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The Impact of Audit Partner's Individual Characteristics on Audit Quality — A 10 year's Empirical Evidence from China 2012–2021

L'impact des caractéristiques individuelles des associés signataires sur la qualité de l'audit – Preuves empiriques sur dix ans en Chine (2012–2021)

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Table of Contents

REMERCIEMENTS/ ACKNOWLEDGEMENTS	0
INTRODUCTION	1
INTEREST OF THE SUBJECT	2
THE PROBLEM STATEMENT	5
THE METHODOLOGICAL APPROACH	9
CONTRIBUTIONS OF THE STUDY	13
STUDY LIMITATIONS	16
FIRST PART – THEORETICAL FRAMEWORK	21
CHAPTER 1 – DEFINITION OF CONCEPTS	21
<i>1.1 The concept of audit quality</i>	<i>22</i>
1.1.1 Definition of Audit Quality	22
1.1.2 Measurements of Audit Quality	27
1.1.2.1 Material Misstatement	28
1.1.2.2 Audit opinion	31
1.1.2.3 Financial reporting features	34
1.1.2.4 Market Response	36
1.1.2.5 Auditor characteristics	37

1.1.2.6 Quality of Accounting Earnings	40
1.1.2.7 Ex post verification results of audits	43
1.1.2.8 Economic consequences of the audit	45
<i>1.2 The concept of auditor's individual characteristics</i>	<i>50</i>
1.2.1 Definition of auditor's individual characteristics	50
1.2.2 Measurements of auditor's individual characteristics	51
<i>1.3 The concept of audit partner</i>	<i>52</i>
1.3.1 Definition of audit partner	52
CHAPTER 2 — FACTORS AFFECTING AUDIT QUALITY	55
<i>2.1 Impact of the audit environment on audit quality</i>	<i>57</i>
2.1.1 Structure of Audit market	57
2.1.2 Demand of Audit market	58
2.1.3 Penalty for violation	59
2.1.4 Audit supervision	60
2.1.5 Institutional environment	62
2.1.6 Media monitoring	63
2.1.7 Other environmental factors	65
<i>2.2 Impact of the audit object on the audit quality</i>	<i>67</i>
2.2.1 Risks of the audited entity	67
2.2.2 Corporate governance of the audited entity	68
2.2.3 Level of independence of the Board	69
2.2.4 Whether an audit committee is in place	70

2.2.5 Internal controls in the audited entity	70
2.2.6 Other audited unit factors	71
<i>2.3 Impact of the audit subject on the audit quality</i>	<i>74</i>
2.3.1 Firm level Firm Size	74
2.3.2 Firm level Is it an international “Big Four”?	76
2.3.3 Firm level Availability of non audit services	78
2.3.4 Firm level Length of audit period	80
2.3.5 Firm level Industry Expertise	82
2.3.6 Firm level Merger of firms	83
2.3.7 Firm level Organization of the firm	85
2.3.8 Firm level Audit fees	87
2.3.9 Firm level Independence of the firm	89
2.3.10 Firm level Other firm wide reasons	90
CHAPTER 3 — LINKS BETWEEN AUDITOR’S INDIVIDUAL CHARACTERISTICS AND AUDIT QUALITY	93
3.1 Conceptual Framework Linking Individual Attributes to Audit Outcomes	94
3.2 Review of Auditor's Characteristics and Audit Quality	96
3.2.1 Auditor’s background Characteristics and Audit Quality	96
3.2.2 Auditor's Gender and Audit Quality	99
3.2.3 Auditor's Age and Audit Quality	103
3.2.4 Auditor's Fonction and Audit Quality	107
3.2.5 Auditor's Experience and Audit Quality	110
3.2.6 Auditor's Industry Expertise and Audit Quality	112

3.2.7 Auditor's Independence and Audit Quality	113
3.2.8 Auditor's Rotation and Audit Quality	116
3.2.9 Auditor's Busyness and Audit Quality	118
3.2.10 Auditor's Other factors and Audit Quality	122
3.3 Empirical Findings and Literature Review Summary	125
CHAPTER 4 — CHINESE INSTITUTIONAL SETTING	127
<i>4.1 Characteristics of China's Audit Market</i>	<i>128</i>
<i>4.2 Evolution in the Signatory Accountant System</i>	<i>134</i>
<i>4.3 Regulations Regarding the Signature of Certified Public Accountants</i>	<i>137</i>
4.3.1 Requirements for the signature of the CPA on the audit report	137
4.3.2 Provision for periodic rotation of signatory CPA	139
4.3.3 Which auditors are qualified to sign off?	140
SECOND PART — EMPIRICAL STUDIES	143
CHAPTER 5 — METHODOLOGICAL APPROACH	143
<i>5.1 Epistemological positioning</i>	<i>144</i>
<i>5.2 Hypothesis development</i>	<i>147</i>
5.2.1 Audit partners' characteristics affecting audit quality	148
5.2.2 Audit partners' industry specialisation and audit quality	152
5.2.3 Audit partners' education level and audit quality	154
5.2.4 Audit partners' signature experience and audit quality	155
5.2.5 Audit partners' professional background and audit quality	157

CHAPTER 6 — QUANTITATIVE STUDIES.....	159
<i>6.1 Research Design</i>	160
6.1.1 Data Sample	160
6.1.2 Sample Description	162
6.1.3 Dependent variables	168
6.3.1 Audit Quality: Modified Audit Opinions	169
6.3.2 Audit Quality: Audit Fees	169
6.3.3 Audit Quality: Discretionary Accruals	169
Commonly Used Models for Discretionary Accruals	170
6.1.4 Independent variables	176
<i>6.2 Main Result</i>	181
6.2.1 Descriptive Statistics	181
6.2.2 Correlation analysis	186
6.2.3 Regression Analysis of Audit Quality Measurement: Audit Fees	189
6.2.4 Regression Analysis of Audit Quality Measurement: Modified Audit Opinions	195
6.2.5 Regression Analysis of Audit Quality Measurement: Discretionary Accruals	200
<i>6.3 Synthesis</i>	206
6.3.1 Robustness Checks	206
6.3.2 Limitations	211
CHAPTER 7 — QUALITATIVE STUDIES INTERVIEW	213
<i>7.1 Methodology</i>	214

7.1.1 Research Design	215
7.1.2 Content of Interviewers	218
7.2 <i>Thematic Coding Analysis</i>	243
7.3 <i>Synthesis</i>	256
7.3.1 Main Results	256
7.3.2 Limitations	263
CONCLUSIONS	265
DISCUSSION	266
LIMITATIONS	275
FUTURE RESEARCH	276
TITRE ET RÉSUMÉ SUBSTANTIEL DE LA THÈSE EN FRANÇAIS	279
REFERENCES	294
TITRE ET RÉSUMÉ DE LA THÈSE EN FRANÇAIS	348
THESIS TITLE AND ABSTRACT IN ENGLISH	350

Introduction

Interest of the Subject

The examination of individual auditor characteristics, particularly at the audit partner level, represents a significant shift in audit research, recognizing the nuanced impact that personal attributes can have on audit outcomes. Traditional research has primarily concentrated on audit firm characteristics such as size and industry specialization, providing a somewhat generalized view of audit quality determinants (Johnson & Lys, 1990; Chaney et al., 1997; Knechel et al., 2008). However, following the landmark Andersen incident, Defond and Francis (2000) initiated a call for research to shift its emphasis from the macro perspective of audit firms to the micro perspective of individual auditors. This shift acknowledges that audit quality may vary significantly based on auditors' risk preferences, experiences, incentives, and personal attributes (Nelson et al., 2009).

Recent literature increasingly recognizes audit partners as key determinants of audit quality due to their ultimate responsibility for the audit report. Under the upper echelons theory proposed by Hambrick and Mason (1984), personal characteristics such as education, experience, and cognitive biases profoundly influence managerial decision making and outcomes. Extending this theory to auditing implies that audit partners' characteristics significantly shape audit processes and results. This suggests a potentially untapped area where individual behavioral dynamics, personal competencies, and psychological tendencies could substantially impact audit reliability and quality assurance.

Interest in exploring individual auditor characteristics is bolstered by empirical evidence indicating inconsistent findings across different contexts. For instance, Cameran

et al. (2016) and Burke, Hoitash, and Hoitash (2018) reported mixed results regarding gender influence on audit quality, reflecting complexity and contextual sensitivity inherent to the topic. These inconsistencies underscore the need for further in depth studies that consider specific national regulatory frameworks and socio economic environments. China, with its unique auditing environment, regulatory disclosures, and emerging economic conditions, provides an ideal context for examining these relationships comprehensively. Given China's requirement to disclose audit partners' identities, researchers have an exceptional opportunity to perform empirical analyses directly linked to individual auditors rather than relying on inferred or aggregated data, addressing the limitations of generalizability prevalent in previous studies.

Furthermore, by focusing on characteristics such as industry specialization, education level, signature experience, and professional background, this dissertation contributes to the existing literature by examining previously unexplored attributes or providing deeper analyses in a specialized context. Carey and Simnett (2006) suggested a negative correlation between auditors' signature experience and audit quality using Australian data, whereas Chi et al. (2011) presented contrary evidence from Taiwanese samples. By extending this line of inquiry to Chinese audit partners, the study not only tests these divergent results within a new regulatory and market setting but also enhances the cross cultural understanding of audit practices and standards.

Moreover, audit quality itself, while essential, remains an elusive construct challenging to measure directly. Adhering to DeFond and Zhang's (2014) suggestion, triangulating audit quality using multiple proxies such as audit fees, discretionary accruals, and

modified audit opinions provides a robust methodological framework to assess the subtle influences of individual auditor characteristics. These measures, extensively validated in recent research, offer comprehensive insights into different dimensions of audit quality, thereby capturing auditor behaviors that single proxy studies might overlook.

This research holds substantial practical implications for auditing regulators, audit firms, and stakeholders within financial markets. By revealing how specific personal attributes of auditors influence audit quality, audit firms can refine partner selection processes, tailor training programs, and enhance internal controls to optimize audit outcomes. Regulators, equipped with evidence from individual level audits, could formulate more precise policies targeting the enhancement of audit standards and enforcement mechanisms, leading to overall improvements in market transparency and financial reporting reliability.

Additionally, by rigorously testing the relationship between individual auditor characteristics and audit outcomes, the research significantly enhances methodological rigor and the credibility of its conclusions.

Recognizing the limitations inherent to national contexts, this study explicitly suggests future comparative research, which would increase external validity and generalizability of findings. Encouraging subsequent cross national analyses is crucial, as audit practices, legal frameworks, and market conditions differ considerably worldwide. Such comparisons could provide broader insights and deeper understanding, ultimately leading to universally applicable insights or identifying context specific phenomena influencing audit quality.

In summary, this research topic is inherently fascinating due to its nuanced exploration of audit partners' individual characteristics and their impacts on audit quality, especially within the unique setting provided by China's evolving audit environment. It promises to enhance understanding within both academia and professional practice, potentially improving audit effectiveness and contributing meaningfully to the broader discourse on financial accountability and corporate governance.

The problem statement

Audit quality has emerged as a pivotal concern in financial reporting and corporate governance, influencing investor confidence and market stability. However, despite extensive research, significant gaps persist regarding the determinants of audit quality, especially concerning the specific influence of individual auditors' characteristics. This research gap is particularly pronounced at the audit partner level, given the critical role audit partners play as final decision makers accountable for the issued audit opinion (DeFond & Zhang, 2014)

Traditional studies on audit quality have predominantly focused on firm level determinants, including firm size, international affiliation, and industry specialization. While these studies provide valuable insights, they overlook the nuanced differences attributable to individual auditor behaviors and personal characteristics. As DeFond and Francis (2000) emphasized, the shift towards analyzing audit quality at the individual auditor level

provides a richer, more accurate representation of the audit process by recognizing auditors as independent decision making entities influenced by their personal experiences, competencies, and behavioral traits.

