit independence issues?	
Yes	2, 4, 6, 7, 8, 9, 10
No	1, 3, 5

4.2. Ensuring auditor independence: expectations

When participants were asked for key relevant elements to describe themselves and their work environment as independent, participants focused on ethical values and principles. There are staff members who acknowledge that fees should not be too low as it could compromise the quality of the work. They also stated that fees should not represent a large proportion of the total fees of the firm.

When participants were enquired whether or not they agreed with the findings of Bazerman et al. (1997) – that there is an inherent limitation in the way auditors analyze information and, therefore, it is impossible to have an independent audit despite their own morality – the interviewee 4 safeguards that, theoretically speaking, it could be impossible to perform an independent audit once there are always exogenous – like nonexistence of elements of work in useful time provided by the client –, and endogenous factors, as the less integrity and zealous of a certain individual that prevents the achievement of a fully independent audit. However, other answers were very surprising once the findings were in a big majority contrasting with the literature: *“I believe that there is always a professional judgement. However, when we refer to a fully independent audit, I do not believe that this issue can even be lifted once the auditor only expresses an opinion on the client’s financial statements. There is always a set of factors in organizations that the auditor does not know. On the other hand, given what is required of the auditor by legal regulations and the information available, the auditor can give an independent opinion”* (Interviewee 1); *“The auditor shall, at each job / client, act skeptically, validating all points contracted by the client. The work is objective and the auditor shall act in the same level of objectivity”* (Interviewee 2); *“Although there are factors that may affect the auditor’s independence, I consider that if the auditor complies with the requirements of the profession, namely, integrity, impartiality, critical spirit, strong ethics, integrity, and ensuring no conflict of interest with the client, he/she can perform and audit independently”* (Interviewee 3). Regarding clients that have a significant weight of the audit firm fees income, we asked the participants when there is the case of a sensitive situation, if they tend to be excluded, disguised or devalued. The results are quite aligned around the “no”. The majority of the participants justify their answer by explaining that audit companies need a diversified portfolio and not just a few customers with too much weight in the firm’s fees.

Frankel et al. (2002) focused on how audit independence can be compromised in cases of an auditor delivering non-audit services while being responsible for the audit process of the same client. The answers obtained are quite consensual and almost all interviewees believe that there is a relationship between the variables on stake.

The limitations found are basically constrains that occur when there is a very strict deadline to issue an opinion and the customer is not able to provide all the elements that should be subject to review in a useful time. The interviewees that refer to this limitation also acknowledge that the customer behavior is unintentional and that it is related to poor management of resources and costs associated with obtaining the requested information.

We also intended to understand if an auditor works consecutively with the same client and tends to threaten self-review, which is present in the framework of Somerville (2004). The answers obtained confirm a clear division among the participants interviewed. Some do not see repetition as risk, but understand it as a window to innovation: *“In my specific case, I see the issue of repetition of the work as an opportunity to conduct more elaborate tests, to increase the knowledge of the dossier. I do not see the repetition of work on the same client as a reason for less rigorous practices”* (Interviewee 2); *“In my professional career, I have performed*

audits for the same customer for more than five years. I consider that this situation does not affect the accuracy of the work done if I keep skepticism, impartiality, and curiosity in the work" (Interviewee 8); "It depends on the profile of the person managing the work. When we speak of a first audit engagement, we are facing a new customer with a large amount of primary work to do. If the auditor's profile is one that innovates and do better every year, this repetition can be translated into an advantage. Once we know better the context of the customer, we also have a better perception of inherent risks and better knowledge of the tools to work. In this way, we can analyze different circuits every year in order to minimize the risk and, of course, surprise the customer through innovation" (Interviewee 10).

In contrast, fewer participants have an opposite perspective attesting that repetition of work during time actually presents some risks or threats: "When we repeat our work and deal with short deadlines, sometimes the trend is to be more confident and limit the work to the same critical areas. Repetition may not adversely affect work if we have critical thinking and appropriate professional judgement" (Interviewee 1); "The auditor ends up losing one of their professional skepticism due to the familiarity acquired with the company's technicians and repetitiveness of the work" (Interviewee 3).

Regarding the advocacy threat, which occurs when an auditor's independence and objectivity may be compromised because the auditor assumed a particular client's position, there is no evidences through our interviews supporting this threat: "There are clients who consider us (auditors) as a business partner and ask us for advice on certain issues of the company's life, but I do not consider that their call can put into question our independence. The most common example is tax planning: of course, our suggestions are always within the parameters of the law" (Interviewee 5).

