

## Auditor Selection: Big Four or Non-Big Four? Case of Oman

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**Abstract:** The main objective of this study is to examine the variables considered by decision makers in selecting big four or non big four auditors for auditing the financial statements of a sample of Omani companies. The study analyzed 14 variables collected from the related literatures concerning the auditor selection process. A questionnaire has been conducted for data collection and analysis. The questionnaire was distributed to a random sample of 46 managers of companies listed in muscat securities market. Findings of the study indicate that the big four auditors are usually preferred in Oman. Also, findings indicated that the variable with highest rank is for “reputation audit firm” while the lowest rank is for “audit committee”.

**Key words:** Auditing, big four, non-big four, Oman, Kuwait

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### INTRODUCTION

As in the other countries, the role of external auditors in Oman is to audit the financial statements of companies but it is not limited to do this audit. External auditors are also, legally required to examine and report on a company’s compliance with Omani’s commercial companies law (Baatwah *et al.*, 2015). In all Gulf Cooperation Council (GCC) countries there are 2 important players in a financial audit market; Big Four (BF) auditor and Non Big Four (NBF) auditor. As in the normal market, the audit is a “good” subject to the demand and supply. In the side of demand, the external auditing is mandatory. The companies compelled to purchase an external audit as “mandated demand”. On the side of supply, the companies choose among audit firms certified by the related authority; ministry of commerce and industry in Oman.

There is a strong belief among companies operating in (GCC) countries Oman that an audit local profession is weak. The NBF auditor is unable to keep up with the competition or foreign auditor such as BF for several reasons and variables. This situation generates a clear gap between the BF and NBF so that companies tend to prefer Big Four (BF) auditor over the Non Big Four (NBF) auditor. This problem is especially pronounced in the state of Kuwait and sultanate of Oman. For example a market share of one BF audit firm in Kuwait (Ernst and Young) is up to 35% in 2010 while the highest share of the NBF audit firm up to 15% in the same year. Up to 2015,

most big companies and banks in Kuwait audit market choose audit firm affiliated with BF to audit their accounts (Alanezi and Alfraih, 2016). In Oman, 80% of companies listed in muscat securities market are audited by BF audit firms (Ani and Mohammed, 2015).

In Oman, the government is adopted a market oriented economy which associated with requiring all companies and auditors to apply international accounting and auditing standards. This leads to establish two important agencies in Oman; Capital Market Authority (CMA) and the Muscat Securities Market (MSM). One of the most important issues in this regard is that the two agencies required appointing one external auditor among the audit firms accredited by CMA (Baatwah *et al.*, 2015). But there are no laws or regulations in Oman require disclosing how to hire the auditor. In other words, Omani companies listed on MSM did not have to disclose the information related to the selection the auditor.

This study addresses this issue and the main objective of this study is to examine the role of the variables that may affect the decision of the selection between big four or non big 4 auditors and then arrange these variables according to their importance from viewpoint of managers in a sample of companies listed in Muscat Securities Market (MSM). The problem of this study is that majority of companies in Oman preferably use the services of BF audit firms rather than their NBF auditors in all its activities; audit and non audit services which raises the question about the reasons for this issue. Therefore, this study is trying to address the following

question. What are the variables that lead to a preference of BF auditor over the NBF auditor in the auditing of financial statements for companies listed in Muscat Securities Market (MSM)?

Oman is a sample for this study for several reasons. First, the audit rotation in Oman is the leading in GCC countries and Middle East countries where it is mandatory for listed companies and government owned entities to rotate their audit every 5 years. The argument behind this situation is to avoid any long-term relationship between auditor and audited firms. Second, Oman is the first country in the middle east to have adopted and implemented a corporate governance code (Baatwah *et al.*, 2015). This code besides issue of audit rotation will increase the independence of auditor in Oman because both of them put many assertions on independence of the auditor. The audit rotation imposes that the companies should exercise the auditor selection process at the end of the 5th years of the contract with the current auditor. Thus, conducting such study in Oman is required to advance and enhance the practice of auditor selection in the GCC region.

