

THE IMPACT OF PHYSICAL FACTORS, BEHAVIORAL AND ENVIRONMENTAL INDEPENDENCE OF THE AUDITORS IN THE REPUBLIC OF YEMEN

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ABSTRACT

The objective of this research is to scrutinize the impact of physical, behavioral, and environmental factors on the independence of auditors. The study was conducted in the Republic of Yemen. To achieve the objective of the study, the researchers have done the theoretical part of this study through office survey on the books, the periodicals, the electronic websites, the laws, the instructions, the profession behavioral codes, the standards of relevant international accounting and auditing. A questionnaire has been distributed among the Heads of Auditing Departments in auditing companies in Sana'a. The study recommended the need to abide by the rules of professional conduct from the International Federation of Certified Public Accountants, and the Laws and regulations related to strengthening the independence of auditors.

Keywords: Auditing; codes of profession behavior; international auditing standards; independence in auditing.

Introduction:

Auditing profession was in recent times widely criticized by many scholars, mainly for the inability to respond effectively to the needs of users of financial statements information which is expected to be obtained as a result of auditing such lists. That was reflected on the practice of the profession in different forms including:

Threats to the independence of chartered accountants have increased through the emergence of several negative indicators such as increased competition among audit firms and the controversy about the accountants' introduction of legal services other than audit clients. Therefore, the public accountants have played a greater rôle in society, and this requires that they should maintain their distinguished profession through continuing to provide professional services at the highest levels which has the confidence of the public.

The independence of auditors is the backbone of the review processes and the basis for the trust conferred by their reports on published financial statements. There is no doubt that the neutrality and objectivity of auditors depends on the independence of their mentality in preparing the audits, especially in the submission of evidence

resulting from the tests of audits and in expressing their views in respect of the financial statements.

Due to the importance of independence in the work of auditors in the Republic of Yemen, Yemeni legislators put emphasis on setting out the necessary laws such as Law number (26) for the year 1999 which is related to regulating the profession of auditing; Law No. (22) for the year 1997 related to companies. A number of articles envisaged in these two laws stipulate the need for independence of auditors. So the researchers examined the impact of physical, behavioral and environmental factors on the independence of Yemeni auditors.

Importance of Research:

The importance of this study arises from the importance of what is represented by the independence of the auditors for the viewers of the economics of accounting units. The independence of the public accountant is the foundation stone for the profession of auditing, since such independence is the source of confidence and trust in the audited statements prepared by him. The report of independence auditors is the basis for many viewers of the economics of accounting units such as accountants, financiers, lenders and investors, in order to enhance confidence in the data published by that unit.

Objectives of the Research

This study seeks to achieve the main objective which is to know the extent of the impact of physical, behavioral and environmental factors on the independence of Yemeni auditors through the achievement of the following objectives:

1. Showing the impact of the physical factors on the independence of auditors.
2. Showing the impact of behavioral factors on the independence of auditors.
3. Showing the impact of environmental factors on independence of auditors.

Problem of the Research

When performing their duties, public accountants could face pressure from the management of the company for which they conduct audits, in such a way that influences their opinions about the fairness of the financial statements of the company which, in return, may cause lawful penalties to auditors, which are stipulated in the laws of auditing profession, in addition to its impact on misleading the recipients of the report of auditors.

From the above three points, the elements of the problem can be summarized in the following questions:

1. What is the level of impact of physical factors on the independence of public accountants, from the viewpoint of public accountants?
2. What is the level of impact of behavioral factors related to the conduct of public accountants and client on the independence of auditors, from the viewpoint of public accountants?
3. What is the level of impact of environmental factors related to the environment of auditing on the independence of auditors, from the viewpoint of public accountants?

Hypotheses of the Research

Ho 1: There is no correlation statistically significant between the physical factors related to public accountants and their independence, from the viewpoint of public accountants in Yemen.

Ho 2: There is no correlation statistically significant between behavioral factors related to the conduct of public accountants and their clients and the public accountants' independence, from the viewpoint of public accountants in Yemen.

Ho 3: There is no correlation statistically significant between the factors related to audit environment and public accountants' independence, from the viewpoint of public accountants in Yemen.