We aimed to verify the familiarity threat defined by Somerville (2004) – as the risk of the auditor becoming too sympathetic to the client's interests due to a long or close relationship with the client. The answers of the interviewees showed no evidence for such phenomenon. the participants in our study seemed not to become individually sympathetic to the client's interests. However, these same respondents recognize that this situation raises some risks. None of the interviewees believed to have ever felt discouraged from acting objectively by threats or fear. Most of the limitations and threats to auditor's exercise found on the literature are supported by the outputs of the interviews' answers. The staff member's perceptions support the idea that the auditor wants to please and ensure the satisfaction of the customer. Table 3 presents the achieved results.

Table 3. Expectations regarding the auditor's independence (source: own elaboration)

Description	Participants
Key elements that ensure independence for the auditor and his work environment	
Absence of conflict of interest	3, 4, 8, 9, 10
Integrity and reputation of the auditor	1, 5, 6, 7, 10
Impartiality	1, 2, 3, 4, 5, 6, 7
Ethics and professional skepticism	1, 2, 3, 4, 7, 9, 10
Confidentiality	2, 3, 4, 5, 6, 7, 8
The non-provision of NAS services	4, 6, 8
Good ratio between fees and auditor's responsibility	5, 9
Good ratio between client's fees and total company fees	5, 9

End of Table 3

Description	Participants
Is it impossible to have an independent audit?	
Somehow it could be considered impossible	4
No	1, 2, 3, 5, 6, 7, 8, 9, 10
Is there a tendency to devalue an irregularity sensitive for an important client?	
Yes, but non-significant	3, 4
No	1, 2, 4, 6, 7, 8, 9, 10
Can independence be compromised in cases of an auditor/audit company delivering NAS?	
Yes, strongly	1, 2, 3, 4, 5, 6, 8
Yes, but not much	1, 7, 9
Regarding the provision of NAS, do you find Directive No. 2014/56 appropriate?	
Yes	1, 2, 3, 4, 5, 6, 7, 8, 9, 10
Have you ever felt limitations while performing an audit?	
Yes	2, 3, 4, 7, 8, 10
No	1, 5, 6, 9
Which threats and limitations?	
Availability or omission of material information by the client	2, 3, 7, 10
Management pressures to influence the auditor's opinion	4, 8
When working consecutively with the same client do you tend to undertake your own work?	
Yes, but not too much	2, 5, 8, 10
No, by the contrary	1, 3, 4, 6, 7, 9
Have you ever had a client that have compromised your objectivity as an auditor?	
Never	1, 2, 3, 4, 5, 6, 7, 8, 9, 10
Long or close relationship with clients make you become sympathetic to their interests?	
No, but I recognize the risk	1, 2, 3, 4, 7, 9, 10
Not at all	5, 6, 8
Is Directive No. 2014/56 appropriate regarding the rotation of statutory auditors?	
Yes, absolutely	1, 2, 3, 5, 6, 8, 9, 10
Yes, but only for PIE (public interest entities)	4, 7
Have you ever felt discouraged from acting objectively by threats or by fear?	
No	1, 2, 3, 4, 5, 6, 7, 8, 9, 10

4.3. Conflict of interest: perceived outcomes

We intended to analyze how independence issues and the concerns with customer satisfaction may result in auditors' self-perception of conflicts of interest. To accomplish this, interviewees were asked to compare their own perceptions of the variables selected by the literature and the way they are considered to influence their own professional activity. Table 4 presents the results.

Table 4. Perceived outcomes of conflicts of interest (source: own elaboration)