With our work we make some key contributions. First we contribute to the literature that explores the auditor selection process perceived by the local companies through examine 13 variables in this process. Second, to the best of our knowledge, this research is the one of rarely attempts in Oman explore both theoretically and empirically, the variables that lead to a preference of BF over the NBF in the auditing of financial statements for companies listed in and Muscat Securities Market (MSM).

**Literature review:** The selection and appointment of the auditor is one of the important topics in audit research and studies. These studies have followed different research approaches and they are designed to examine the effect of some variables in the selection decision. Research and studies related to the first approach is focusing on the quality of the auditing so that there are many studies tried to measure the quality of the auditing. The second approach (selection and appointment of the auditor) addresses a number of variables that influence this decision such as audit fees, audit committee, the reputation of the office and its size.

There are many studies related to the first approach. Niemi (2004) and Alleyne *et al.* (2006) argued that larger audit firms have several clients and they are not reliant upon the revenue from simply one or two companies. Michael (2007) examined whether big four firms are providing higher quality audits than non big four firms. The finding indicated that clients in big 4 conducted less earnings management. Reisch (2000) referred to the reason

for bigger firms having more and better resources than smaller firms that they have greater research facilities that they can undertake the strongest tests and that their technological capacity is such that they can generally do much more than their smaller audit firms. Francis and Yu (2009) identified a systematic association between big 4 firm size and audit outcomes consistent with larger firms producing higher quality audits.

Ferguson *et al.* (2003) examined the role of auditor industry expertise in the pricing of big 5 audits in Australia (now big 4). The result indicated that the market perception and pricing of industry expertise in Australia is primarily based on firm-level industry leadership in city specific audit markets. Lawrence *et al.* (2011) examined whether differences in proxies for audit quality between big 4 and non-big 4 audit firms could be a reflection of their respective client's characteristics. The findings of the study indicated that differences in these proxies between big 4 and non-big 4 auditors largely reflect client characteristics and more specifically, client size.

Sawan and Alsaqqa (2013) examined the relation between size of audit firm and audit quality and the choice of accrual measures for a large sample of firms. They found that a clear majority of oil companies and audit firms in their sample agreed that big four firms are superior to their non-big four counterparts in all of the reputation issues presented to them and that the size of the audit firm is positively associated with audit quality.

Stefan and Svanstrom investigated how audit quality and audit pricing vary with audit firm and office size. They found that there are no significant differences in the likelihood of sanctions between big 4 audit firms and the fifth and sixth largest audit firms in Sweden. Ani and Mohammed (2015) investigated and analyzed the effects of auditor quality (big four auditors and non-big four auditors) on the firm performance (financial and marketing) in three sectors (industrial, finance and service) in Sultanate of Oman. The results of statistical analysis indicated that there are positive correlations and regression at 5% levels of significance between big 4 audit firm and return on equity and market fair value of share.

Most of these studies concluded that the big four firms are providing higher quality audits than non big four firms. This is because the big four audit firms have more advanced technology, high quality staff and other resources. The researches and studies related to the second approach have been related to specifying the variables of selection decision such as audit committee, audit firm experience and the nature of the activity and the level of errors.

Abbott and Parker (2000) focused on one frequently noted function of the audit committee: auditor selection. Auditors who specialize in the client's industry are expected to provide a higher level of audit quality than do non-specialists. Thus, they predict that firms with audit committees that are both independent and active are more likely to employ an industry-specialist auditor. Their study found that firms with audit committees that do not include employees and that meet at least twice per year are more likely to use specialists. Fiolleau *et al.* (2013) conducted a detailed clinical study of how a publicly traded company hires an external auditor. They observed that the audit committee was involved in the process but management effectively controlled the selection of the external auditor.

Dhaliwal *et al.* (2015) examine the managerial involvement in auditor selection decisions when audit committees are "directly responsible" for auditor relationships, including selection of the audit firm. The study indicated that management rather than the audit committee that influences the auditor selection decision.

Abu Bakar *et al.* (2005) provided further understanding of the factors influencing auditor independence from the perspective of commercial loan officers. Findings of the study indicated that audit firm size appeared to be the most important factor that affects the auditor independence. Chan *et al.* (2006) examined whether auditor opinions are affected by political and economic influences from governments. They find that local auditors are inclined to report favorably on local government owned companies to mitigate probable economic losses.