Recent literature has begun to bridge this gap, acknowledging that individual auditor characteristics, including gender, education, political affiliation, and professional background, may significantly impact audit quality. Nevertheless, empirical findings in this area have remained inconsistent and contextually sensitive. For instance, Burke and Hoitash (2018) presented conflicting results concerning gender's effect on audit quality, indicating complexities that require deeper, context specific analysis. Similarly, Cameran et al. (2016) found varying impacts of audit partners' university education and professional background on audit outcomes, highlighting the importance of exploring these factors within specific institutional and cultural contexts.

Moreover, the absence of clear empirical evidence is partially due to methodological challenges. Many prior studies rely on aggregated data or experimental designs that may not effectively generalize findings across different regulatory environments. Given this methodological limitation, there is a strong rationale for conducting detailed empirical investigations using data from jurisdictions like China, where regulatory policies mandate explicit disclosure of audit partners' identities. This requirement provides an invaluable opportunity to rigorously analyze individual auditor characteristics and their influence on audit quality directly.

China's auditing context further accentuates the necessity for research at the audit partner level. Significant regulatory and market developments in China, notably the 2010

audit firm conversion policy, have shifted audit risk responsibility substantially from the firm to individual auditors (Guo et al., 2010). These changes have likely altered audit partner behaviors and motivations, potentially affecting audit quality. However, empirical studies exploring these individual level impacts in China remain scarce and insufficiently comprehensive. Consequently, the relationship between individual auditor characteristics and audit quality in this rapidly evolving audit environment warrants detailed exploration.

Furthermore, despite the increasing importance of audit quality measures, scholars and practitioners face ongoing challenges in defining and measuring audit quality reliably. As highlighted by DeFond and Zhang (2014), multiple proxies such as discretionary accruals, audit fees, and modified audit opinions have been employed with varying effectiveness. The diversity of these proxies reflects the multidimensional nature of audit quality and underscores the complexity in measuring auditor performance objectively. Given the potential variability in audit quality due to auditors' personal characteristics, a triangulated measurement approach, employing multiple proxies, is crucial to capturing the nuanced impacts comprehensively.

This study specifically targets the understudied but highly influential personal characteristics of audit partners, including education level, industry specialization, signature experience, and professional background. Each of these attributes could significantly shape audit outcomes yet remains under researched, particularly within the context of China's unique audit regulatory environment. For example, existing evidence regarding signature experience varies notably between studies conducted in Australia (Carey & Simnett, 2006) and Taiwan (Chi et al., 2011). Such inconsistencies further

illustrate the necessity of detailed context specific investigations, given that findings from one jurisdiction may not necessarily apply to another due to differing regulatory, institutional, or market conditions.

Ultimately, our study seeks to answer the following questions: Does audit partners' individual characteristics (industry specialisation, education level, signature experience, professional background) have positive or negative impact on audit quality respectively?

For clarity and to provide a logical thread for the reader, the study's hypotheses are introduced early in the discussion. Based on the theoretical framework and prior literature, the research posits that audit partners' individual characteristics — including industry specialisation, education level, signature experience, and professional background — are systematically associated with audit quality. Specifically, it is hypothesised that higher industry specialisation, higher education level, richer signature experience, and relevant professional background are positively related to audit quality, while certain characteristics may have mixed or context dependent effects. By presenting these hypotheses in the introduction, the subsequent methodological design, empirical analysis, and discussion can be more easily connected to the underlying research questions, ensuring better continuity throughout the thesis.

Investigating the impacts of audit partners' individual characteristics on audit quality addresses a vital research gap and has significant practical implications. Findings from this research could inform policymakers and regulatory bodies in formulating targeted interventions aimed at enhancing audit quality through improved auditor training, selection, and monitoring processes. Additionally, the insights generated could guide audit firms in

refining partner assignment practices and internal quality control systems, ultimately benefiting stakeholders by improving transparency, accountability, and reliability of financial reporting.

In conclusion, the existing research landscape reveals significant gaps regarding how audit partners' personal characteristics influence audit quality, particularly within distinctive institutional contexts such as China. Addressing these gaps through rigorous empirical analysis promises to enhance academic understanding and practical audit practice, highlighting this study's profound relevance and urgency.

The methodological approach

To comprehensively examine the impact of audit partners' individual characteristics on audit quality, this research adopts a rigorous mixed methods approach, integrating quantitative analyses underpinned by robust econometric techniques with qualitative insights derived from in depth interviews. This combined methodological framework responds to prior literature calls, notably by DeFond and Zhang (2014), for triangulation of audit quality proxies, while also exploring deeper qualitative dimensions of auditor behaviors and perceptions. Through this structured approach, the research aims to deliver nuanced insights and credible causal inferences concerning the role of audit partners' characteristics.

Given the inherent complexity and multifaceted nature of audit quality, our quantitative methodological approach employs multiple proxies for measuring audit quality. Specifically, audit fees, discretionary accruals, and modified audit opinions (MAOs) are selected as proxies due to their prevalence and proven effectiveness in contemporary auditing research. Discretionary accruals, calculated using established models such as the Jones model or modified Jones model, are employed to quantify auditors' effectiveness in mitigating earnings management (Dechow et al., 1995). Audit fees reflect auditor effort, competency, and perceived audit risk (Simunic, 1980), while modified audit opinions directly indicate auditors' professional judgments and independence (Chen et al., 2011). By employing these three proxies collectively, the study aligns with DeFond and Zhang's recommendations and comprehensively captures diverse dimensions of audit quality, ensuring robustness in empirical results.

The data utilized for the quantitative analysis are derived from annual audit reports of listed Chinese companies covering a decade from 2011 to 2021. China presents a uniquely advantageous context for such research due to the regulatory requirement to disclose audit partners' identities, thus allowing direct and accurate association between individual auditor characteristics and audit outcomes. This context overcomes significant limitations noted in prior studies conducted in jurisdictions where auditor anonymity necessitated experimental or indirect approaches, potentially reducing the generalizability of findings (Goodwin & Wu, 2014; Zerni, 2012). The extensive dataset provides sufficient statistical power and variability, enabling meaningful and reliable statistical inference concerning auditor behaviors and audit quality determinants.

To systematically analyze the influence of audit partners' characteristics, the study focuses on four specific attributes: industry specialization, education level, signature experience, and professional background. These attributes were selected based on a thorough review of prior literature, highlighting both underexplored and contextually significant characteristics. Signature experience, for instance, was examined previously at an auditor level by Carey and Simnett (2006) and Chi et al. (2011), yielding contradictory conclusions. By shifting the analysis to the partner level within the Chinese context, this study provides empirical clarity and contextual relevance that prior studies lacked.

Quantitative data are analyzed through econometric modeling, with four distinct regression models formulated, each tailored to examine one characteristic's impact on audit quality. Each regression model explicitly accounts for control variables recognized in prior literature as relevant, such as firm size, client complexity, client financial health, and regulatory environment (Johnson & Lys, 1990; Francis & Wang, 2008). Ordinary Least Squares (OLS) regression serves as the primary estimation technique; however, given potential issues of heteroscedasticity and autocorrelation common in panel data, robust standard errors and clustering at the firm or auditor level are applied to ensure the validity of statistical inferences.

Additionally, given the extensive time series data, the quantitative methodology includes trend analyses and consideration of temporal changes in regulatory or institutional contexts, notably the impact of China's 2010 firm conversion policy. Such temporal considerations ensure that findings reflect not only cross sectional variability but

also the dynamic evolution of auditing practices and regulatory frameworks influencing auditor behaviors.

Complementing quantitative analysis, qualitative methods, specifically semi structured interviews, are employed to provide deeper understanding and contextual insights into the behaviors and perceptions of audit partners. Interviews with audit partners and key stakeholders within auditing firms and regulatory bodies offer nuanced perspectives on how individual characteristics practically influence decision making processes, professional judgments, and behaviors. Semi structured interviews are chosen to ensure flexibility, allowing interviewees to expand on topics of particular relevance while maintaining consistency in the core areas investigated across interviews. Data obtained from these interviews undergo thematic analysis, identifying and interpreting patterns related to auditor characteristics and behaviors that quantitatively measured proxies may not fully capture.

To maximize the value of the mixed methods design, this study ensures seamless integration between qualitative and quantitative findings, so that the two components form a cohesive whole rather than two parallel strands of research. Quantitative results provide measurable patterns and statistical associations that illuminate the general relationships between audit partners' characteristics and audit quality, while qualitative insights offer contextual depth, exploring the underlying mechanisms, professional judgments, and situational factors that numbers alone cannot reveal. Integration is achieved through iterative cross referencing during both analysis and interpretation: themes emerging from interviews are compared with statistical findings to explain consistencies and

discrepancies, and, conversely, quantitative anomalies are explored qualitatively to uncover potential explanations. This reciprocal approach enhances the validity and richness of the conclusions, ensuring that the combined evidence tells a unified and coherent story about how individual audit partner characteristics influence audit quality in the Chinese context.

In conclusion, the mixed methodological approach—characterized by its integration of rigorous quantitative techniques, extensive robustness checks, and insightful qualitative interviews—positions this study to significantly advance understanding of audit partner characteristics and their nuanced impacts on audit quality within China's unique audit environment.

Contributions of the study

This study aims to modestly contribute to academic literature and professional practice by exploring the influence of individual audit partners' characteristics on audit quality within the relatively underexplored context of China's auditing environment. The contributions offered are varied, encompassing theoretical insights, methodological considerations, practical implications, and policy related suggestions.

From a theoretical perspective, this research expands the ongoing discussion initiated by DeFond and Zhang (2014) regarding individual auditors' attributes and their potential influence on audit quality. Prior research has frequently examined audit quality at broader organizational or market levels, highlighting the importance of exploring auditor specific

factors without necessarily overlooking them entirely (Francis, 2010; Nelson et al., 2009). By specifically focusing on audit partners, who hold direct responsibility for final audit decisions, this study provides additional insights into how the upper echelons theory, traditionally used in management research by Hambrick and Mason (1984), might be applied within an auditing context. This theoretical extension contributes to a deeper understanding of how auditors' personal characteristics potentially influence their professional judgments and decisions.

Moreover, this study attempts to refine and contextualize existing empirical knowledge by revisiting and reassessing previously examined auditor characteristics, such as gender, education, and signature experience, within a unique dataset drawn from China. While previous studies produced mixed findings (Carey & Simnett, 2006; Cameran et al., 2016; Burke et al., 2018), the explicit disclosure requirements in China allow this research to modestly clarify some of these ambiguities. In addition, by introducing relatively less studied attributes like professional background, this research provides additional insights, albeit preliminary, into a broader range of influences on audit quality.

Methodologically, the study adopts a mixed methods approach, combining quantitative analyses with qualitative interviews. The quantitative component uses well established econometric techniques and several proxies for audit quality to ensure robust and credible results. Complementing this, qualitative interviews with audit partners and stakeholders provide nuanced understandings that quantitative analysis alone might overlook. This methodological integration, although not entirely new, offers a balanced and

comprehensive approach that may serve as a reference for future studies investigating auditor behaviors and characteristics.

From a practical viewpoint, the insights generated from this research have potential implications for audit firms, particularly regarding the selection, training, and development of audit partners. By identifying attributes that might influence audit quality positively or negatively, audit firms can modestly refine their internal processes and policies. These insights could inform decisions related to partner assignments, enhance targeted professional training, and improve internal quality control practices.

Additionally, this study aims to modestly inform regulatory bodies and policymakers. Given global concerns over audit quality following numerous financial scandals, regulators are actively looking for effective approaches to enhance audit standards. The study's empirical findings could potentially guide regulatory decisions concerning auditor rotation policies, disclosure practices, or auditor certification processes, emphasizing attributes found to be relevant in the context of audit quality.

Furthermore, this study contributes contextually by examining auditor characteristics within China's specific institutional and regulatory landscape. Most existing auditing research has focused on Western contexts, thus limiting generalizability across different regulatory settings. Insights drawn from China's experience, especially considering regulatory developments such as the 2010 audit firm conversion policy, could moderately enrich global understanding of audit practices and contribute to more inclusive and contextually aware academic discussions.

By employing established econometric methods alongside qualitative analysis, the study modestly addresses common methodological limitations noted in auditing research. While not entirely resolving these methodological challenges, the research provides an incremental step towards improved rigor, which future studies may build upon.