Description	Participants
Is pressure from the financial community harmful for the quality of your work?	
Yes, but not too much	3
No, by the contrary, it should be seen as an incentive	1, 2, 4, 5, 6, 7, 8, 9, 10
Have you experienced involvement from the management to block access to information?	
Yes	3, 8, 9
Yes, but the client is not acting on purpose	1, 2, 4, 7, 10
No, never	5, 6
Do you consider it as a restriction on your independence?	
Yes	3
No, I see it as a limitation to our work	1, 2, 4, 5, 6, 7, 8, 9, 10
If yes, how did you deal with it?	
Try to get alternative information	2, 4, 7
The limitation was reflected in the conclusions of the work	1, 2, 8, 9
Formal exposure to the signatory partner	3, 4, 10
Have you ever experienced divergence with management?	
Yes (E.g. regarding the selection of accounting principles)	1, 2, 3, 4, 5, 6, 7, 8, 9, 10
What was the course taken to overcome this divergence?	
Dialogue with the customer and explain the importance of the situation	1, 2, 5, 6, 9
Hold formal meetings with the management body	2, 3, 4, 7
Inform the customer of the applicable law and Accounting Standards	1, 3, 8, 9, 10
Do you believe that the market itself downgrades the rise of potential choice, price, and quality?	
Yes, but not too much	1, 3
Not at all	2, 4, 5, 6, 7, 8, 9, 10
Is there little difference among larger firms?	
Yes	2, 3, 4, 5, 6, 8, 9, 10
No	1, 7
Do you identify lack of innovation?	
Yes	2, 3, 4, 5, 6, 8, 9
No	1, 7, 10
What impact does this scenario have on independence?	
To be distinguished from competitors, the auditor tends to perform NAS	2, 3, 5, 6, 7, 9
I do not think that can be related to independence	1, 4, 8, 10

When asking participants if they actually feel some pressure from the customers of audit services and the financial community, which can be harmful for the quality of their work, the answers were aligned in the same principle that undervalues the relevance of the expectation-gap. Nevertheless, our findings support the idea that this concept is a central issue of the auditor's work, but in a contrary way. Auditors perceive that they must be aware that the audit document produced by them enters into the public sphere and has to represent their mission. In this sense, participants do not consider that the expectation gap creates

a pressure or a threat but, in contrast, they understand this phenomenon – developed by Porter (1993) – to be a component of the incentive for quality work that supports their own professional opinion and judgement.

The results show that interviewees agree that the client created some constraints. However, auditors do not think that the client is deliberately creating those limitations and they do not see it as a restriction to auditor independence. The findings also identify solutions to such problem: *“I experienced a situation where I was not being provided with the necessary and sufficient information to conclude a high-risk work associated with operating income of the company. I was even disciplined to conduct a survey of procedures associated with the area concerned from operating elements. I do not see this as a restriction on my independence, but as a limitation to my work. I handled it normally, explaining to the customer that the absence of information on such a relevant area and risk is a limitation to our work that would affect the opinion expressed on the financial statements”* (Interviewee 1); *“Sometimes the client does not want to actively block access to information. There are situations when the client does not share the same urgency as the auditor in obtaining the requested information. This will generate inefficiencies and delays for our work that may compromise independence. These situations can be solved through exposure to the signatory partner, and making a risk assessment of materiality to evaluate the relevance of limitation”* (Interviewee 4); *“I tried to make the customer realize that providing the missing information was important to ensure quality work, and I demonstrated how the absence of information could influence the opinion. On the other hand, if we cannot overcome this limitation, it will be properly reflected in the conclusions of the work”* (Interviewee 8).

Regarding divergences, all respondents have already experienced a situation of conflict with the client during their professional careers, namely regarding the selection of accounting principles. According to the answers obtained, this conflict can be overcome through dialogue. The solutions found are supported by the idea that auditors have to inform the client by referring the accounting standards that should be used, discussing it in a formal level and preventing the impact on auditor's opinion.

When introducing the topic of audit concentration in our research, we aimed to find if participants agree with the market scenario described by Velte et al. (2012) – where the dimension of the market creates barriers to the entrance of smaller firms that downgrades the raise of potential choice, price and quality. The answers showed a clear disbelief about the role of market concentration as a source of inefficiencies on the market itself. Staff members recognize that the big audit companies, for some special clients, are the only ones able to deliver assurance to the client and quality on work. Many participants recognized that in the attempt to distinguish one big company from another, audit companies tend to enlarge the service offer with NAS, which can be harmful to independence (Quick & Warming-Rasmussen, 2009): *“It is not market concentration that gives little differentiation in the services provided by audit companies. In fact, I do not know to what extent audit firms can innovate once audit work is defined by international standards. There is a risk when the same audit company focuses on the analysis of various customer areas and simultaneously provides NAS services. For certain jobs, the situation could be optimized by dispersing services to guarantee independence among the big four”* (Interviewee 6); *“Market concentration leads to little differentiation between the services provided by the big auditing firms. We can understand this scenario as a risk factor for independence once the auditor, to distinguish themselves from competitors, is tempted to perform other functions besides auditing, including consulting, which may affect their independence. Therefore, it is necessary to continue efforts to assert the independence of the audit*