Theoretical Framework

Introduction:

The auditor's report is the final product of the process of external audit of any accounting unit. It shows the auditor's neutral and independence opinion of the fairness of the financial statements at the end of the fiscal year. It is also essential for many of the viewers of the economies of the accounting unit, such as accountants, financiers, lenders, investors, etc., in order to enhance confidence in the information published by the accounting units.

The level of the auditor's independence in expressing neutral opinion about the published financial statements is one of the most important factors affecting the degree of confidence in his report. Hence, the importance of focusing on the independence of auditors is due to the importance of his audited financial statements for the decision makers when making decisions and resolutions. The auditor's report is valueless if he does not enjoy full independence from the management of the company, so that he neutrally and freely expresses his opinion.

Audit profession can flourish only in an atmosphere of independence and impartiality. Independence is necessary for the auditor's report to be trusted and praised by the concerned parties, which they use for the financial statements. Without the auditor's independence, the financial statements report he submits will be of no value; and that the concerned parties will not depend on such report because it does not show a neutral opinion about the fairness of the financial statements published by the company management.

It is essential that the auditor should be autonomous and is not liable to any financial and moral pressure by the management of the company, which makes him forced to express any biased opinion; or to be negligent in performing his duty voluntarily or by pressure. That is why official and private organizations which are concerned with the audit profession has set out standards that will enhance confidence in the financial statements and strengthen the independence of the auditor.

Due to the significance of independence in the work of auditors in the Republic of Yemen, on the one hand, and the recognition of the role of accounting and auditing profession, on the other, Yemeni legislators have focused on establishing the laws necessary for the accounting and auditing profession in Yemen. Thus, established rules and regulations will determine the qualifications of auditors, and the necessary conditions for practicing such a profession and will enable them to carry out their duties properly; and the rules governing the licensing for auditing -- registered in the record of auditors -- that will define their rights and duties, and the penalties for any violations of such rules; and any related stipulations which ensure the achievement of required goals of the auditing practices.

This analytical study defines the factors affecting the independence of external auditors in Yemen, and then puts the suggestions and recommendations that can reduce these factors and increase the degree of their independence.

1. The Origins and development of the concept of independence:

The term Autonomous Auditor is used to denote the external auditor. Then the concept develops to include properties such as dignity and objectivity in practicing the profession of accounting. In 1844 the British Act for corporate Companies requires sending the financial statements which would be attached to the report of the auditor to all shareholders before the meeting of the Assembly, and it did not prevent any auditor from having shares in the same company for which he performs audits; however, he is not allowed to work as an employee in the same company ⁽¹⁾.

In 1934, the U.S. Securities and Exchange Commission issued a decision that auditors should not have any financial benefits from the company for which he performs audits ⁽¹⁾. In 1960, the *American Institute of Certified Public Accountants (AICPA)* discussed the issue of independence and issued a law which prevents auditors from working as an officer or director or employee in the company for which he performs audits ⁽²⁾.

In 1997 it was agreed by both the *American Institute of Certified Public Accountants (AICPA)* and the U.S. Securities and Exchange Commission (SEC) to establish the Criteria Complex for Independence (IBS) in order to protect users of financial statements. In 1999 the Complex issued the first circular entitled "Discussing Independence with the Auditors Committee, which ensures many issues, including the personal relationships between the auditor and management of the company for which he is performing audits; and discussing the concept of independence ⁽³⁾.

2- The Concept of the auditors' independence:

Auditors should be independent when performing their duties in accordance with auditing standards established by the *American Institute of Certified Public Accountants (AICPA)* which states that auditors must maintain objectivity in performing the duties, must abandon any conflicts or disputes that may keep him out of his responsibilities, and must be autonomous in all respects ⁽⁴⁾. Auditors should be characterized by integrity, honesty and truthfulness, i.e. they should not be influenced by personal interests, and rather their decisions must be objective ⁽⁵⁾.

Garbo defines independence and impartiality of auditors as: "The auditor's adherence to justice towards the company he works in, to the shareholders, to the third party of the users of published financial statements such as investors, debtors and banks, as well as the concerned governmental bodies and all individuals and bodies that have interests or are associated with financial statements ⁽⁶⁾.

