

Long-term Auditor-client relationship and its effects on the audit quality

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Abstract

Apart from this, the long-term Auditor client relationship has been the center of attention in most of the discussions and debates as well. Numerous studies have been conducted by the academic researchers, financial and professional analysts, regulatory authorities and governing bodies, and in some cases by the Auditors and the firms as well regarding the effects of long-term Auditor-client relationship on audit quality, equity risk premium, financial reports quality, audit pricing etc. These studies provide us with different results, both with the positive and negative associations and effects of long-term Auditor-client relationship on the basis of different factors and contexts.

For long, auditing has been discussed in different studies and research areas but mostly in association with publicly listed companies. Less attention has been paid to the relationship of Auditors and clients as far as clients in SMEs are concerned. In any country around the globe, SMEs are of major contribution in terms of backing the economy, giving it both the boost and the stability, as they collectively form the major chunk of the economy. If we specify our study to the SMEs in Kosovo, then 80% of the enterprises in Kosovo represent the SME sector; in addition they employ around 60% of the manpower. Based on these facts, and due to less attention given to Auditor-client relationship in terms of SMEs, instead of; we have directed our concerns towards the study of effects of Auditor-client relationship on audit quality in SMEs in this particular research study.

Keywords: Long-term Auditor, client relationship, audit quality.

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