activity and mitigate factors that are assumed to pose a threat to independence” (Interviewee 9); “Given the current market concentration, we have the conditions for greater competitiveness. It is true that large audit firms share the same methodologies; however, the guidelines are well designed, and it is up to each organization to identify opportunities to make a difference and thus generate competitive advantages. The same applies to smaller auditing firms, that should know where to innovate and equip themselves with the best resources to gain access to new customers. Transversal to all this, there is the independence issue, which should always be safeguarded” (Interviewee 10).

We found that there are divergences and limitations that result in conflict of interest for the financial auditor. Sometimes, the client does not share the same priorities regarding the availability of information with the auditor, which causes limitations. Still, the mechanisms used by the auditor to overcome these constraints are well defined.

4.4. Future behavior intention: Mitigating the conflict

We asked participants during the interview how the problems and limitations that they confirmed to perceive can become, or not, a tool to enhance the relationship between them and the client. Table 5 shows that the answers were very diverse in hints for future improvement, although sharing common values.

Table 5. Future behavior intention (source: own elaboration)

Description	Participants
Do you understand joint-audit as an effective tool?	
Yes, absolutely	1, 2, 3, 4, 5, 6, 7, 8, 9, 10
What are the outcomes that you see from its application?	
Improvement of audit quality	1, 2, 3, 5, 6, 8, 9
More dynamic on the audit market	3, 5, 7, 8
Better risk assessment	1, 4, 5, 7, 9
Enhanced customer's/stakeholder's confidence and trust on the work	2, 3, 4, 6, 8
Improvement of independence	2, 3, 4, 6, 10
Do you consider the relationship among auditor and client as a continuously improving one?	
Absolutely	1, 2, 3, 4, 5, 6, 7, 8, 9, 10
What would you suggest as future measures?	
Greater incentive to adjust fees to the auditor's risk and responsibilities	3, 6, 7
There should be greater regulation and active supervision on the market	3, 4, 6, 8, 9
Reduction of the term mandates with the same auditor	1, 3, 7, 8, 9, 10
Penalties for fraud and when independence has been compromised	2, 4, 5, 10
Create a solution to prevent the customer to pay directly to the auditor	1, 5, 8
Promote joint-audit (through EU-legislation)	1, 4, 5, 6, 7, 8, 10
Promote quality control, both internally and externally by an independent entity	1, 2, 3, 5
When independence is compromised the auditor should leave work	2, 4

End of Table 5

Description	Participants
When mitigating conflicts of interests and improving auditor's independence, you take a step towards a better relationship with the client?	
Absolutely	1, 2, 3, 4, 5, 6, 7, 8, 9, 10
In which way?	
Externally promote independence in the mentality and character of the auditor	1, 5, 6, 7, 9
Establishing a formal relationship based on trust and reliability	1, 2, 3, 4, 6, 8
Establishing a more transparent and ethical relationship	2, 3, 4, 5, 8, 9, 10
Enhance communication between agents	2, 10

Surprisingly, all the staff members agree that joint-audits can bring some benefits in different approaches: *"I do believe so. If a Big-four company could work together with a smaller company, it would create a different dynamic in the smaller company and eventually put in contact with different customer profiles. This may be the first step to create more movement in the audit market. As a result, the client may even hire a smaller company for future work. In general terms, when the risk is shared with another audit firm, both players will therefore be more zealous. Moreover, they would create synergies concerning work practices raising the quality of the work. Of course, we also have to recognize a certain resistance of the big audit firms to opening the game to the competition, but this also can mean more business opportunities. I think the market has to gain from the future adoption of this measure"* (Interviewee 3); *"Yes, the joint-audit process can make a very positive contribution to the issue of independence in auditing. However, it is necessary that the two Corporations of Statutory Auditors comply with their code of ethics and act based on the principles of integrity, objectivity, and confidentiality. In my view, the results from the joint-audit will be associated with the audit approach: largest weighting of professional judgement, greater coverage of high-risk areas, greater oversight in the audit work, and eventually cross review of the areas analyzed. If these conditions are met, the opinion issued jointly will certainly be of higher quality, so customer confidence and stakeholder confidence in the service provider will also be higher"* (Interviewee 4).