Krista *et al.* (2010) examined some factors are faced the publicly traded canadian company. These factors are: significant management control in selection of the external auditor; asymmetry of transparency a selection process that requires the auditor and extensive price competition. Manita and Elommal (2010) tried to build measurement scales of the audit process quality in Tunisia so that their study developed a scale of 27 quality indicators. Reheul investigated auditor choice in belgian nonprofit organizations from a behavioral perspective. Their study investigates 6 auditor attributes: competence integrity/deontology, working relationship with management, audit fee, practical execution of the audit, client oriented analysis and suggestions and sector expertise. They found that nonprofit organizations attaching higher value to sector expertise and client oriented analysis and suggestions are significantly more likely to choose an auditor with a higher level of sector specialization.

Bawab (2012) aimed to identify the factors which affect the choice of the external auditor in jordanian banks from the perspective of the external auditor in jordan. He found that there are causes related to the banks of Jordan leading to change the external auditor, the application of generally accepted auditing standards to change the external auditor and to the audit office to change the external auditor. Fontaine *et al.* (2013) conducted interviews with 20 financial managers who participated in audit firm appointment decisions. Their results suggested that the quality of the auditor-client relationship is the key determinant of auditor switching and audit value. Interestingly, price becomes an important factor only when the auditor-client relationship is mismanaged (e.g., when clients perceive that their auditor is not available to them).

Brown and Knechel (2016) examined the auditor switching and auditor quality. Their finding indicated that the auditor will be switched if the clients are dissimilar with other clients of the auditor. Yang *et al.* (2016) investigated the determinants of a business group's member firm engaging the same auditor as its core firm. The study is using a sample of publicly listed business groups in taiwan from 2000-2010. The results indicated that a member firm is more likely to engage the same auditor as its core firm. In summary, Almer *et al.* (2014) argued that a large body of research examined pre-SOX auditor selection (Hermanson *et al.* 1994; Abbott and Parker, 2000). However, changes in audit committee composition and the shift in responsibility for auditor selection from management to the audit committee call for an updated understanding of the factors that impact post-SOX auditor selection. Only limited research on auditor selection has been conducted post-SOX (Beasley *et al.*, 2009; Cohen *et al.*, 2010; Fiolleau *et al.*, 2013). Further, this post-SOX research has focused primarily on the role of management influence on the auditor selection process with little attention paid to other factors such as audit firm attributes (partner attributes, firm reputation, services offered) and industry expertise which pre-SOX research found to impact the selection process. One of the most important conclusions from the above literatures that the selection process of auditor in Oman, GCC countries and most of other Arabian countries are not discussed in details. This leads the researchers to examine the variables that may affect the decision of auditor selection and then arrange these variables according to their importance.

**Variables and hypotheses development:** The process by which a client selects an auditor can be complex and can be influenced by a number of variables. The main idea of

this study is that the decision-makers in companies are studying a range of variables that ultimately lead to the formulation of their decision model which includes one of 2 options: either contract with a BF audit firm or contracting with a NBF audit firm. These variables are collected from the literatures. In general, literatures on auditor selection focus on how auditor characteristics impact the likelihood of selection. These literatures examined predictor variables, including the auditor's industry specialization and audit committee (Abbott and Parker, 2000) audit firm size (Choi *et al.*, 2010) quality (Baatwah *et al.*, 2015) and reputation audit firm (Aronmwan *et al.*, 2013). Also, the hypotheses are building after reviewing the literatures in this area such as (Baatwah *et al.*, 2015; Choi *et al.*, 2010; Aronmwan *et al.*, 2013; Dhaliwal *et al.*, 2015; Stirbu *et al.*, 2009; Asthana, 2014). Thus, this study is discussed the following variables and hypotheses:

**Scientific and technical efficiency:** The auditor should have the appropriate level of qualifications and practical proficiency. This will lead to increase the quality of auditing. Therefore:

- H<sub>1</sub>: the scientific and technical efficiency does not contribute to the preference of BF auditor over the NBF auditor

**Continuous professional development:** The nature of auditing profession require keeping up-to-date with knowledge skills and attitudes by the auditors. Therefore:

- H<sub>2</sub>: continuous professional development does not contribute to the preference of BF auditor over the NBF auditor

**Other services (non-audit services):** It is any services other than audit provided to an audit client by an auditor. Such services may be referred as management advisory services or consulting such as taxation and accounting advice) and assurance related services. These services reflect the skills and quality of auditors where there is a positive relationship between these services and the level of experience of auditor (Dhaliwal *et al.*, 2015). Therefore, the (H<sub>3</sub>) is: the non audit services do not contribute to the preference of BF auditor over the NBF auditor.

**Audit fees:** There are many literatures indicated that the audit fees play a vital role in the audit process. Audit fees related to many variables such as size of audit firm, audit quality and risk. Therefore:

- H<sub>4</sub>: audit fees do not contribute to the preference of BF auditor over the NBF auditor

**The quality of the audit process:** The quality of auditors and audit firms add a significant value for financial information and therefore the demand for quality will increase (Baatwah *et al.*, 2015). Therefore:

- H<sub>5</sub>: the quality of the audit does not contribute to the preference of BF auditor over the NBF auditor

**The size of the audit firm:** The size of audit firm is one of the most important variables discussed in the audit literatures. Also, it relates to many variables in this regards such as audit quality and risk (Choi *et al.*, 2010). Therefore:

- H<sub>6</sub>: the size of the audit firm does not contribute to the preference of BF auditor over the NBF auditor

**Reputation audit firm:** There are many literatures concluded that a good audit firm should produce quality reports. This is because the "good audit firm" is able to protect the interest of users by detecting and reporting material misstatements in financial statements (Aronmwan *et al.*, 2013). Therefore:

- H<sub>7</sub>: reputation audit firm does not contribute to the preference of BF auditor over the NBF auditor

**The qualification and experience audit team:** The auditor profession as any other profession requires a training and development in terms of experience and competencies. The auditor should have some features such as objectivity, reliability and accuracy. Therefore, the (H<sub>8</sub>) is: the qualification and experience of audit team do not contribute to the preference of BF auditor over the NBF auditor.

**Good relations with audit client:** Many studies found that the client satisfaction is significantly related to certain audit quality attributes include the responsiveness to client needs. The good relationship between auditor and client has many advantages such as enhance the financial reporting process. Therefore:

- H<sub>9</sub>: good relations with audit client do not contribute to the preference of BF auditor over the NBF auditor

**Geographic location of audit firm:** Geographic proximity lowers the information asymmetry between audit client and auditor by facilitating information flows and controls (Choi *et al.*, 2010). Therefore:

- H<sub>10</sub>: geographic location of audit firm does not contribute to the preference of BF auditor over the NBF auditor

**The diversification of audit firm:** The diversification at the audit firm is very important based on some conditions such as client availability, competition, employee knowledge base. Many literatures discussed that the diversification of audit may enhance the audit quality (Asthana, 2014). Therefore:

- H<sub>11</sub>: the diversification of audit firm does not contribute to the preference of BF auditor over the NBF auditor

**The level of detected errors and misstatements:** Errors and misstatements detection has been considered a major purpose of auditing for very long time. Despite the primary objective of auditing is expressing an opinion on the financial statements, many literatures found that most of auditing information users believe that the detection errors and misstatements is a primary audit objective (Stirbu *et al.*, 2009). Therefore:

- H<sub>12</sub>: the level of detected errors and misstatements does not contribute to the preference of BF auditor over the NBF auditor

**Multi-disciplines the audit team:** A multi discipline audit team is a team with many experts and specializations which is providing more services and enhancing the quality of audit. Therefore:

- H<sub>13</sub>: a multi-discipline of the audit team does not contribute to the preference of BF auditor over the NBF auditor

**Role of audit committee:** According to Abbott and Parker (2000) the independent and active audit committee members demand a high level of auditor quality. This is because the audit committee has a vital role in many related issues such as the appointment, re-appointment, replacement or removal of the external auditor. Therefore:

- H<sub>14</sub>: audit committee does not contribute to the preference of BF auditor over the NBF auditor

There are many other variables may have impact on the auditors selection process but they are out of this study. For example, many literature reviews indicated to some important variables such as the relationship between management and auditor and the role of

investor’s and lender’s approval in auditor selection. In this study, we excluded those variables because there is no any role of investors and lenders in the selection process. Finally, the relationship between management and auditor is insignificant because the auditor must be changed after 5 years in Oman and all auditor affairs are running by the ministry of commerce and industry.