In summary, this study aims to make modest, yet thoughtful contributions to the existing literature on auditing. By extending theoretical discussions, employing a balanced methodological approach, and considering practical and regulatory perspectives within a specific national context, this research seeks to contribute incrementally to the understanding of audit partner characteristics and their relationship to audit quality.

Study limitations

Despite the modest contributions provided by this study, it is essential to acknowledge several inherent limitations that may influence the interpretation and applicability of the findings.

The generalizability of the study's results is limited by its geographic and institutional specificity. The research context is restricted to China, a unique regulatory environment with explicit requirements for audit partner disclosure, which may significantly differ from regulatory frameworks in other countries. Although this setting provides an advantageous perspective on auditor characteristics and behaviors, the results might not readily generalize to different auditing environments, such as those in Western nations with varied

cultural, institutional, or regulatory settings. Consequently, caution must be exercised when attempting to extend these findings beyond China, and further comparative research is necessary to establish broader applicability.

The reliance on publicly available data introduces potential constraints concerning data completeness and accuracy. Although China mandates disclosure of audit partners' identities and some personal characteristics, the depth and detail of such disclosures are inevitably limited. Critical dimensions such as auditors' cognitive biases, ethical standards, and interpersonal skills, which may substantially affect audit quality, are inherently challenging to quantify or systematically document. As such, the current study might not fully capture all relevant individual attributes that potentially influence audit outcomes, suggesting that findings should be interpreted with caution rather than exhaustive.

Furthermore, the study's quantitative analyses use proxies for audit quality, including discretionary accruals, audit fees, and modified audit opinions. Although widely accepted and validated in previous research, these proxies have recognized limitations. For instance, discretionary accrual models might misclassify genuine business decisions as earnings management or fail to capture sophisticated manipulation techniques. Audit fees could reflect market conditions or client complexity rather than auditor effort alone, and modified audit opinions might be influenced by regulatory pressures or client relationships rather than solely auditor independence. Thus, while employing multiple proxies enhances robustness, it does not eliminate potential measurement inaccuracies, necessitating cautious interpretation of results.

Additionally, the methodological design, while incorporating qualitative interviews to complement quantitative findings, has inherent limitations associated with subjective biases and interpretive variability. Interviews, although valuable in providing rich contextual insights, depend heavily on participants' recollections, perceptions, and willingness to disclose sensitive or critical information. These qualitative insights, while enlightening, are subject to potential bias from both interviewer and interviewee, thereby limiting their ability to serve as definitive validation for quantitative findings.

Another critical limitation pertains to the cross sectional nature of some data used in this research, which may restrict the study's ability to capture dynamic changes in auditor characteristics and audit quality over time. Although this study includes longitudinal elements over a decade, it cannot fully account for rapid shifts in the regulatory environment, economic conditions, or auditing standards that might significantly influence auditor behaviors and outcomes during shorter intervals. Future research incorporating panel data with more granular temporal resolution or longitudinal qualitative studies could provide additional insights into the dynamic interplay of individual auditor characteristics and audit quality.

Given the exploratory nature of this research concerning specific auditor characteristics like professional background and signature experience, results must be interpreted with caution. These attributes, less extensively studied in prior research, lack extensive theoretical and empirical grounding, suggesting findings should be interpreted carefully. Additional theoretical development and empirical validation in varied contexts

would be beneficial to more robustly establish the nature and magnitude of these characteristics' influence on audit quality.

In conclusion, while this study contributes modestly to existing literature by extending theoretical insights, methodological integration, and practical implications, it is vital to recognize these limitations. Future research addressing these constraints, employing broader geographic contexts, deeper qualitative methodologies, refined measurement approaches, and dynamic longitudinal analyses, will enhance our understanding of audit partner characteristics and their implications for audit quality.

FIRST PART — THEORETICAL FRAMEWORK

Chapter 1 — Definition of Concepts

1.1 The concept of audit quality

1.1.1 Definition of Audit Quality

Potential conflicts of interest between owners and management, as well as other stakeholders, have created a need for an audit oversight role (Watts and Zimmerman, 1981). At least in some cases, the provision of audited financial statements is the least costly way of reducing conflicts of interest between principals and agents, insiders and outsiders (DeAngelo, 1981). Audit quality is a core topic of inquiry and concern in the field of auditing, and has important theoretical significance as it relates to the decision making and protection of interests of stakeholders such as external shareholders, as well as an important proxy change in observing the effectiveness of their external governance and economic consequences (Zhang, Hongliang, Wenti, 2016).

DeAngelo (1981) gives the classic definition of audit quality: audit quality is assessed by the market and depends on the auditor's ability to detect and report material misstatements or omissions. In this definition, the auditor's professional competence and independence are two key attributes. Specifically, the probability of an auditor detecting a misstatement depends on the auditor's professional and technical competence, the audit procedures used, and the extent of sampling. Independence, on the other hand, determines whether the auditor is able to report any misstatements or omissions that he or she identifies. Independence means that the ex ante value of an audit depends on the auditor's motivation to selectively disclose ex post (Watts and Zimmerman, 1981).

DeAngelo's (1981) definition of audit quality is widely recognized and has stimulated much research. It is worth noting that the above definition of audit quality is from the perspective of the supplier, i.e. the inputs and outputs of the auditor, and ignores other factors such as the demand side, i.e. the client company. In this regard, DeFond and Zhang (2014) viewed audit service as a commodity (Silliman, 1980), the quality of which depends on the needs of the client company and the supply of the auditor, i.e. the incentives and capabilities of both the company and the auditor. The client company's demand for quality audit services depends on its motivation and ability, which are affected by factors such as agency costs, regulation, corporate governance characteristics, etc. On the other hand, as the supplier of audit services, the provision of high quality audit services by auditors is subject to the maintenance of a high level of independence and corresponding professional competence. Reputational motivation and regulatory rigor affect the maintenance of auditor independence, while professional competence is affected by factors such as the auditor's own expertise and the degree of commitment to the audit process. In summary, differences in motivation and competence between client firms and auditors lead to differences in audit quality. Since regulatory intervention has a key impact on the motivation and ability of both client firms and auditors, DeFond and Zhang (2014) incorporate regulation into the factors affecting audit quality to form a complete and systematic framework that audit quality is the result of a combination of client needs, auditor supply, and regulatory intervention. Further, De Fontaine and Zhang (2014) point out that a high quality audit ensures that the accounting information is a true reflection of the economic activity of the client company, and therefore the level of audit

quality is closely related to the quality of the accounting information, but it also needs to take into account the constraints of the client company's financial reporting system and the inherent characteristics of the client company.

Li Jinhua (1992) understands audit quality from the perspective of an overarching concept. The various aspects of the audit process can reflect audit quality in a comprehensive manner. The audit report is the final expression of audit quality, i.e. whether the audit result of the client company meets the standards of fairness, completeness and correctness. Further, Zhang Longping (1994) defines audit quality in terms of the quality of audit work, i.e. the quality of the auditor and the quality of the audit process are the key to ensure audit quality. Furthermore, Feng Junke (2003) argues that the judgment of audit quality needs to be based on specific criteria, including factors such as audit work and audit report. Xiaoyuan Chen (2009) defines audit quality as the auditor's ability to gather sufficient evidence to form an opinion that financial information is fair. It consists of three aspects: (1) audit quality is both the quality of the audit result and the quality of the audit process; (2) the authenticity of the audit result reflected in the audit report; and (3) the auditor's prudence is an important influence on audit quality. As a systematic process, audit also provides the final product, i.e. the audit report. Therefore, taking into account the previous literature on the definition of audit quality, audit quality should focus on both audit work quality and audit result quality. Audit quality refers to whether the auditor's work is performed in accordance with established standards in the course of performing the audit. Specifically, the audit process can be divided into accepting an audit client, formulating an audit plan, executing audit procedures, and

reporting audit results. To ensure the quality of audit work, it is necessary for each process to be conducted in accordance with appropriate standards and specifications. The quality of the audit report, as the result of the audit, is related to the quality of the audit result. Truthfulness and reliability are important indicators of audit reports. A high quality audit report can effectively guarantee the quality of accounting information of the client company and help the information users to make effective decisions. Generally speaking, the quality of audit work has a direct impact on the quality of audit results. However, it is worth noting that due to the special nature of audit as a product, the quality of audit results is not only determined by the quality of audit work.

According to U.S. Government Accountability Office (GAO) 's definition, we can interpret audit quality as a certified public accountant's ability to develop a client related audit plan in accordance with auditing standards, to perform rigorous audit procedures to obtain sufficient and appropriate audit evidence, and to reasonably evaluate and make judgments about the accuracy and fairness of the auditee's financial reporting information. In addition, a certified public accountant's ability to perform an audit of a financial statement is not limited to the audit of the financial statements of the auditee, but rather to the audit of the financial statements of the auditee.

De Angelo (1981) considers audit quality as a level of assurance that there are no material omissions or errors in the financial statements. Sirmenic & Stein (1987) define audit quality as a level of assurance that there is reasonable assurance that there are no material misstatements or omissions in the financial statements. Both scholars agree that a high audit quality statement is now truthful and reliable, independent and objective, and

contains as few subjective misstatements and omissions as possible. Lu Tao (2002) reviewed the history of audit quality and defined audit quality as the quality of audit conclusions and the quality of audit actions. In the course of practice, a certified public accountant has not only legal responsibilities but also audit responsibilities to provide reasonable assurance that financial reports are free from material misstatement due to corrupt practices or errors. Based on the agency theory, Wang Jun (2003) studied the audit quality of listed companies and concluded that it is the audit demand, service quality and legal liability that ultimately determine the audit quality, i.e. audit quality can be expressed as the joint product of audit demand and legal liability Wen Guoshan (2008), in his study on audit quality of an evil doer, categorized audit quality into pro forma audit quality and real audit quality and pointed out that Formal audit quality and true audit quality complement each other in that formal high quality does not necessarily mean true high quality, and the absence of formal high quality does not necessarily mean the absence of true high quality, and in any case requires the auditor to maintain independence from professional competence.

Lee et.al (1999) considers audit quality as the probability that the certified public accountant has not expressed an unqualified opinion on material misstatements of the audited entity. Wallace (1980) considers audit quality as the ability of a certified public accountant to improve the accuracy of accounting information by reducing noise and bias. Khurana et.al (2004) considers audit quality as the ability of the public and investors to expect the certified public accountant to identify possible material misstatements or omissions in the financial accounting information disclosed by the audited entity and to

reasonably correct or disclose these problems to the public. Titman and Trueman (1986) suggest that the quality of a firm's audit can be represented by the accuracy of the audited financial information. The definition of audit quality in this paper also adopts the view of De Angelo (1981).

1.1.2 Measurements of Audit Quality

To the “consumers” of the audit, the audit process is like a “black box” and the quality of the audit is usually difficult to observe and measure directly. On the one hand, “consumers” are not informed of the actual process of auditing and the level of effort invested by the auditor; on the other hand, “consumers” are not informed of the impact of the contractual relationship between the auditor and the client firm on the auditor's independence. Therefore, measuring audit quality is a challenging and controversial issue in empirical studies. Measurement of audit quality generally requires the use of observable proxies (DeAngelo, 1981). In the current literature, measures of audit quality are categorized into output based proxies and input based alternatives. Output based proxies measure audit quality in terms of audit outcomes, such as the quality of audited financial reports of client companies, while input based proxies measure audit quality based on observable input indicators, such as audit time, auditor size, etc. The output based proxies measure audit quality in terms of audit outcomes, such as the quality of audited financial reports, and the quality of audited financial reports. Due to the importance of audit quality in optimizing resource allocation and protecting the public interest, the academic community has paid great attention to audit quality. Among the academic researchers

related to auditing, almost all of the research topics are directly or indirectly related to audit quality, and the research on measuring audit quality not only has important value by itself, but also often constitutes a prerequisite for the research of other related topics. However, since in most countries and regions accounting firms do not have the same public disclosure obligations as listed companies, the information available to academics on audit quality measurement and evaluation is not as extensive as it is in other countries and regions. Academics have limited information to draw on for audit quality measurement and valuation, and often only use publicly available information such as annual reports of listed companies to construct “proxy indicators” of audit quality.