We asked the participants if they consider that the relationship between auditors and clients is continuously improving, once that it is inevitably subjected to conflicts of interests despite legal and ethical efforts. Once again, all interviewees agreed with this inherent assumption. Regarding future measures that can mitigate the conflict, we obtained the following very rich hints: *"Yes, independence is an aspect that should be improved in the future. I think that the competent organizations should promote joint-audit, the rotation of the auditor, and quality control (internal and external, by an independent entity). Thus, we are working to continuously improve independence and quality. However, true independence will only occur when the customer is not paying directly to the auditor"* (Interviewee 1); *"Honestly, I think that the focus should be on fees, since there has been an inverse relationship between the increase in an auditor's inherent work risk and the price paid for the audit service, which compromises the quality of the final output. Therefore, there should be a greater incentive for fees to be best risk adjusted. We also need greater regulation and active market control by competent authorities"* (Interviewee 6); *"Yes, the relationship between client and auditor is inevitably subject to conflicts of interest and that is a process of continuous improvement."*

With regard to the auditor's relationship with the customer, I understand that the relationship based on trust, formality between the parties, and professional ethics contributes to the mitigation of the factors that affect the auditor's independence. The mechanisms and existing policies are important tools for the auditor's independence, including the joint-audit and the measures established by Directive 2014/56. I also consider it is important to reduce the term mandates with the same auditor as well as to increase supervision in the sector, with significant penalties for auditors in situations where it is proved that independence was notorious and significantly compromised" (Interviewee 10).

The participants agree that it is crucial to increase the relationship with the client through the binomial of maximum independence and minimum conflict: *"By increasing independence and creating more and more instruments in this sense, the relationship with the customer may become less personal and more formal. Consequently, it becomes a more transparent and ethical relationship in which both sides will surely win. The customer feels that the auditor is interested in developing the work objectively, free from any threats that may compromise the final quality. In this case, the firm is also winning once the client takes the communication process more seriously" (Interviewee 2); "It is unquestionable that to mitigate conflicts of interest, we have to improve the conditions of auditor independence. Similarly, when we improve the independence of the auditor, we also contribute to an improvement of audit quality, which enhances the relationship with the customer. This can be ensured by establishing a formal relationship based on trust and reliability between the parties" (Interviewee 3); "Yes, it is a continuous improvement process. It will always exist in any timeline some situations that compromise the auditor's independence. In this same way, independence must be promoted from the outside, in the mentality and character of the auditor. The regulatory authorities and the country's laws must protect an external environment of full independence, allowing the auditor to be as objective and pragmatic as possible" (Interviewee 7).*

Concluding our interviews, we were able to show that it is possible to turn the questions associated with independence and conflict into advantages in the relationship with the client. To achieve this, it is necessary to overcome some limitations. The implementation of external measures with impact on the behavior of audit companies plays a crucial role for that purpose. There are some individual constraints that also need improvement.

5. Discussion

The results consistently suggest that there is a never-ending process between audit quality, relationship with the customer, and independence problems. The attitude of the participants involved towards the problem was positive and hopeful. The drivers that influence and determine quality work are concentrated in four major concepts: 1) culture within an audit firm; 2) technical and personal qualities of audit staff; 3) effectiveness of the audit process; and 4) reliability and usefulness of audit reporting. A particular exception was verified for the fourth driver, that did not gather strong evidence to support its importance, once the participant's answers suggested that the consistency of the audit report was no longer considered a critical driver. Most interviewees claim that the reliability and usefulness of audit reporting should be seen as an intrinsic value. This paper also suggests that when promoting the quality drivers enumerated, the relationship between the company management and auditors may benefit in terms of trust and cooperation between both parts. With regard to this, higher audit quality performing the work may lead to more for-

mality, where the relationship between auditor and the customer becomes less personal and more formal. Eventually, this scenario will lead to a situation where independence is, consequently, better safeguarded and, therefore, there will be an improvement in the inherent relationship between both parts. In this sense, this study shows that the model used to the categories of data analysis may consider a natural connection among ensuring auditor independence and naturally pleasing the customer.