Mutwalli thinks that independence is to act honestly and objectively. By 'honesty', in this context, means the ability of the auditor to make difficult and moral decisions on what is wrong and what is right by applying the moral conduct rules to the different issues; and his ability to control matters without being partial to any of the concerned parties. By 'objectivity', it is meant that the auditors' neutrality and honesty without being impartial to or influenced by personal modes or interests ⁽⁷⁾.

Chi.et.al define independence: "The absence of collusion between auditors and the management of companies which are subject to auditing, i.e. they should not uncover any important information in decision-making for any company where they

perform audits, without any distortion in the data or information⁽⁸⁾. However, the researchers believe that the auditors' independence is a noble advantage related to his role as a source of neutral information. The auditors can make use of any of the following when he deals with financial services or consultations:

- To offer complete financial services and be responsible for the convenient consultation effect;
- To refer clients to experts in financial institutions without incurring any responsibility;
- To refer clients to those experts who have knowledge about financial matters who are partially responsible.

3. The Dimensions of Independence of Auditors:

(1) Independence in preparing the audit programs⁽¹⁰⁾:

This means that the auditors should have full freedom when preparing the audit programs, in terms of defining action steps, the volume of work to be done within the overall framework of the required tasks. This means that the company management should not interfere in the exclusion, or limiting or modifying any part of any audit program and in modifying the procedures established by the auditors, and should not influence the auditors to examine areas not included in the program.

(2) Independence in the field of inspection:

This means that there should be no pressure or interference on the auditors in the selection of the different fields, activities, policies and items which will be subject to the screening process. This includes several aspects, such as:

- a). The right of the auditors for full inspection and review of all the records, notebooks of the offices and branches of the company; and the right for gathering information from any sources.
- b). Fruitful and effective cooperation between the auditors and employees of the company during the process of inspection and tests.
- c). Non-interference by the management in an attempt to define the fields, items, and documents that are subject to inspection, or to make the auditors accept some of the items and documents without reviewing and inspecting them.
- d). Dimension of personal relationships and create mutual interests, which affect the operations of the examination and opinion.

(3) Independence in the preparation of the report:

This means that there is no interference or pressures by the companies to uncover the facts that were discovered during the audit process; or no influence on the nature of a final opinion on the final financial statements being audited. This can include several aspects such as:

- A. No intervention or tutelage by others to modify any facts in the report.
- B. Avoiding the exclusion of some important elements of the final report of the auditor.
- C. Avoiding the use of vague phrases and words or the words that carry more than one meaning when expressing an opinion or mentioning any reservations and recommendations in the final report.
- D. No interference by any party in the auditors' definition of the contents of the report, whether in connection with depicting the facts or when the technical opinion on the financial statements being audited.

4. Independence in Yemeni Legislation:

The issue of independence as one of the standards of auditing has become important in the Yemeni laws and regulations related to the profession of auditors.

The provision of the Act of Practicing the Profession of Auditing No (26) for the year 1999, Article No. (52) is as follows ⁽¹¹⁾: To ensure the independence and impartiality of the practicing chartered auditors, they are prohibited to: (1) Have a job in the State, in the public sectors, the private sectors, or mixed sectors, whether paid or unpaid, with the exception of Yemeni universities professors and without prejudice to the provisions of Article (74) of this Act. (2) Practice commercial or industrial businesses or any other profession. (3) Use the media for propaganda for the auditors by themselves in a way which is against the honor of the profession. (4) Compete with the peer auditors, speculating on the costs for getting money in a way that is detrimental to the profession. (5) Accept the work assignment as a chartered auditor at any agency or company where they are partners or members of the board of directors, or any administrative or commercial or financial work, or being a relative of one of the members of the Board of Directors or the Director General to the fourth degree; and any obligation shall be null and void. (6) Deal with the party for which they are doing audits, whether in purchasing, selling or bartering or renting or any relevant dealing. This banning is not applied for any dealing which is done in accordance with the general rules applied to all parties. (7) Audit the accounts of a unit where an auditor has previously worked as an employee, unless he has left that job at least three years.