## MATERIALS AND METHODS

This research adopted a descriptive analytical method because of its appropriateness of the nature of the research. Descriptive analytical method aims to collect data to try to test hypotheses or answer questions about the current situation or current status of the research sample, the descriptive and analytical study identifies and decides thing as it is any object that describes what is or what is happening.

**Population and sample:** In this study, the population is representing a number is a number of 108 directors of listed companies in MSM in Oman. The sample is (52) director which is >20%. Table 1 showed the populations and samples.

**The research tool:** Consistent with prior studies (Almer *et al.*, 2014; Baatwah *et al.*, 2015; Choi *et al.*, 2010; Aronmwan *et al.*, 2013; Dhaliwal *et al.*, 2015; Stirbu *et al.*, 2009; Asthana, 2014), a questionnaire was developed to explore the determinants of audit selection process. It consists of 2 parts: part 1 consists of questions asking the participants about their filed work; part 2 contains 14 questions focusing on the variables that determine the audit selection process. Respondent’s answers were based on 5 point likert scale, ranging from decrease, increase or have no impact on the likelihood of hiring an audit firm. The cronbach’s alpha coefficient is used to estimate the reliability of the variables of sample. In the current study, the cronbach’s alpha coefficient was 0.88, indicating the overall reliability of the questionnaire. It should be noted that four forms of questionnaires were distributed to a number of audit firms and 5 forms to academic members in Oman for the purpose of polled about the variables of the study. The sample suggested an addition of 2 important variables namely, the level of

Table 1: Population and sample

Items	Sample of Oman
Population	108
Sample	52
Percentage	48
No. of sample subject to analysis	46

Output of MSM report 2015

Table 2: Demographic statistics of survey participants

Variables	Number	Percentage
<b>Gender</b>		
Male	41	89.00
Female	5	11.00
Total	46	100.00
<b>Age</b>		
<40	9	19.50
>40<45	25	54.00
>45<50	8	17.00
>50	4	8.50
Total	46	100.00
<b>Work experience (years)</b>		
1-5	4	8.50
>5-10	46	100.00
>10-15	12	26.00
>15	18	39.00
<b>Number of years work experience in the boards</b>		
1-5	10	56.50
>5-10	26	17.00
>10-15	8	4.50
>15	2	100.00
Total	46	100.00
<b>Education</b>		
Bsc	22	48.00
Post graduate	18	39.00
Professional qualification	6	13.00
Total	46	100.00

detected errors and misstatements and the diversification of audit firm. Therefore, the number of variables in the study has become 14 variables. These offices and firms are: Ernst and Young, pricewaterhouse coopers, KPMG and Deloitte in Oman. The sample of this study has some demographic features as in Table 2.

Table 2 showed that the 65% out of 46 respondents have an average of 10 years of work experience serving on their sector, 78.5% of respondents have an average 10 years of working in the board of the company and 87% of them have a bachelor and graduate certificate while 13% have a professional qualification. In total, we believe that the respondents have a good experience to answer the questionnaire.

## RESULTS AND DISCUSSION

**Descriptive statistics:** To identify the variables influencing the selection between BF and NBF auditors, likert-scale score (1-5) is used to calculate the mean and standard deviation. Table 3 shows the results of Mean (M) and Standard Deviation (SD). Table 3 showed that the overall mean for the respondents is (4.27) and the standard deviation is (0.761) which mean the result is less scratched. There are 10 variables have a mean statistically >4 and there are 4 variables less than a mean 4. In a sample, the highest mean is for the “reputation audit firm” and the lowest mean is for “audit committee”.