Measuring audit quality from an output perspective is a common approach used in the current literature. In this paper, we categorize such indicators into the following categories: material misstatement, audit opinion, financial reporting characteristics, and market reaction. However, it should be noted that this series of variables is subject to the characteristics of the company's financial reporting system and inherent characteristics, such as the fact that a company with a more complete financial reporting system usually has a better quality of financial reporting, and therefore, the probability of financial report restatement is lower. Therefore, the impact of audit quality needs to be judged from the inherent characteristics of the company and the financial reporting system.

1.1.2.1 Material Misstatement

Financial restatement is the most commonly used indicator of material misstatement in the current literature. Financial restatement refers to the process by which a listed

company corrects and adjusts prior period material accounting errors (Skinner, 1997; He, Weifeng and Liu, 2010; Dai, 2011). A financial restatement of a listed company implies that the financial reports of the period in which the misstatement occurred contained errors that were material enough to affect investors' decisions, suggesting that the auditor did not detect the error before the financial statements were made public (Eliefsen and Meissner, 2000). Financial restatements provide direct evidence that the auditor failed to detect or report an accounting irregularity, and are a useful measure of audit quality (Francis, 2004; Ki nney et al. 2004; DeFond and Francis, 2005; Dao et al. 2011; Francis et al. 2013). The restatement announcement system in China was established in 2003. On December 1, 2003, the Securities and Futures Commission (SFC) issued the “Rules on Information Disclosure and Reporting of Publicly Issued Securities Companies No. 19 Correction of Financial Information and Related Disclosures”. It states that a company should disclose the corrected and audited financial report, the related notes on the corrected matter and the corrected unaudited interim financial report and the related notes on the corrected matter in a timely manner by way of an interim announcement on material matters (Dai, et al., 2011).

Another indicator of material misstatement is financial fraud. In the US, accounting irregularities are usually measured using companies that have been identified as having committed financial fraud in the AAERs (Accounting and Auditing Enforcement Rel eases) issued by the US Securities and Exchange Commission (Lennox and Pittman, 2010). In China, it is mainly based on companies penalized by the CSRC for financial fraud, but the current definition is inconsistent. Liu, Wenjun et al. (2010) set the scope of financial fraud

as material omissions in financial reports, false information, and inflated assets and profits. Liu, Minghui and Han, Xiaofang (2011) defined financial malpractice as improper accounting treatment, inflated profits (or assets) and inaccurate disclosure of information.

The indicators of financial restatements and financial malpractice are measures of audit quality in terms of the outputs of the audit process. They can be said to be direct measures of audit quality because the occurrence of financial restatements and financial malpractice in a company is a clear indication of unfairness and untruthfulness of the accounting information, which implies that the auditor did not do his/her job in revealing the irregularities in the financial reporting. This indicator is a dummy variable and the measurement methodology is relatively standardized, so the measurement error is relatively small. However, these two proxy variables have some limitations. The absence of financial restatements and financial fraud does not necessarily mean that the audit quality is high and there may be hidden surplus manipulation. Moreover, not all financial restatements and frauds can be detected in a timely and effective manner. Relatively speaking, financial restatements and frauds are relatively rare, which may limit the statistical power of interpretation, especially when the sample is small. The auditor's responsibility is to provide reasonable assurance on the financial reporting of a company, and even a high quality auditor may not always be able to detect elaborate and hidden frauds, so the use of financial restatements and frauds requires controlling for inherent risks of the company that are beyond the control of the auditor (DeFond and Zhang, 2014).

1.1.2.2 Audit opinion

Audit opinion, as an output of the audit process, is a reference of audit quality perceivable by investors, who use the audit opinion to judge the quality of the company's accounting information for decision making. Theoretically, an audited entity receives a clean audit opinion when: (1) the financial reports are fair and legal; and (2) adjustments are made in response to the auditor's opinion. A non clean audit opinion increases the risks and costs of the organization (Firth, 1978; Zhu, Kai and Chen, 2009), therefore, the management of the client company has an incentive to request a clean audit opinion from the auditor. When the client company refuses to accept the auditor's adjustments, the auditor should issue a non standard audit opinion. However, if the auditor compromises with the client company, loses independence, cooperates with the company's information manipulation and issues a clean audit opinion, the quality of the audit will be greatly reduced. Therefore, a non standard audit opinion represents a high quality audit (Carey and Sminet, 2006; Yuan, Hongqi and Li, 2003; Wang, Xia and Xu, 2009; Lu, Zhengfei et al, 2012).

Audit opinions can be measured directly. When an auditor issues an unfair audit opinion, it indicates low audit quality. Moreover, the issuance of a non standard audit opinion demonstrates the maintenance of the auditor's independence in the audit process. However, there is some controversy over the use of audit opinion as a proxy variable. The unusual nature of non standard audit opinions often fails to capture more subtle compromises in audit quality, and the fact that non standard audit opinions are usually a

minority of cases reduces their statistical persuasiveness. Furthermore, auditors tend to be more conservative in order to reduce the cost of litigation and thus are more inclined to issue non clean audit opinions (Kaplan and Williams, 2012). In such cases, a non standard audit opinion does not necessarily imply a higher quality of audit (DeFond and Subramanyam, 1998).

To measure audit quality is to use the probability of a CPA firm or auditor issuing a Modified Audit Opinion (MAO) or Going Concern (GC) as a proxy for audit quality. The variable of audit quality is Among them, MAO is more often used in China, while GC is more often used in the United States. This approach recognizes that, all else being equal, the higher the probability that an auditor issues an MAO or GC, the more he or she is able to resist the pressure of the client's management and the more independent he or she is. The advantage of this approach is that it captures the most important aspect of the auditor's decision making and measures audit quality directly from the perspective of audit results. This measure, unlike Type II measures such as DACC, is susceptible to being trapped by endogeneity issues because it depends primarily on the decision making of the auditor, with the influence of client company management being much weaker. The choice of reputable firms by good companies can cause reputable firms to exhibit high quality in their DACC even if they audit sloppily, thus making audit quality measured using DACC an illusion; whereas, the choice of reputable firms by good companies can lead to a lower percentage of firms issuing MAO or GC opinions, leading us to conclude that reputable firms have lower audit quality conclusion; that is, we can in turn infer that if the probability

of a firm issuing a MAO or GC opinion is higher, it is unlikely to be due to the endogeneity of auditor selection.

The use of MAO or GC as a proxy for audit quality also has its limitations. For one, MAO or GC is also a binary variable, its share of all opinion types is very low, and the vast majority of firms receive standard or clean opinions, and the objective differences in audit quality among these firms cannot be reflected by MAO or GC. Second, auditors only issue MAO or GC opinions in extreme cases, and those companies that receive MAO or GC opinions are often problematic companies whose problems are already so severe that they can be identified without performing a rigorous audit, and those companies that receive an MAO or GC opinion this year may still receive the same type of opinion the following year. In China, the companies that get MAO opinions every year are often those “difficult” companies, especially ST companies. In this case, using MAO or GC to measure audit quality will not bring much useful information to investors. In order to overcome this problem, many foreign scholars use the probability of issuing a GC opinion for the first time on a company as a proxy indicator of audit quality. Third, the underlying assumption of using MAO or GC as a proxy indicator of audit quality is that the errors of audit opinions are Type II errors, i.e., existence false errors, rather than Type I errors, i.e., abandonment truth errors. In fact, both types of errors exist. Using U.S. data, some scholars have found that it is entirely possible for auditors to issue erroneous opinions because they are overly conservative, and that a significant portion of those firms that are considered to have significant uncertainty about going concern, and a significant portion of those firms for which the study of the impact of signatory accountant team

characteristics on audit quality did not go into bankruptcy 12 months after the balance sheet date. Those companies that received an MAO or GC opinion may have been expected to receive a standard or clean opinion, and therefore are not necessarily indicative of higher audit quality.

1.1.2.3 Financial reporting features

Financial reporting can be viewed as a joint product of the external auditor and the company's management (Dye, 1991), and therefore, audit quality is closely related to the quality of financial reporting. High quality audits are effective in enhancing the truthfulness and reliability of accounting information (Teoh and Wong, 1993). Therefore, research in the field of auditing has begun to use financial report quality characteristics to measure audit quality. One important indicator is surplus management, which can be effectively suppressed by efficient auditing (Becker et al. 1998; Reynolds and Francis 2000; Kriřnan 2000; Myers et al. 2003; Cai Chun et al. 2005; Liu Feng and Zhou Fuyuan 2007; Chen Xiaolin and Lin Xin 2001). Manipulative accruals is one of the most commonly used methods in the empirical study of surplus management, and its core idea is that a company's earnings consist of two parts, namely, operating cash flow and accruals. Operating cash flow is the change in cash and is not affected by accounting choices. In contrast, accruals are generated by the accrual basis of accounting, and management is likely to use accruals to manipulate financial reporting for their own benefit. Therefore, manipulative accruals is a measure of the degree of surplus management by separating the manipulative component from the total accrued profit. Researchers have proposed

different models for calculating manipulative accruals. These models can be categorized as follows: (1) The traditional Jones model. This model considers that non manipulative accruals are mainly affected by changes in fixed assets and sales revenues, and therefore regression is used to calculate non manipulative accruals, and the difference between the total accruals and the non manipulative accruals is the manipulative accruals. Specifically, the basic Jones model, modified Jones model (Jones, 1991; Dechow et al., 1995). (2) Extended Jones model. The core argument of this model is that the traditional model ignores variables that are not related to EPM but affect accrued profits, thus introducing measurement bias. Therefore, other variables need to be introduced, resulting in models such as the earnings matching based Jones model (Kothari et al., 2005) and the cash flow based Jones model (Dechow and Di chev, 2002). (3) Non linear Jones models. There is a non linear relationship between accruals and performance due to the asymmetry in the recognition of gains and losses in accounting robustness. The Jones model takes a linear form, which leads to measurement bias. Therefore, there is a need to introduce non linear relationships into the Jones model, resulting in non linear Jones models, non linear modified Jones models, and so on (Bal and Shi vakumar, 2006). (4) Non Jones models. Some scholars go beyond the Jones model and propose some other econometric methods, mainly including the Healy model, DeAngelo model and KS model (Huang Mei and Xia Xinping, 2009). In addition to the use of EPM, there are studies that focus on indicators such as small margins (Gul et al., 2003), non recurring gains and losses (Chen and Yuan, 2004), surplus quality (Dechow and Di chev, 2002), and accounting soundness (Basu, 1997).

Compared with financial restatements, financial frauds, and audit opinions, indicators of financial reporting characteristics such as earnings management are not a direct portrayal of audit quality, and are relatively “benign” because many of the earnings management actions are within the bounds of what is permitted by GAAP. These indicators are continuous and provide a good picture of changes in audit quality and can be used effectively even in small samples (DeFond and Zhang, 2014). However, the measurement of financial reporting characteristics variables is highly biased. For example, Gul et al. (2009), Reichelt and Wang (2000) suggest that differences in the estimation model and sample bring about mean changes in the absolute value of surplus management ranging from 4% to 10% of total assets. Moreover, there is no consensus on the method of calculating variables such as surplus management, for example, manipulative accrued profits, which can be calculated using absolute value, original value, Jones model, modified Jones model, etc. (Lennox et al., 2014).

1.1.2.4 Market Response

Market reaction variables include the surplus reaction factor (SRF), stock market reaction to audit related events and the cost of capital. The surplus response coefficient is mainly used to assess whether perceived threats affect audit quality and whether large accounting firms can provide high quality audits (Teoh and Wong, 1993; Francis and Ke, 2006); the stock market reaction is mainly used to assess the impact of events such as changes in auditors and non standard audit opinions (Griffin and Lent, 2001); and debt and equity costs are used to address issues such as whether large auditors provide high

quality audits or not (Griffin and Lent, 2001). Debt and equity costs are used to address issues such as whether large scale auditors provide high quality audits and whether perceived threats affect audit quality (Pittman and Fortin, 2004).