The Yemeni legislation has put special emphasis on the independence of auditors in that, it foreboded auditors from participating in the establishment of a company for which they are doing audits, or from being a member of its board of directors, or from working permanently, be it a technical, an administrative or a consultative job. The Commercial Companies Law No. (22) for the year 1997 states ⁽¹²⁾: Article (175) (A) If a vacancy of the post of an auditor, the President of the Board of Directors shall notify the Assembly immediately to appoint another person to replace him. (B) it is not permissible to combine between the work of the observer and participating in the establishment of the company, or having a membership in its board of directors, or performing any technical or administrative work even on a consultative basis; it is also not permissible for the observer to be the partner of one of the founders of the company or one of its board members or staff, or have relatives to the fourth degree. (C) Any action contrary to the provisions of this Article is null and void; the offender is required to return all the amounts he receives from the company to its coffer and takes responsibility for any damage to the company as a result of the violation.

Article (30) of Law No. (39) of the Central Organization for Control and Accounting (COCA) for the year 1992 states the following ⁽¹³⁾: "Preserving the independence and impartiality of auditors in the economic units and particularly when recruiting them from outside the government, from those who are allowed to practice the profession, the (COCA) shall collect the audit fees from the units being audited and shall re-issue them to the auditors and by its name; and the regulating executive by-law of this law shall determine the methods of defining the fees and collection and the ways of disbursing them.

5. Factors Affecting the Independence of Auditors:

Independence is one of the accounting principles of the work of chartered auditors because of the importance of their report upon which a lot of observers of the economies of accounting unit. The rapid economic, social and political developments, and the large size of companies and the increasing volume of their investments, have lead to the increase of the concern of shareholders and users of financial statements about the lack of auditors' independence as a result of many factors, which means the lack of confidence in the work of auditors and their reports and thus the lack of confidence in the profession of audits. These factors can be classified as follows: ⁽¹⁴⁾.

1. The Physical Factors:

Physical factors mean that the auditors get financial benefits, directly or indirectly as a result of providing audit services, accounting services, or consulting services which exceed or are less than the percentage or the expected limit. These factors include the fees for the auditors and the advisory services.

(1) Advisory Services ⁽¹⁵⁾:

Advisory services are defined as those services performed by a competent person or specialized body that enjoys the independence and sufficient qualification in the field of the same service. The services are provided at the request of the concerned body according to the limits laid down by the bodies which have the right to introduce this service, to apply or reject it.

(2) Auditors' Fees ⁽¹⁶⁾:

Auditor's fees are determined by a person or body that has appointed them. In the case of individual projects, the project owner determines the fees for the auditors. In the case of companies or persons, the partners or solidarity partners responsible for the management of a company determine such fees. In the case of joint stock companies, the General Assembly of shareholders determines the fees for the external auditors.

There are two ways to assess the auditor's fees, are ⁽¹⁷⁾:

A - It is a fixed fee for a fixed amount set in advance.

B- On the basis of the number of working hours spent in the review process, and to apply, it takes hours to record and monitor the resulting discussions and objections of the references, especially in the case of discrimination between the hourly wage of the auditor and his assistants.

In the absence of setting fees in advance, it is the right of the references to know an initial assessment of the fees range between minimum and maximum ⁽¹⁸⁾.

2. The Behavioral Factors:

Behavioral factors mean the factors that are related to human behavior of the external auditor and of the client. These factors are represented in the conflict between the interests of the public accountant and the client and their objectives and the way of appointing the auditor or dismissing him.

(1) The conflict between the interests and objectives of the auditor and the client:

The conflict in interests and objectives between the auditors and the clients is considered one of the factors that affect the auditors' independence. On the one hand, the company, whether its management or owners, wishes to get the final report

without reservations due to the negative impact caused by such reservations on the stock prices of the company. Thus the interests of the management and the owners would make them face the auditors. On the other hand, the owners depend on the auditors for evaluating the performance of management of the company. Hence, we find that the owners have different views from those of the management of the company for their interests. While the management of the company wants to get the report in its favor to satisfy the owners, but the owners want to have the truth of the matter⁽¹⁹⁾.