Table 3: The mean and standard deviation of sample

Variables	Oman (N = 46)		
	M	SD	Rank
Scientific and technical efficiency	4.81	0.476	2
Continuous professional development	4.29	0.645	7
Other services (non-audit services)	4.80	0.664	3
Audit fees	4.69	0.704	5
The quality of the audit process	4.70	0.571	4
The size of the audit firm	4.18	1.100	10
Reputation audit firm	4.84	0.880	1
The qualification and experience audit team	3.14	0.884	13
Good relations with audit client	4.24	0.824	9
Geographic location of audit firm	3.94	0.477	11
The diversification of audit firm	4.39	0.998	6
The level of detected errors and misstatements	3.47	0.971	12
Multi-disciplines the audit team	4.29	0.700	8
Audit committee	3.56	0.871	14
<b>Average</b>	<b>4.27</b>	<b>0.761</b>	

SPSS output ranking 1 = highest mean; Ranking 14 = lowest mean

Table 4: The results of hypothesis testing

Hypothesis	Sig.	t-values
1	0.000	14.853
2	0.000	13.955
3	0.000	14.917
4	0.000	13.233
5	0.000	14.985
6	0.000	14.843
7	0.000	14.772
8	0.000	13.876
9	0.000	13.966
10	0.000	14.893
11	0.000	14.609
12	0.000	13.443
13	0.000	14.193
14	0.000	13.657

Statistically significant at the level of ( $\alpha \leq 0.01$ ), SPSS program outputs

Table 5: The results of factor analysis

Factor No.	Intrinsic value	Contrast ratio factor	The cumulative percentage of variance
First	7.2	44.2	44.2
Second	1.4	22.6	66.8
Total	8.6		

SPSS program output

**Hypotheses test:** Table 4 showed t-test to test the hypotheses as follows: the results showed that the mean of all variables greater than the assumed mean which represents an average degree of test to these regulations and compared with the average of sample answer. The t-test results for all variables are statistically significant at the level of ( $\alpha \geq 0.01$ ) where the values of t as shown in Table 2 are significant at (0.000). According to this result, the nil hypotheses ( $H_1-H_{14}$ ) were rejected which means that the BF auditor is preferable than NBF auditor.

**Factor analysis:** The study used the factor analysis for the purpose of the arranging the variables according to their importance. Table 5 showed that there are 2 factors

**Table 6: First factor saturation values**

Variables	The level of saturation	Ranking
Continuous professional development	0.789	1
Scientific and technical efficiency	0.788	2
The qualification and experience audit team	0.780	3
Audit fees	0.767	4
Other services (non-audit services)	0.764	5
Good relations with audit client	0.757	6
The presence of non- accounting disciplines within the audit office	0.735	7
The size of the audit office	0.729	8
Geographic location of audit firm	0.703	9
Reputation of audit office	0.609	10

SPSS program output

**Table 7: Second factor saturation values**

Variables	The level of saturation	Ranking
The quality of the audit process	0.931	1
The level of detected errors and misstatements	0.926	2
The diversification of audit firm	0.752	3
Audit committee	0.668	4

SPSS program output

representing the 14 variables influencing the choice between the NBF and BF auditors in the Sultanate of Oman.

Table 5 showed the results of variables within the first factor. There are ten variables having effects in the selection and trade off between NBF and BF auditor explain 7.2 of the total variance and 44.2% of the total variance. Table 6 showed the results of the first factor in the factor analysis. Table 6 showed that continuous professional development is the important variable when the managers differentiate between BF and NBF auditor in Oman. This means that the BF auditor is preferable than the NBF auditor based on his experience in Oman. The reason for this belief is that the managers explained that BF auditors are closer to updated knowledge and skills in their field. We strongly believe that this is true in Oman because in most time, the BF organized many training programs, workshops and continuous professional development programs. In addition, the BF prepared many reports about the private and public sectors in Oman which highlights many important issues regarding the economic and financial performance. For example, the pricewaterhouse coopers has an academy (PwC Academy) provides the audit, tax and advisory services to the staff and customers. Also, this academy provides the professional training in the area of financial, business, finance leaders, International Financial Reporting Standards (IFRS), investment, internal audit, tax and technology. Within the second factor, the study find out that the influential variables in the selection and differentiation process between NBF and BF auditor is the quality of the audit process in Oman. It is clear from Table 7 that there are four influential variables