Market reaction variables provide a more comprehensive picture of audit quality. For example, material misstatements focus on significant surplus misstatements, whereas market response variables reflect other dimensions of audit quality, such as the quality of disclosure, which is an important aspect of the quality of financial reporting. Market response variables are continuous variables that capture both significant audit failures and subtle differences in audit quality. Compared with other proxy variables, market reaction variables are not a direct measure of audit quality. However, there is no agreement on how to measure a range of market reaction variables, resulting in relatively large measurement error. Moreover, the impact of auditors on the market value of firms is relatively weak compared to the impact of macro characteristics and firm characteristics on the market value of firms (Zimmerman, 2013), and therefore potential omitted variables need to be controlled for in the use of market reaction variables.

1.1.2.5 Auditor characteristics

DeAngelo (1981) points out that larger auditors tend to have stronger incentives and greater ability to deliver high quality audits. The larger the firm, the stronger the incentive to maintain reputation. Since large auditors face greater loss of opportunities for future quasi rents in the event of audit failures, large auditors are more inclined to provide high quality audits to protect their brand image and economic interests than small auditors

(DeAngelo, 1981). Moreover, the larger the scale, the higher the investment in auditor training, audit time, etc., and the higher the quality of the audit (Parmesan, 1986). The “deep pocket” theory provides another perspective to understand the relationship between size and audit quality. Large firms are more likely to be sued and more likely to pay out in the face of audit failures, and large firms are also more likely to be sued when users are motivated by the “deep pocket” (Palmersen, 1988). Therefore, in order to reduce the risk of litigation, large firms will focus more on risk control and will be more inclined to provide high quality audits.

Auditors with industry specialization have specific know how and expertise, and are therefore better able to assess audit risk in client companies, better able to identify areas of concern in audit planning (Low, 2004), make more accurate audit judgments (Solomons et al., 1999), and more effectively expose financial reporting fraud (Craswell et al., 1999). (Craswel et al., 1999). Moreover, industry expertise can be seen as a signal of the professionalism of the auditor and the quality of audit services (Jamal and Sunder, 2011), which leads to higher market share and higher audit fees (Habib, 2011). Auditors with industry specialization are more motivated to maintain their independence to protect their reputation in order to make better use of the signal (Zemi, 2012; Itonen et al., 2015). Therefore, industry specialized auditors have a relatively high level of professional competence and high incentives to maintain independence, which leads to higher audit quality (Chin and Chi, 2009; Reichelt and Wang, 2010).

Auditor size and industry expertise are measures of audit quality from the perspective of audit inputs. Throughout the previous literature, part of the literature examines the

factors that drive client firms to choose high quality auditors by using auditor size and industry expertise as dependent variables (Wang et al., 2008); and part of the literature explores the influence of auditor characteristics on the supply of high quality audits by using auditor size and industry expertise as independent variables (Lennox and Pittman, 2010).

One measure of audit quality is auditor reputation, which is designed as a binary variable, with those accounting firms that have a recognizable brand name and good reputation considered to be of high quality, and others considered to be of low quality.¹ In the United States, audit quality is often replaced by BIGN, the largest and most reputable firm in the market. In U.S. audit empirical studies, audit quality is often replaced by BigN, which means that the largest and most reputable N firms in the market are used as a proxy for high audit quality. Currently, It is the default recognition of audits performed by the four largest international networks of accounting firms (the “Big Four”) as high quality audits. This indicator of audit quality is justified and has advantages that have enabled it to achieve the scale and reputation it has today. First, BIGN is the result of a long term market choice due to a long history of providing high quality professional services that have been recognized by the market. Second, a large number of empirical studies show that BigN's audit quality is indeed significantly higher than that of other firms, although this is a statistical result and does not imply that BigN provides a higher quality of service than other firms in every instance. Thirdly, the good name of Bignon gives it a competitive advantage in that it can get more clients, charge higher fees, and thus be motivated to maintain such a good reputation for providing quality audit services, in the same way that

a person would treasure the good name that he or she has. Fourthly, the “deep pockets” of BigN, i.e., more wealth and higher solvency, make them more likely to be targeted for litigation and more motivated to maintain a high quality of audit in order to avoid litigation.

Of course, the use of BiGN to measure the quality of audits has its limitations. For one thing, this method of measuring audit quality reflects a kind of empirical thinking, that is, what everyone says is good must be good. On average, the quality of the Big Four's audits was higher, but not in every case. Second, using BigN to measure the quality of audits is not as simple as it could be. Using this method to measure audit quality, there are only two statuses of audit quality, high and low, and it does not tell us how high the audit quality is when it is high and how low it is when it is low. In fact, there are also differences in audit quality among the four major firms. For example, one of the four firms may have expertise in auditing a specific industry, and its audit of companies in that industry may be of a higher quality than that of another firm which does not have expertise in that industry. Even within the same firm, there may be significant differences in the quality of audits undertaken by different business segments or different partners.

1.1.2.6 Quality of Accounting Earnings

To use the quality of the audited accounting information, especially the quality of accounting earnings information, to indirectly measure audit quality. There are a number of alternative indicators of audit quality based on this approach, which are summarized as follows. The second main idea of measuring audit quality is to use the quality of audited accounting information, especially surplus information, as an indirect measure of audit

quality. Based on this idea, there are more alternative indicators of audit quality, which are summarized as follows. First, reflecting the degree of client company earnings management indicators, with discretionary accruals, referred to as DACC or “abnormal accruals. The idea is that the audit has the function of restraining the client's management surplus management behavior, especially excessive surplus management behavior, if the absolute value of DACC is larger, it means that the auditor allows the management to abuse the freedom of judgment of the more space, the worse the quality of surplus will be, and the lower the quality of the audit. Secondly, the accounting robustness of the client company. Accounting soundness is a prudent, conservative accounting recognition idea, that is, for economic operations with uncertainty “report the bad news not the good news”, for the possible expenses, losses or liabilities, recognized and recorded in advance, for the possible income, profits or assets, will not be recognized unless it has been fully realized. Although accounting robustness is an asymmetric approach to accounting recognition that is not consistent with the principle of neutrality, the accounting information generated on the basis of it is generally considered to be useful in reducing and preventing investment risk. In empirical studies, it is generally believed that the more robust the audited accounting information, the higher the audit quality. Thirdly, financial statement restatement, i.e. the issuance of prior years' financial statements after they have been restated following the discovery of material misstatements in those statements. A financial statement restatement is generally considered to be a reliable signal for evaluating the quality of an audit, and if an audited financial statement receives a standard audit opinion and is later shown to be materially misstated, this is usually an

unmistakable indication that the audit opinion was wrong and that the audit is of low quality. Other indicators commonly used to measure the quality of accounting information, such as surplus persistency, earnings smoothing, surplus opacity, etc., are sometimes used as proxies for audit quality.

The above ideas for measuring audit quality have certain advantages. One, it is relatively easy to obtain data, for example, DACC can be obtained from the annual financial statements of listed companies as raw data, financial restatement can be taken from annual reports, half yearly reports and external announcements, and accounting soundness can be calculated by using share price and financial statement data, etc. Second, the tenders of DACC, accounting soundness, surplus continuity, earnings smoothing, surplus opacity, etc., are all continuous variables that can be used to measure small differences in audit quality. Third, due to the low cost of data acquisition, which can usually be adopted in large sample empirical studies, and also the ability to directly draw on the results of studies related to the quality of accounting information, this idea of measuring audit quality has been widely used, which in turn has contributed to the development and improvement of related measurement methods and models.

However, there are limitations in using audited accounting information quality as a proxy for audit quality. For one thing, there is some doubt as to whether some of the proxies can appropriately measure audit quality. For example, although DACC has evolved a variety of more sophisticated measures based on the most basic Jones model, the theoretical foundation of this set of methods is not complete and is only a rough approximation; there is also some controversy about whether DACC should be used in

absolute terms or not. Another example is whether accounting robustness is a desirable accounting information quality characteristic and whether it is suitable as a proxy for audit quality, and there are also quite a number of different opinions. Second, the quality of audited accounting information is a product of both the financial reporting process and the auditing process of the client company, making it difficult to distinguish to what extent the quality of audited accounting information is a function of the management of the client company and to what extent it is a function of the auditor. Proxies such as DACC, when used as a proxy for audit quality, are considered to have a more serious endogeneity problem, i.e. the quality of audited accounting information may be high because the firms themselves are good firms rather than because of high audit quality. Third, since accounting information prior to the audit is not published, using only post audit accounting information as a proxy indicator may overestimate or underestimate audit quality. For example, if the client company's pre audit accounting was particularly problematic and the quality of the post audit accounting information was relatively low, but the improvement in the quality of the information before and after the audit was significant, using the post audit accounting information as a proxy indicator would underestimate the quality of the audit in this case.

1.1.2.7 Ex post verification results of audits

To use the results of ex post verification of audit projects as a proxy indicator of audit quality. This, in turn, includes the following: one, using the results of investigations and penalties by regulatory agencies to measure audit quality, such as the Accounting and

Auditing Enforcement Notices (AAER) published by the U.S. Securities and Exchange Commission (SEC) and the Administrative Penalty Notices published by the China Securities Regulatory Commission (CSRC), etc., and those auditing projects that are investigated and penalized because of auditing failures can naturally be considered as auditing projects with low audit quality; two, using the results of quality inspections by regulatory agencies or Second, using the quality inspection results of regulatory bodies or industry associations to measure audit quality, such as the quality inspection results published by the Public Company Accounting Oversight Board (PCAOB) and the results of peer to peer inspections published by the American Institute of Certified Public Accountants (AICPA), etc. Those accounting firms whose quality control systems are found to have more deficiencies are generally regarded as accounting firms with relatively low quality; third, using the accounting firms that have been sued due to audit failures as a means of measuring audit quality. Firms that are more likely to be sued are considered to be of relatively low quality; and third, audit quality is measured by the probability that a firm will be sued due to audit failures.

The fourth approach to measuring audit quality has the advantage of being more reliable, as both regulatory and litigation results usually require sufficient evidence to support them, and are generally less likely to lead to a miscarriage of justice when used to measure audit quality. Information such as the results of audit quality inspections can be used not only for ex post evaluation of audit quality, but also for predicting audit quality in the short term because it reveals the effectiveness of the firm's quality control system. If the deficiencies in the quality control system are not rectified in a timely manner, then

from the perspective of the audit process, it is likely that the accounting firm in question will have more and more serious problems in the audit projects it executes in the future. However, there are limitations to the above measurement ideas. Since it is not possible for the regulator to cover all audit projects of all accounting firms in a given year when conducting investigations or inspections, but can only take a sampling approach, those accounting firms that are not penalized are likely not sampled because of good luck and not because of high audit quality; and those firms that are sampled but are not found to have problems are likely to have problems because the inspectors have not sampled the problematic audit projects. projects. At the same time, the number of firms found to have problems that are penalized or publicized is usually very small, which limits the applicability of the fourth measure of audit quality.

1.1.2.8 Economic consequences of the audit

Another way of measuring audit quality is to use some of the economic consequences of the audit activity as a measure of audit quality. These economic consequences are mainly related to people's subjective perceptions of audit quality, and audit quality measured on this basis is often referred to as “perceived audit quality”. These audit quality indicators mainly include: first, the audit fee, audit quality is high, the investment in the audit project is also more, accounting firms have to charge higher fees to cover the cost, and client companies are willing to pay a “premium” for the audit fee for the accounting firms that are perceived to be of high quality, so many academic studies have utilized the audit fee as a proxy indicator of audit quality, and the audit fee as a proxy

indicator of audit quality. Audit fees as a proxy indicator of audit quality, in other conditions are the same, the higher the audit fees, the higher the audit quality is considered; Second, the surplus response coefficient (EarningsResponseRatio, referred to as ERC), the so called ERC, simply refers to the client's company's surplus information published, the degree of its stock price reaction, if its surplus exceeds expectations, then the stock price will rise, providing investors with the opportunity to buy the company's shares. If the surplus exceeds expectations, the stock price will rise, bringing positive cumulative abnormal returns for investors (Cumulative AbnormalReturns, or CAR), if the surplus does not meet expectations, the CAR is negative, however, the degree of change in the CAR relative to the surplus information (i.e., the ERC) by the investor's view of the quality of the information, the greater the ERC, indicating that the investor has more confidence in the quality of the audited surplus information, the greater the ERC, the greater the confidence in the quality of the audited surplus information, the greater the confidence in the quality of the audited surplus information. The greater the ERC, indicating that investors have more confidence in the quality of the audited surplus information, the higher the quality of the audit; Third, the cost of capital (cost of capital), the cost of capital is the cost of financiers to obtain capital and pay the price to the investor or lender, which generally includes the risk free interest rate, the business risk premium and the information risk premium, in the case of other factors are the same, the investor for the higher the level of assessment of the information risk, the higher the level of its requirements Other factors being equal, the higher the investor's assessment of information risk, the higher the return on investment, the higher the cost of capital,

conversely, the lower the cost of capital, indicating that the investor's assessment of information risk is lower (assuming the same level of business risk), and this lowering effect depends mainly on the quality of the audit, so the cost of capital is also used as a proxy for the quality of the audit, and the quality of the audit and the audit of the relationship is inverse change.