(2) The method of appointment and dismissal of auditors:

Auditors are appointed by the owner of the project in the case of individual projects, by the partners in the case of individuals' companies, or by the shareholders in the case of joint stock companies. Their the General Assembly of Shareholders may authorize the Board of Councils to appoint the auditor and to determine his fees. It is also possible to appoint more than one auditor to audit the financial statements of the company; and in this particular case, the auditor becomes fully responsible for the performance of the requested service⁽²⁰⁾.

3. Factors Related to the Environment of Auditing:

These are the factors which are associated with the external environment of the audit office. This includes competition between audit firms and personal relationships.

(1) Competition between audit firms:

When audit firms compete for clients, this can lead to competition for fees, which has a negative impact on the quality of the audit process. On the other hand, the increasing competition for clients between audit firms can create motivation for clients to change the auditor, whether to reduce the audit fees or to employ another auditor who is more loyal to the firm management and to achieve its wishes. This would have an impact on the quality of the auditing process and exposes risk to the auditor's independence.

(2) Personal relations:

Auditors' independence may be affected by the personal relations such as kinship, friendship of the auditors with the company being audited, or with those who undertake the company management. The impact of these relations differs by their types, whether these interests or relationships of the auditor or of a member of his family or of one of his co-workers in the same office.

(3) The size of the Audit Office:

The size of the audit office is one of the controversial matters, regarding the extent of its impact on the independence of the auditors. This issue has been studied from several aspects, including: the extent of the impact of the income of the accounting and auditing office in losing a particular client, the auditor's ability to work in a severe competitive atmosphere in attracting the clients, and the extent of the dependence of the audit office on the personal relations of its members, their fame and competence to get the work.

Research Methodology and Analysis of Results

Methodology of the Study:

This study is based on a descriptive analytical method, by referring to books, periodicals, electronic articles, and specialized publications, as well as the international auditing standards, relevant laws and legislations. The fieldwork is conducted by designing a questionnaire that serves the objectives of the study. The questionnaire was distributed to target groups to obtain responses by which the hypotheses will be tested, to find out the results and recommendations.

Population and sample of the study:

The study population consists of audit firms in the Republic of Yemen. A random sample has been selected: Directors of audit offices, specifically those working in the capital, Sana'a which was 33 offices. 33 questionnaires were distributed from which 26 questionnaires were received back. The researchers analyzed the responses through the package of statistical programs (SPSS). The research tool (questionnaire) consists of (29) items in (3) areas: physical factors, behavioral factors and environmental factors. For the physical factors, we have devoted (12) questions (1-12); for the behavioral factors (9) questions (13 - 21); and for the environmental factors (8) questions (22-29).

The researchers have given five alternatives for the responses for each question: Very high, high, average, low, and very low. Likert Scale has been utilized with five points, by giving certain points for each response and the questionnaire consist of five points (1-5), by using Likert Scale.

Descriptive statistical methods: The researcher generally uses the descriptive statistical methods to obtain the features of the study sample structure and to distribute it; and to analyze the responses of the study sample. These descriptive statistical methods include the utilization of:

Percentages, means, standard deviations, and T-test for hypothesis test.

Reliability of the study:

To verify the reliability of the survey (questionnaire), reliability coefficient was made for the field study through using (Cronbach's Alpha). The value of stability coefficient was (0.911), which indicates that the instrument of study is high reliable which justifies its use because it is in statistical standard a good percentage as it is higher than the accepted 60%. All this has been analyzed through the statistical package (SPSS).

Hypothesis testing

Table (1-1): Means and standard deviations of the first hypothesis related to the physical factors affecting the independence of auditors