in Oman in the second factor may be taken in the order based on the value of saturation. Based on this, the study concluded that the managers have a preference for the BF auditor to their perception that the BF audit firms have the strongest trend towards quality in audit performance and they have less errors and more able to deal with special cases during their audit. It seems that the managers in Omani companies believe that the BF auditors are more efficient and their auditing is higher quality than NBF and they select the auditor based on this variable.

Our results are consistent with most of the literature reviews such as Al-Bawab (2012), Fontaine *et al.* (2013), Fiolleau *et al.* (2013), Dhaliwal *et al.* (2015) and Yang *et al.* (2016) where there are many variables have impact on the auditor selection process related to the companies and the auditor. Each study discussed some variables and concluded some different results according to the client-characteristics, auditor-characteristics, audit environment and NBF-BF auditors intensive. For example, the results of our study are consistent with results of Almer *et al.* (2014) regarding reputation of audit firm as the most important factor in the audit selection decision. On the other hand, the results of our study are not consistent with many of literature reviews regarding the role of audit committee in the audit selection decision. This study is not considering the audit committee as an influential factor in this decision. This is because the main player in the auditor selection process is the management not audit committee or the audit committee rely on the management completely.

## CONCLUSION

The differential between the BF auditors and NBF auditors in most of Arab countries is one of the basic problems in the financial audit market. This study addresses this problem through testing 14 potential variables that are expected to have dealt with in the preference for BF auditors over the NBF auditors from the point of managers of companies working and Oman where there is a high degree of competition and increase in the share of BF auditor on the market share over the NBF auditor.

The results showed that all variables indicated a Likert-scale score of >3 which might suggest that all variables in the questionnaire influence the auditor selection. The results of study indicated that all 14 variables are significant at 0.01 and they are playing an influential role in the preference for BF auditor over the NBF one from point of view of the managers of companies in Oman. In our sample, the highest mean is for the “reputation of audit firm” and the lowest mean is for “audit committee”.

Factor analysis showed that all variables can be divided into 2 groups. In the first group, the continuous professional development is the important variable when the managers differentiate between BF and NBF auditor in Kuwait. This means that the BF auditors is preferable than the NBF auditor based on his experience in Oman. The reason for this belief is that the managers believe that BF auditors are closer to updated knowledge and skills in their field.

### **LIMITATIONS**

The findings of the current study are subject to a number of limitations. First, the questionnaire was only distributed to a number of companies in Oman. There is thus an opportunity to extend the scope of this study to include all audit firms work in this country and other GCC countries. Doing this could validate the results of this study and explore whether these outcomes are generalizable. Second, the sample of hired auditors is rather small which may explain why the audit quality results are generally insignificant. Lastly, this study examined only 14 variables and excluded some of other variables such as the relationship between management and auditor is insignificant because the auditor must be changed after 5 years in Oman and all auditor affairs are running by the ministry of commerce and industry.

### **SUGGESTIONS**

The findings presented in this study, may help professional accounting associations, audit firms, companies and governments to better understand the auditor selection determinants in Oman. The findings of the current study will provide a vital insight into the determinants of auditor selection from emerging markets like Oman and in turn, could reinforce auditor independency and the efficiency of the audit process. Also, based on the results of this study, the researchers invite the auditing profession in the Sultanate of Oman and all Arab regions to support local auditing profession and try to build this profession to be able to compete with the foreign colleagues and build a confidence in the audit market. The auditing profession in Oman should working on development of the NBF auditor's skills through improve the scientific knowledge and increase the global certificates in auditing and participate in the global activities in the field of auditing, accounting and information systems. Also, this study may help audit firms to develop more competitive strategies in the audit market in Oman. Academics can use the results of this study to improve their understanding of the auditor selection decision.

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