Audit service is a reimbursable service, and the difference in quality brings about the difference in cost. Generally speaking, the better the service provided and the higher the quality, the higher the fees charged. It can be said that audit fees are, to a certain extent, an indicator of audit quality. Therefore, many scholars use audit fees as a substitute for audit quality, i.e., the higher the audit fee, the more audit input or higher professional skills, and the higher the audit quality (Craswel et al. 1995; Lobo and Zhao 2001; Lina Wu 2002; Chia et al. 2002; Chen, Donghua, and Zhou, Chunquan 2003; Chen, Donghua, and Zhou, 2002). Audit fees, as a measure of audit quality, are continuous and can well capture subtle audit quality differences. However, whether audit fees are a good indicator of audit quality is still controversial. Audit fees are often affected by the characteristics of the audited entity, such as asset size, business complexity, risk, industry, etc. (Sienic, 1980; Hu, Dan, and Feng, Qiaoqian, 2013), which leads to non homogeneity in the sample of audit quality studies and affects the substitution effect. Moreover, the audit fees of companies with different sizes, business complexity, governance mechanisms, industries and other factors lead to differences in the audit fees themselves, but such differences are not caused by audit quality, so the audit fees may not be a direct reflection of the quality of the audit. Based on this issue, many studies have explored this issue, and there is now a

well established audit fee formula in the literature with an explanatory power of 70%, which alleviates the problem of omitted variables to a certain extent. According to Simunic (1980), audit pricing is a joint function of the resources paid by the auditor and the audit risk, i.e. the audit fee captures both the auditor's effort and the audit risk, and as a result, an increase in the audit fee cannot be attributed to an increase in the quality of the audit alone, and therefore scholars need to pay particular attention to interpreting the findings of the audit fee studies.

The above ideas for measuring audit quality have the advantage of being closely related to the economic consequences of audit quality, reflecting the subjective perception of audit quality by the demander of audit services, which is usually reliable when the demander is a professional investor or an institutional investor with professional analysts. For example, when banks make credit decisions, they generally need to have a large amount of information about borrowers and analyze it in a fine grained manner, and if the difference in the final borrowing rate is indeed caused by the audit quality, it is very convincing to use this difference to measure the audit quality. There are also obvious limitations to the audit quality measures described above. For audit fees, there is a non negligible uncertainty about the relationship between their level and audit quality. As audit fees rise, so does the financial dependence of the accountant on the client company; if there are no other constraints, a rise in audit fees will ultimately lead to an impairment of independence and a decline in audit quality. Besides, there are many factors affecting the level of audit fees, and as many as one or two hundred factors have been proved to have a significant impact, of which audit quality is only one, and it is obvious that there will be a

great deal of noise and bias in using audit fees to measure audit quality. For the surplus reaction coefficient, since it is based on the stock price and its changes, and there are too many factors affecting the stock price, if you can't identify and control the other factors affecting the stock price, especially those irrational investor sentiment factors, the use of the surplus reaction coefficient to measure the quality of the audit is very unreliable. The cost of capital also faces the problem of effectively separating audit quality from the effects of other factors, and the cost of capital itself is a questionable measure. The common limitation of the above indicators is that the reliability of audit quality as perceived by investors is dependent on the degree of rationality, knowledge, judgment, and information available to investors, and the degree of accuracy of investor perceptions of audit quality is limited.

In summary, a large number of alternative indicators have been developed by academics to measure audit quality. Most of these indicators relate to actual audit quality and some also relate to perceived audit quality. Each of these indicators has its own strengths and limitations, and if different classes of alternative indicators can be used in combination, their measurement accuracy will undoubtedly be higher than that of a single or a number of similar indicators. It is worth pointing out that the construction of audit quality measures is limited by the research on the impact of data availability signing accountants' team characteristics on audit quality, and with the increase of information disclosure requirements of accounting firms, more accurate and direct audit quality measures will surely appear in the future.

1.2 The concept of auditor's individual characteristics

1.2.1 Definition of auditor's individual characteristics

Individual characteristics, or demographic characteristics, are sociological concepts that refer to the basic situation and characteristics of the composition of the population within a specific geographical area, including the natural growth rate of the population, the composition of the gender ratio, the composition of the ratio of the different age groups, the level of education of the population, the distribution of the population's occupations and so on. For auditing, the scope of personal characteristics is not as broad as the sociological concept, usually, most scholars define the personal characteristics of the signing certified public accountants as gender, age, specialty, education, position, political profile, years of experience and other characteristics that can reflect individual differences by affecting the quality of the audit. In this paper, we have selected four aspects of characteristics, namely industry specialization, education level, signature experience, and professional background, for reasons including the fact that based on the statistical analysis of the relevant literature on similar issues in the previous research, the current

existence of these four aspects is more controversial, and the research conclusions are inconsistent or even completely opposite.

1.2.2 Measurements of auditor's individual characteristics

Different scholars have different ways of measuring the personal characteristics of the signing CPAs. Regarding the gender characteristics, there are mainly the following measures: first, the dummy variable is defined by determining whether both signing CPAs of the audit report are male or female; second, the dummy variable is defined by whether at least one of the two signing CPAs is male or female; and third, it is classified as a male combination, female combination or mixed portfolios. Regarding the age variable, the main measurement methods are: one is to measure the median of all signing CPAs, and define the dummy variable according to whether the age of both signing CPAs is higher than the median; the other is to take the age of the older of the two signing CPAs as the value of the variable. Regarding the specialty variable, most scholars define the dummy variable based on whether at least one of the two signing CPAs specializes in accounting, auditing, treasury, and other related professions. Regarding the education variable, there are mainly the following measurement methods: first, according to the level of education from secondary school to doctoral degree, which is a minority; second, according to whether at least one of the two signing CPAs has a bachelor's degree (or a master's degree) or above to define the dummy variable; and third, according to whether both of the two signing

CPAs have bachelor's degree or above to define the dummy variable. Regarding the position variable, the main measures are: first, defining the dummy variable based on whether both signing CPAs are partners or chief accountants of the firm; and second, further subdividing the positions by assigning values to project managers, partners, and other positions.

1.3 The concept of audit partner

1.3.1 Definition of audit partner

Partners are organizations and individuals who invest in partnership with their assets, participate in partnership operation, enjoy rights and obligations according to the agreement, and bear unlimited (or limited) liability for the debts of the enterprise. The partners of CPA firms studied in this paper mainly refer to the CPAs who contribute funds, operate in partnership, share profits and risks according to the partnership agreement of CPA firms, and assume responsibility for the debts of CPA firms in accordance with the provisions of laws and regulations, the partnership agreement of CPA firms, and the provisions of the internal system of CPA firms. Of course, the partners of accounting firms may also include registered asset appraisers, registered tax accountants, registered cost engineers, etc., but these partners are not the object of this paper. In the securities

qualification accounting firm, there are Salaried Partner and Equity Partner. Among them, the Salaried Partner is not the owner of the accounting firm, does not contribute to the accounting firm, does not bear the operating losses of the accounting firm as a partner, and is only a “title” given to the senior employees; Equity Partner is the real owner of the accounting firm, and Equity Partners contribute to the accounting firm, operate the business in partnership, share revenues and risks. Equity partners are the real owners of the accounting firms, who contribute capital, operate in partnership, share profits and risks. The focus of this paper is on the partners who have contributed or actually contributed to the CPA firm, mainly because under the special general partnership system, the intellectual output of the partners is crucial to the CPA firm compared to other practitioners, including general employees, CPAs, and senior managers, etc. At the same time, the partners are entitled to distribution of the profits of the partnership as well as corresponding legal liabilities for the debts of the partnership. The intellectual output of the partners is crucial to the CPA firm. Therefore, although salaried partner is also called a partner in practice, it is only a position that does not bear unlimited joint and several liability for the partnership debts of the CPA firm, so it is not included in the scope of this study.

Chapter 2 – Factors affecting audit quality

In this article, audit quality influencing factors are macroscopically categorized into three factors: audit environment, audit object (audited unit), and audit subject. Among them, the audit environment includes audit market structure, audit market demand, penalties for non compliance, audit supervision, legal environment, media supervision, etc.; the audit object (audited unit) mainly includes the business complexity of the audited unit, the risk of the audited unit, the corporate governance of the audited unit, the level of independence of the board of directors, whether to set up an audit committee, and the internal control of the audited unit, etc. The audit subject includes three levels: the accounting firm as a whole, the individual auditor and the auditor team, of which the accounting firm level mainly includes the size of the accounting firm, the firm's brand reputation, whether to provide non audit services, the term of the audit, the industry expertise, the form of the organization, and the audit fee, etc., and the individual auditor level includes the background characteristics of the certified public accountant, the experience of practicing, the industry expertise, the independence, and the rotation of certified public accountants. The audit partner level includes audit partners' background characteristics, practice experience, industry expertise, independence, and audit partners' rotation, has been little studied.

2.1 Impact of the audit environment on audit quality

2.1.1 Structure of Audit market

Kallapur et al. (2010) examine empirical data from 2000 2006 in the U.S. and find that audit quality is significantly improved in regions with high audit market concentration. Boone et al. (2012) similarly examine data from U.S. listed companies and find that auditors tolerate higher levels of surplus management by auditees due to the fact that auditors tolerate higher levels of surplus management by auditees in regions with high audit market concentration, thereby resulting in lower audit quality in that region. Francis et al.'s (2013) cross country study shows that the higher the market concentration within the international Big Four, the lower the audit quality in the country or region. Chinese scholar Xia Donglin (2003) found that in China audit market concentration is very low and competition among firms is intense, which can lead accounting firms to reduce audit quality in order to solicit clients. Similarly, Gao Linyu (2008) 's empirical evidence study for China suggests that audit quality is higher in regions with high audit market concentration. In contrast, Liu, Bin et al. (2014) find that an increase in audit market concentration in China does not lead to an increase in audit quality. Unlike the previous three Chinese scholars, Liu Minghui (2003) found that when the audit market is overly decentralized, accounting firms will reduce audit quality in order to compete for clients;

however, after a high degree of concentration in the audit market, because of the monopoly, there is no fear of client turnover, so auditors relax the requirements of professional competence, which leads to a decline in audit quality, so the relationship between the concentration of the audit market and the quality of the audit is in an inverted U shape in China. Therefore, the relationship between audit market concentration and audit quality in China is inverted U shape. Therefore, the relationship between audit market concentration and audit quality in China is inverted U shape. In summary, regarding the impact of audit market structure on audit quality, the literature focuses on the impact of audit market concentration on audit quality, but the research has not reached a unanimous conclusion. Whether the relationship between audit market concentration and audit quality is positive or negative or U shaped may be related to the different years of the selected sample and the different regulatory environments of the firms.

2.1.2 Demand of Audit market

DeFond et al. (2000) found that, due to the oversupply of stocks in China capital market, China's IPO companies lack incentives to choose high quality accounting firms to send positive signals to the capital market, which leads to the exclusion of high quality CPA audits from capital market. Similarly, Liu Feng (2002) and Cai Chun (2008) conclude that IPO firms in China tend to hire low quality accounting firms due to cost considerations, and that there is a lack of demand for high quality independent audits in China's audit market in general. Wei Xu et al. (2013) concluded that when there are more

informed investors in the capital market and the more transparent the transmission of information is, the higher the demand for high quality audits from listed companies.