S. No	Statement	Mean	St. Deviation
1.	Estimating the auditor's fees by The General Assembly has a positive impact on independence of auditor	3.77	1.27
2.	Professional bodies specify a standard rate of each hour-fare has a positive impact on independence of auditor.	3.92	1.49
3.	Estimating auditor's fees before beginning the process of auditing has a positive impact on auditor's independence.	2.92	1.47
4.	Lack of most of auditor's fees from one client has a positive impact on independence of auditor.	4.31	1.05
5.	Lack of-interference by the Board of Directors in estimating the fees of the auditor has a positive impact on his independence.	4.58	0.64
6.	A neutral body estimating the fees for the auditor, e.g. the Yemeni Association of Chartered Accountants, has as positive impact on independence of auditor.	4.65	0.69
7.	Lack of financial benefits, other than the actual fees, ha a positive impact on his independence.	3.85	1.19
8.	Lack of introducing other services, in addition to his actual work, by auditor has a positive impact on the auditor independence.	3.92	1.23
9.	Separating audit works from the advisory services has a positive impact on independence of Auditors.	2.92	1.47
10.	Low advisory services by the auditor have a positive impact on his independence.	4.27	1.08
11.	Lack of introducing tax advice by auditor has a positive impact on his independence.	4.19	0.80
12.	Auditor does not constantly introduce advisory services for the client has a positive impact on auditor's independence.	3.54	1.24
General Mean		3.90	1.14

Table (1-2): Means and standard deviations of the second hypothesis related to behavioral factors affecting the independence of auditors

S. No	Statement	Mean	St. Deviation
13.	Appointment of external auditor for a renewable period of 1 year has a positive impact on his independence.	2.96	1.43
14.	Appointment of external auditor by the General Assembly has a positive impact on independence.	4.65	0.69
15.	The lack of apology of external auditor to complete his task within the period of signing the contract has a positive impact on his independence.	4.46	0.76
16.	Non-interference of the company management to appoint the external auditor has a positive impact on his independence.	4.31	1.09
17.	External auditor's lack of enthusiasm for reappointment for a new term has a positive impact on his independence.	4.77	0.43
18.	Lack of conflict between the interests of the external auditor and the company management has a positive impact on his independence.	4.27	1.19
19.	Auditor's expressing technical opinion on the financial statements in accordance with International Standards limits the Audit Administration's pressure on him has a positive impact on his independence.	4.62	0.66
20.	External auditor's ignorance of the disclosure of abuses by the company being audited has a positive impact on his independence.	3.65	1.26
21.	The absence of litigation between the external auditor and his client has a positive impact on auditor's independence.	4.15	1.08
General Mean		4.20	0.95

Table (1.3): Means and standard deviations for the third hypothesis related to environmental factors affecting the independence of the auditors

S. No	Statement	Mean	St. Deviation
22.	Low number of audit offices and lack of competition between them has a positive impact on independence of the external auditor.	4.35	1.02
23.	The increase of fees for the external auditor for not getting new clients has a positive impact on the independence of the external auditor.	2.50	1.56
24.	Cooperation and coordination between audit offices reduces competition between them has a positive impact on independence of the external auditor.	4.19	0.75
25.	Emergence of authoritative bodies that regulates competition between the audit offices has a positive impact on the independence of external auditor	4.62	0.50
26.	Emergence of established personal relation between the external auditor and the Board of Directors has a positive impact on independence of external auditor.	4.54	0.76
27.	Auditor's refusal of valuable financial gifts by the company being audited has a positive impact on the independence of the external auditor.	4.50	0.81
28.	Lack of appointing directors for the client from some employees of audit office has a positive impact on the independence of the external auditor.	4.73	0.53
29.	The size of audit office a positive impact on independence of the external auditor.	3.58	1.36
General Mean		4.13	0.91

To verify that the study data is distributed a normal test was used Kimrov - Samrov Table (1.4) shows the results of that.

Table (1.4) Test results Kimrov - Samrov.

S. No of Hypothesis	"Z"	Sig
Hypothesis 1	1.06	0.21
Hypothesis 2	1.26	0.09
Hypothesis 3	0.55	0.92

From Table (1.4) it is clear that the value of "Z" did not reach the level of statistical

S. No of Hypothesis	Mean	St. Deviation	The Calculated Value of (T)	Indexed Value of (T)	Result
Hypothesis 1	3.90	1.14	4.03	2.06	Rejection
Hypothesis 2	4.20	0.95	6.45	2.06	Rejection
Hypothesis 3	4.13	0.91	6.33	2.06	Rejection

significance, as all the values of "Z" level of significance greater than 0.05, so this refers to all the data normally distributed, which justifies the use of test "T".