It was suggested that the relationship between auditors and clients is inevitably subjected to constraints, limitations, and threats to the auditor's work. According to this fact, when the limitations referred by Bazerman et al. (1997) regarding the way an auditor analyses information and the constraint supported by Frankel et al. (2002) in what respects fees dependence were put into analysis, the results were surprisingly not reinforced by the participants' opinions. The participants were able to manifest their own limitations, which are a reflex of their own professional experiences. The availability or omission of material information by the client and management pressures to influence the auditor's opinion.

Regarding the limitation found during the execution of an auditor's work, it was suggested to overcome those same limitations by approaching it with a formal dialogue process among the responsible both on client's and audit company. Through conversations and proper exposure of the limitations found on the ground by the auditor to the client, it is possible to reduce inherent divergences until a certain level.

It was also shown that the relationship between client and auditor is always inevitably subjected to conflicts of interest and that it is, in fact, a continuous improvement process. As a result, both limitations of scope – the access to information denied and the divergence between the auditor and the client's management body – were strongly defended by the participants. On the other hand, the expectation-gap was deeply contradicted in the terms that instead of seeing it as a limitation, participants acted in a very encouraging way, reflecting on the threats referred in the literature as incentives to deliver higher quality work and improve customer satisfaction. Audit-concentration was not seen as a source of inefficiencies on the market, as developed by Velte and Stiglbauer (2012), once the interviewees believe that the situation has no relation with independence issues, apart from the reality on which audit companies, in order to be distinguished from competitors, tend to perform NAS. On the contrary, the relationship with the client will be valorized once there is a greater recognition of the auditor's work and a valuable proposition to the client (Amerongen et al., 2022).

The last dimension of the model of analysis was about the auditors' beliefs of what should be future behaviors. According to the findings of this research, it is recommended a reduction of the term mandates with the same auditor; greater regulation and active supervision on the market; penalties for fraud and when independence is compromised; quality control promotion, both internally and externally by an independent entity or anti-corruption efforts/measures; greater incentive to adjust fees to the auditor's risk and responsibilities; and creating a solution to prevent direct payments from the customer to the auditor.

6. Conclusions

This paper overcomes the gap found in the literature about how audit companies can reduce the risk of conflict with clients and consequently ensure accurate financial statements. The auditors' self-perceptions of auditor independence and how it intervenes in the customer relationship management, with evidence that audit quality and independence can be man-

aged in order to generate a good professional relationship at the same time. To overcome the existing and identified conflicts of interest, this paper mentions recommendations. When mitigating conflicts of interest and improving auditor's independence, there is a step towards a better relationship with the client focusing on a professional relationship. This same relationship has an inherent important assumption that has to be promoted: the establishment of a more formal relationship based on trust and reliability that has as its core a transparent and ethical relationship. The external environment should also be improved, once there are always threats and constraints to independence. For this same reason, the government and capable entities should externally promote and actively regulate independence to build an environment of full independence, in line with the latest research on the topic.

In a managerial approach, this study reaches a better understanding of the conflict between commercial and professional activity in accounting firms, focusing on the independence problem. In this sense, this study reveals how audit companies can use the independence problem to enhance their relationship with the customer. Finally, the research highlights the need for continuous improvement through effective communication among agents and the adoption of important measures by the market.

Audit firms can leverage the concept of independence in their favour when they use it as a tool to enhance their relationship with the client. They are able to do this when promoting a formal level of communication, engaging in a transparent exercise, and accepting the necessity to rotate and open the market. By doing so, they will promote an external environment of full independence. In this way, the client will recognize virtue, rigor and professionalism of the auditor and will perceive higher quality work. Consequently, the relationship between them will be enhanced. Allied to this, greater regulation and supervision by legal entities should work in favour for the same goal. All put together, we get a formula that, although it requires a constant review, overcomes independence problems, turning them into advantages.

As a qualitative study, the findings are limited to the scope of the 10 interviewees, although the saturation of perceptions was achieved among the interviewed auditors. The findings about the self-perceptions of audit independence and relationship marketing provides rich contributions to the field, but future research can proceed with the statistical inference of the effect of the variables identified as connected to auditor independence in order to measure their statistical consequence in relationship outcomes. However, as the present study shows, it is a complex environment. such research model should include the external variables mentioned in the findings to balance the connection between auditor independence and relationship marketing. Future studies may consider other geographical regions to achieve a more global understanding of the topic, using quantitative methods to confront the qualitative results of this paper on auditor independence and customer relationship.

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Author contributions

GGM was responsible for data collection, analysis and interpretation. BC wrote the article.

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