In addition, there are also some scholars, based on different company characteristics of the audit quality demand for different studies, such as Li Minghui (2006) malefactor found that the company size and management shareholding ratio will affect the company's demand for auditor quality. Wang Ye (2009) found that there is a significant relationship between the ultimate controller of a listed company and the choice of high quality audit. Gao Qiang (2007) found that the capital utilization of the auditee's major shareholders affects its demand for high quality audits. In summary, the issue of audit market demand is mainly focused on the relevant literature of Chinese scholars, and the study shows that the demand for high quality audits in China's audit market is lacking, and company level factors and investors' information knowledge will affect the audited units' choice of high quality audits.

2.1.3 Penalty for violation

Firth et al. (2004) study the penalty cases of the China Securities Regulatory Commission (CSRC) in 1996 2002, and find that after being penalized, the penalized auditors issue more qualified audit reports than before. Chang et al. (2009) find that auditors in Taiwan are less tolerant of their clients' level of manipulative accruals in the sample year when they conduct audits after being penalized. Scholar Wang Bing et al. (2011) find that the audit quality of non compliant CPAs and non compliant accounting

firms penalized by the Securities and Futures Commission (SFC) in China from 2001 to 2009 did not improve significantly after the penalties were imposed. Liu Xiaoxia et al. (2013) found that the tolerance of accounting firms to the level of manipulative accrual surplus management of their clients decreased after they were penalized by the relevant organizations. In conclusion, the majority of the literature concludes that audit quality is significantly improved after a firm or auditor is penalized by the relevant authorities, which means that the audit quality of the firm or auditor is significantly improved after being penalized. That is to say, the administrative penalty system of the relevant departments will improve the audit quality.

2.1.4 Audit supervision

Gramling et al. (2011) examine data from the U.S. audit market and find that the probability of non Big 4 accounting firms issuing a non standard audit opinion increases after being inspected by the U.S. Public Company Accounting Oversight Board (PCAOB). Similarly, Lamoreaux (2016), DeFond and Lennox (2016) find that auditors inspected by the PCAOB have higher audit quality relative to auditors not inspected by the PCAOB. Further, DeFond and Lennox (2011) find that the deterrent effect of the SEC's forcible deregistration of small accounting firms leads to higher audit quality of newly registered accounting firms that join the SEC. However, Lennox and Pittman (2010) study the empirical data in the United States and find that audit market participants and audited entities do not pay attention to the PCAOB inspection reports, so the audit quality is not

guaranteed accordingly. Scholars Zheng Junmin et al. (2014) found that the regulatory measures taken by the Ministry of Finance and the China Institute of Certified Public Accountants (CICPA) to control the quality of the auditing profession have not been effective. Huang Yixiong et al. (2016) found that the interview behavior of the Chinese Institute of Certified Public Accountants during the annual report audit can play the effect of ex post warning and admonition, which can prompt the self regulation of domestic small sized firms and improve the quality of auditing. Liu Wenjun (2016) found that the quality supervision and inspection by the Chinese Institute of Certified Public Accountants (CICPA) has a significant effect, and the tolerance of relevant accounting firms for manipulable accrued profits of the audited entity significantly decreases after receiving practice quality supervision. Zhu et al. (2016) found that in China, the secondary audit supervision by the Audit Bureau can effectively improve the audit quality of auditors.

In summary, regarding the impact of audit supervision on audit quality, the relevant literature studies the impact of PCAOB supervision on audit quality in the U.S., and most of the literature shows that auditors inspected by the PCAOB provide higher quality audits than auditors not inspected by the PCAOB; the relevant literature in China studies the impact of the supervision of the Ministry of Finance, the China Association of Certified Public Accountants (CICPA), the Audit Commission and other relevant organizations on audit quality, and most of the literature shows that the supervision of the relevant organizations is effective in enhancing audit quality, and that the supervision of the relevant organizations is effective in enhancing audit quality. The Chinese literature examines the impact of regulation by the Ministry of Finance, the CICPA, the Audit Office,

and other relevant organizations on audit quality, and most of the literature suggests that the regulation by the relevant organizations is effective, plays an effective supervisory role, and significantly improves audit quality.

2.1.5 Institutional environment

Venkataramn et al. (2008) found that an increase in regional legal risk leads to more cautious audits by accounting firms in the region. Francis and Wang (2008) find that differences in the legal institutional environment lead to differences in the intensity of audit practice constraints on auditors in the region, which in turn affects the quality of audits in the region. Further, Choi and Wong (2007) found that the audit quality of international Big Four accounting firms varies with the legal environment of the countries or regions where they are located, and that the audit quality is positively correlated with the degree of perfection of the legal environment of the country or region. Li Li (2006) found that the higher the cost of violating the relevant laws and regulations, the higher the audit quality of the corresponding region. Lei Guangyong (2006) that the regional legal system is not perfect, resulting in the legal responsibility of certified public accountants is too light, the audit quality can not be guaranteed. Liu (2010) found that the clearer the legal standards stipulated in the auditing standards, the higher the quality of the audit report provided by the auditor. Zhang Shengli (2011) malefactor found that after the implementation of the new auditing standards, the auditor's tolerance for the client's manipulable accrued profits decreased significantly.

Zhang Qingqiong (2015) found that the development of risk oriented auditing in China has not led to the improvement of audit quality, and the audit quality of domestic local accounting firms has declined. However, in contrast, Wu Qingchuan et al. (2015) concluded that the implementation of risk oriented auditing standards is conducive to improving audit quality. In conclusion, regarding the impact of the institutional environment on audit quality, the relevant research centers on the relationship between the different levels of legal system and audit quality in each region, and the changes in audit quality before and after the change of auditing standards. Most of the researchers have come to the unanimous conclusion that audit quality is higher in regions with a high level of legal system, and that audit quality is higher after the implementation of the improved new auditing standards.

2.1.6 Media monitoring

Both Frost (1991) and Mutchler et al. (1997) found that public media coverage of a listed company's performance loss resulted in a conservative audit report by the corresponding auditor. Joe (2003) finds that negative media coverage of a listed company increases the probability of a qualified audit report. A cross country study by Chen et al. (2013) shows that countries with a high number of independent media outlets have higher audit quality. Further, Peng, Taoying et al. (2014) find that the legal and institutional environment of a region moderates the relationship between media monitoring and audit quality, and that the governance effect of media monitoring on audit quality is more

pronounced in regions with poorer legal environments than in regions with better legal environments. Zhou Lan et al. (2015) argue that the level of negative media coverage of listed companies and the degree of development of the media environment are positively related to audit quality, but stronger government intervention will weaken the impact of media monitoring on audit quality. Wu Weirong et al. (2015) study the effects of media monitoring, legal regulation and government regulation on audit quality, and find that except for the insignificant effect of legal regulation on audit quality, the other two are positively related to audit quality. Lv Minkang (2017) found that, due to the existence of the herd effect, when the external media give positive evaluations of listed companies, the public, including auditors, will have trust in the performance of the company, weakening the role of independent audit supervision, and accordingly the audit quality will decline; however, auditors with strong professional competence can mitigate the decline in audit quality in this case. Wu Weirong et al. (2017) found that media monitoring significantly improves audit quality in accounting firms with special general partnerships compared to accounting firms with limited liability; and media monitoring significantly improves audit quality in non state owned firms compared to state owned firms. In summary, regarding the impact of media monitoring on audit quality, domestic and foreign studies have reached a consistent conclusion that the media monitoring environment can significantly affect audit quality, and the level of negative media coverage of listed companies has a strong effect on audit quality, but this effect will be weakened in units and regions with strong governmental regulation.

2.1.7 Other environmental factors

Chen Jiayi et al. (2016) found that while implementing price control policies on the audit market can limit low price solicitation to a certain extent, it has no significant impact on audit quality. Similarly, Duan Teqi et al. (2014) find that the implementation of price control policies alone does not contribute to the improvement of audit quality. Hu Haiyan et al. (2015) examine the sample data of listed central enterprises from 2000 to 2011 and find that restricting the behavior of company management in influencing the selection of auditors by bidding significantly improves audit quality and reduces audit fees. Liu Xia (2014) finds that the audit quality of centralized enterprises is significantly improved after the implementation of regulatory requirements relative to non state owned enterprises, and further finds that both the unified engagement system and the mandatory periodic rotation system help to improve audit quality. Gong Qihui et al. (2011) argue that the impact of government control on audit quality is two fold: on the one hand, government control enhances accounting firms' advantage of "local knowledge" and their ability to withstand corporate pressures, which improves the quality of corporate statements; on the other hand, government control reduces the probability of issuing non standard opinions, and the probability of issuing non standard opinions, based on the government's control over the audit market. On the other hand, government control, based on its control over the audit market, reduces the probability of issuing non standard opinions and jeopardizes audit quality. Zhuang Feipeng et al. (2014) found that the increase in the concentration of the securities market can alleviate the phenomenon of fierce competition in China's

auditing market and low price solicitation, which helps to improve the quality of auditing. Wang Hui (2013), from the perspective of the supervisory role and control effect of bank debt governance, found that bank debt governance plays a supervisory role and control effect to improve the quality of independent auditing, in particular, the supervisory effect of bank debt governance has a greater inhibiting effect on the upward surplus management behavior of audited units. In summary, in addition to the six types of audit environment factors mentioned above, related research also involves the audit of the market price, government control, securities market concentration, bank debenture governance and other factors, it can be seen that domestic and foreign scholars on the audit of the environmental factors on the audit quality of the impact of the audit environment of the study is relatively exhaustive, and most of the conclusions are also relatively consistent, and is conducive to the relevant authorities to formulate policies to provide a suitable audit environment in order to improve the quality of the audit.

2.2 Impact of the audit object on the audit quality

2.2.1 Risks of the audited entity

CheeW. Chow (1982) analyzed the impact of client size, debt ratio and ownership structure on auditing, different auditee factors bring different audit risks, which will affect the audit quality accordingly. Louwers (1998) and others found that when the auditee encounters a financial loss, it indicates that the company will be facing significant financial or operational risks, which is a disadvantage for the continuity of operation is unfavorable and therefore affects the type of audit opinion given by the auditor. Zhai Huayun et al. (2011) found that, on the one hand, if the audited entity has high investment opportunities, the shareholders of that company will tend to choose a high quality auditor to supervise the management's behaviors; on the other hand, since companies with high investment opportunities have a higher likelihood of manipulating their profits, the auditor, in order to reduce the auditing risks they face, will improve the quality of the audit accordingly. Zhang Yongkui et al. (2002) found that the higher the risk level of the client, the higher the likelihood of being issued a non standard audit opinion. In summary, with the implementation of risk oriented auditing, some Chinese literature has begun to focus on the impact of the risk of the audited entity on audit quality, and the conclusion is

basically the same, i.e., the higher the risk of the audited entity, the higher the probability of being issued a non standard audit opinion.

2.2.2 Corporate governance of the audited entity

Ahmed et al. (2006) found that the governance mechanism of the audited entity affects the CPA's ability to practice. McMullen (1996) and Hampel (1998) found that effective corporate governance mechanisms can protect the independence of the CPA's practice. Caxcello and Neal (2003) found that effective corporate governance mechanisms can alleviate the pressure on CPAs to be dismissed for issuing unfavorable opinions to management. Domestic scholars Xiao Zuoping (2006), Yu Yuying (2007), and Dong Nanyan (2009) also found that a good corporate governance system can provide good external security for audit services, eliminating the interference of the management's opinion on the audit, and helping to improve the quality of the audit. In summary, for the audit unit governance on the impact of audit quality, the malefactors get a consistent conclusion, the level of corporate governance and audit quality has a significant relationship, effective corporate governance helps to protect the quality of accounting information true and fair, and help to improve audit quality. It is conducive to the improvement of audit quality.