Table (1.5):The hypotheses result (T-Test)

It is clear from the table (1.5) above, the value of T calculated amounted to 4.03, 6.45, 6.33, respectively. These are larger than the tabular values. because the decision rule is: we accept the hypothesis nihilism if the calculated value is less than the tabular value, and we reject it if the calculated value is larger than the tabular value; we therefore reject the hypothesis nihilism and accept the alternative hypothesis. This means that there is a correlation, statistically significant, between the physical, behavioral factors and the factors related to audit environment and the independence of the auditors from the viewpoint of public Accountants in Yemen.

Results and Recommendations

1. Results:

After the study hypotheses have been answered, the researchers found out the following results:

1. Estimating the fees of the external auditor before launching the audit process has a positive impact on his independence. The researchers justify this result that the external auditor's knowing his fees in advance contributes to the objective and impartial audit of financial statements for the company. And non-interference by the Board of Directors in estimating the fees of the external auditor has a positive impact on his independence; and this would enhance the neutrality of the external auditor, because the intervention of the Board of Directors would be a pressure on the work of the external auditor. Estimating the external auditor's fees by a neutral body, such as the Yemeni Chartered Accountants Association has a positive impact on his independence; and this enhances the professional practices of the external auditors.
2. The auditor expresses his opinion on the financial statements in accordance with international standards and this reduces administration pressures on him, which has a positive impact on his independence. That is because the external auditor's opinion depends on financial statements on the basis of international principles and standards, and thus enhancing the objectivity and impartiality of auditors. The external auditor does not ignore the disclosure of the abuses committed by the company being audited has a positive impact on his independence, because this procedure is within the immediate tasks of the external auditor's work. The absence of conflict between the interests of the external auditor and those of the management of the company has a positive impact on his independence. The researcher justifies this result, that one of the immediate objectives of the external audit process is to achieve the financial interests of the company, and thus this would work on the integration between the objectives of the external auditor and the interests of the company. The absence of litigation between the external auditor and his client has a positive impact on his independence. This indicates that the external auditor performs his work impartially, and at the same time, it indicates that the company is committed to the general frameworks of the process of external audit.
3. The absence of appointing managers for the client, from some of the staff of the auditor's office has a positive impact on the independence of the external auditor. This helps to avoid the company's direct pressures on the external auditor. The cooperation and coordination between the audit firms reduces competition among them, which will have a positive impact on the independence of the external auditor. This would enhance the formation of a professional framework which would be the frame of reference for determining the mechanism of the external audit firms' work. The absence of established personal relation between the external auditor and the Board of Directors has a positive impact on the external auditor's independence. This would keep things neutral between auditors and the company being audited. The low number of audit firms and lack of competition among them has a positive impact on the independence of the external auditor. The researcher justifies this result that the competition among such offices can give some offices the opportunity

to overcome some of the objective bases which should be available for ensuring the neutrality of the external auditor.

2- Recommendations:

1. To conduct more studies on the factors that affect the independence of the external auditor in Yemen; To reduce the role of competition among audit firms in practicing the profession. This can be achieved through the participation of more than one audit office to audit large companies, specifically the joint one. To look into the procedures of appointing and dismissing the auditor, which are followed in Yemen and which do not help to consolidate the principle of the independence of the auditor.
2. The Yemeni Chartered Accountants Association should estimate the auditor's minimum fees which he may not be waived, as he performs his task honestly. To ensure the independence of the external auditor's work, we should separate between the advisory work of audit firm and its technical assistance. To increase the scientific and professional activities which would ensure the uprooting of the principles and charter of such profession, so as not to experience pressure by overcoming their interests to the public interests, and explaining the dimensions and limits of the work of the auditor.
3. To regulate the professional work by defining for each audit office a limited number of joint and limited public companies, so as to reduce competition among audit firms. To establish regulations for reducing the personal relations between auditors and clients, which may affect his opinions. To reduce the interference of the Board of Directors in changing the auditors and in estimating their fees, so as to ensure the independence of external auditors and to accelerate the establishment of committees for internal auditing in companies.

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