2.2.3 Level of independence of the Board

Cadbury (1999) and Hampel (1998) in their respective reports on corporate governance emphasize the value of increased independent director representation on boards of directors as an indication of the impartiality and independence of board decision making that independent directors bring to the boardroom. O'Sullivan (2000) notes that increased independent director representation in the audit process improves the quality of the audit process. Fang Junxiong (2006) found that the level of independence of the board of directors is directly related to the quality of corporate governance, and for high risk companies, the independence of the board of directors is a guarantee for auditors to issue non standard audit opinions. Li Na (2009) found that the work experience and remuneration of the sole director affect the audit quality. Wang Yu et al. (2016) found that the overseas study and work experience of independent directors affects the selection and hiring of firms and the type of audit opinion, and this role of independent directors is more obvious in regions with poor legal protection. In conclusion, regarding the impact of the independence level of the board of directors of the audited entity on the audit quality, the study shows that the number of independent directors, independence, working background, remuneration, overseas experience and other factors will affect the audit quality.

2.2.4 Whether an audit committee is in place

DeAngelo (1981) found that independent and active audit committees contribute to the quality of financial reporting. Similarly, Abbot et al. (2000) studied empirical data from the United States for the years 1980 1996 and found that audit committees that are highly independent and meet frequently each year help to curb corporate financial fraud. Klein (2002) found that independent audit committees were effective in reducing the level of abnormal accruals in a sample of U.S. firms. Domestic scholars such as Zhai Huayun (2006) and Liu Li (2008) show that the size of the audit committee is highly correlated with the quality of surplus, and the larger the size, the higher the quality of accounting surplus. However, some individual scholars have different opinions, Hong Jianwei (2006) believes that only in the last year of the company set up the audit committee, the audit committee system will affect the quality of surplus, before and after the establishment of the audit committee, the quality of the surplus did not change significantly. In conclusion, regarding the impact of whether or not an auditee has an audit committee on audit quality, studies have found that the establishment of an audit committee is conducive to audit quality, and that an active and independent audit committee can help to reduce the likelihood of corporate financial fraud, which in turn affects the quality of the audit.

2.2.5 Internal controls in the audited entity

Ashbaugh Skaife et al. (2008) found that a company's internal control system can effectively identify or deter unintentional financial reporting errors or intentional financial reporting fraud. Doyle et al. (2007) found that an effective company's internal control system can effectively improve the quality of the company's accounting surplus. Scholars Wei Ming Hai et al. (2007) found that a company's internal control system can constrain the behavior of managers and other employees, on the one hand, an effective internal control system can reduce the probability of random errors of managers and other employees, on the other hand, an effective internal control system can inhibit managers from making opportunistic behavior when making accounting choices. On the other hand, an effective internal control system can inhibit managers' opportunistic behavior in making accounting choices. In conclusion, regarding the impact of internal control on audit quality, domestic and foreign studies agree that the internal control of a company can effectively identify or stop unconscious financial reporting errors or conscious financial reporting fraud, improve the reliability of financial reporting, and thus can be utilized by external auditors when conducting audits to improve the quality of audits.

2.2.6 Other audited unit factors

Cai Chun et al. (2015) found that if the executives of the audited entity have experience in auditing before serving as executives, the quality of the company's financial reporting information will be reduced during the period of serving as executives, which will

negatively affect the quality of auditing. Mao Lijuan et al. (2014) found that the nature of the ultimate controller of the company affects the selection of auditors, and when the nature of the ultimate controller of the company changes from non state to state owned, it will cause a change in the selection of accounting firms from high quality accounting firms to low quality accounting firms.

Gao Lei et al. (2011) found that the level of agency cost of the audited entity and the management's shareholding affect the auditor selection of the company respectively. Chang Jingping et al. (2015) find that the reorganization of a company affects the change of auditor, and the probability of changing auditor is higher for companies during the reorganization period and for reorganized companies with higher audit costs, the audit quality of the company during the reorganization period is lower, and the change of auditor exacerbates the reduction of audit quality. There is no difference in audit quality between the sample of restructuring firms that change auditors and the sample of firms that do not change auditors, but audit quality of restructuring firms is lower among firms that change auditors. Tang (2011) found that the proportion of controlling shareholders' control, the proportion of cash flow rights, and the degree of checks and balances of other major shareholders affect the choice of auditor of the audited entity, and all three of them have inverted U shaped relationships with the probability of hiring a Big 4 accounting firm. Moreover, the higher the deviation between controlling shareholders' control and cash flow rights, the higher the probability of listed companies choosing Big 4 accounting firms. Wang (2012) found that the audit quality of a company with an unqualified audit opinion is positively affected by the proportion of shares held by institutional investors. In

contrast, Ye Chengang et al. (2015) argue that the relationship between institutional investors' shareholding ratio and audit quality is not simply positive or negative, but a significant U shaped relationship, while the number of supervisory boards also affects audit quality. According to BU Danlu (2017), listed companies with foreign shareholdings are more inclined to hire international "Big 4", and the firms they hire will change from domestic firms to international "Big 4". Enterprises with foreign ownership are more likely to obtain a standard audit opinion, indicating that enterprises with foreign ownership can effectively improve the quality of information disclosure. In summary, in addition to the previous five factors affecting audit quality at the level of the audited entity, there are other factors affecting audit quality around the audit background of the audited entity's executives, the situation of the company's ultimate controllers, the high and low agency costs, the situation of the company undergoing a major reorganization, the proportion of the controlling shareholders' control, the proportion of the shareholding of institutional investors, and the influence of the situation of foreign shareholding on the quality of the audit. It can be seen that the literature on the impact of the auditee level on audit quality has been very rich and extensive, and has formed a certain research scale and obtained stable research conclusions.

2.3 Impact of the audit subject on the audit quality

2.3.1 Firm level Firm Size

DeAngelo (1981) and Dye (1993) find that the size of an accounting firm is positively related to audit quality, with larger firms providing higher quality audit services. Becker (1998) and Krishnan (2003) find that large accounting firms are significantly less tolerant of clients' manipulative accruals and have higher audit quality than clients of small accounting firms. Hackenbrack and Hongan (2002) found that the surplus reaction coefficients of clients audited by large scale accounting firms are higher than those of clients of small scale accounting firms, and thus the quality of audits by large scale accounting firms is higher. Scholars such as Zhang Yongkui (2002) and Chia Jiangna (2004) have found that large scale accounting firms in China are able to provide high quality auditing services because they are well managed, have strict supervision of audit quality, have a low degree of economic dependence on their clients, and emphasize on the continuous training of their employees' practicing skills. In contrast, Liu (2008) found that since most of the large scale accounting firms in China were formed through mergers between small sized accounting firms, which were mandated by policy and not voluntary integration of resources, the audit quality of the large scale accounting firms formed

through mergers in China has not been improved accordingly. Wang Liangcheng (2009) found that large scale accounting firms make different audit decisions when facing different clients, and the audit inputs for companies with different levels of profit manipulation are not the same, so the audit quality of even large scale accounting firms varies according to their clients. Similarly, Liu Feng (2009) found that large scale accounting firms, by virtue of their size, “bully their clients” and charge high audit fees while not providing significantly high quality audit services. Liu Xiaoxia et al. (2011) found that after selecting several measures of firm size, they concluded that the relationship between firm size and audit quality is not simple linear but U shaped. Liu Yongxiang et al. (2013) found that under the audit market environment in China, the quality of audit services provided by large scale firms is not necessarily high, and did not find a significant relationship between firm size and audit quality. Some scholars believe that the correlation between firm size and audit quality is subject to certain conditions. Chen Zhaolong et al. (2013) found that the audit quality of large scale firms is significantly higher than that of small scale accounting firms only in the audit of private enterprises, but there is no difference between the two in the audit of state owned enterprises. Wang Liangcheng (2012) argues that changes in the SEO regulatory environment affect the relationship between firm size and the type of audit opinion.

Wu Haomin et al. (2015) argued that the legal environment affects the positive relationship between firm size and its audit quality. Ye Kangtao et al. (2017) argued that only the combination of small accounting firm size and large client size will have low audit quality. In summary, some scholars believe that the audit quality of large accounting firms

is high based on the “reputation hypothesis”. Some scholars based on the “store big bully customers” hypothesis that large scale accounting firms charge high audit fees but do not provide high quality audit services, and some believe that the correlation between firm size and audit quality is the existence of certain conditions, in general, the research on the size of the firm and the audit quality of the firm has been quite rich. In general, the research on firm size and audit quality has been quite abundant.

2.3.2 Firm level Is it an international “Big Four”?

Scholars Teoh and Wong (1993) found that the audit services of the international “Big 8” accounting firms are more recognized by the capital market. DeFond and Jiamblovo (1993), Chi et al (2011) found that the international “Big Four” can effectively reduce the level of surplus management of audited entities. Khurana and Raman (2004), Francis and Wang (2008), respectively, believe that the level of audit quality of the international “Big Four” is affected by the risk of legal proceedings in the host country and the level of investor protection in the host region. Scholar Wang Yongmei (2006) found that financial statements audited by international Big 4 accounting firms have higher market acceptance. Lin Yongjian et al. (2013), Qiao Guitao et al. (2014), and Li Qingyuan et al. (2016) found that international Big 4 firms significantly outperform local firms in terms of inhibition of positive surplus manipulation, robustness of audit reports, and types of audit report opinions. However, Chen, Degang et al. (2011) and Yuan, Zhizhu et al. (2014) find that

there is no difference in audit quality between international Big 4 and local firms in terms of suppressing manipulation of accrued profits and synchronization of stock price volatility. Guo Zhaorui (2011) found that the audit quality of international Big 4 firms is even lower than that of local firms in some years. Liu Feng (2007) argues that the low level of legal risk in Chinese auditing has led to the failure of the Big Four to provide high quality audit services. However, Liao (2004) argues that China's audit market is highly competitive, and international Big 4 firms do not have local advantages and can only rely on their brand name and reputation to win the market, so international Big 4 firms need to maintain a high quality brand reputation in the Chinese market. In addition, Lu Junwei (2017) found that the international “Big Four” accounting firms did not show obvious opportunistic behavior at the point of the change of information disclosure reporting rules and during the duration of the rules. The audit quality of domestic firms increases significantly at the point of change of disclosure and reporting rules, and the large firms increase more significantly than the small firms; during the period of survival of the rules, the audit quality decreases year by year, and the large firms decrease more significantly than the small firms. In summary, the international “Big Four” is generally recognized as a representative of high quality auditing, but the relevant research in China shows that high quality audits of the international “Big Four” need to be supported by the relevant legal system and the investor protection environment, and based on China's audit market environment, the international “Big Four” is the most important audit firms in China. Based on the domestic auditing market environment, the international “Big Four” accounting firms do not always provide high quality auditing services.

2.3.3 Firm level Availability of non audit services

Firth (2002) found that small accounting firms that charge a large share of a client's fees for non audit services have a lower probability of issuing a qualified audit opinion for that client. Sharma and Sidhu (2001) found that the greater the proportion of non audit service fees paid by an audited entity to an accounting firm in the year prior to bankruptcy, the lower the probability of a qualified audit report on going concern issues. Causholli (2010) found that the greater the proportion of non audit services provided by a firm to an audited entity, the lower the probability of a qualified audit report on the client. the higher the tolerance for actionable profit accruals for that client. However, Barkess and Simnet (1994) find no significant relationship between the amount of non audit services provided by a firm to an auditee and the type of audit opinion issued by the firm, and Defond (2002) finds that non audit services provided by a firm to a financially distressed company do not affect the final audit report on going concern issues. Li (2002), in his study of companies in financial distress Lim and Tan Hunt (2008) found that the auditor's industry expertise contributes to the auditor's audit independence when providing non audit services. Related studies have come up with different conclusions.

Liu, Xing and Luo (2004), and Wang, Guiying (2003) found that providing non audit services to the auditee affects the firm's independence, thus jeopardizing the quality of

the audit. Sasha Li (2003) and Jianliang Li (2006), on the other hand, found that providing non audit services to auditees does not impair audit quality. Li Xiaohui et al. (2014) found that firms providing non audit services to auditees is conducive to enhancing audit independence and improving audit quality, and this effect is more significant in the samples with poor institutional environments and the samples of private enterprises. Zhuang Feipeng (2016) argues that, relative to other firms, the larger the size of non audit business and the expansion of the current year's non audit business scale compared to the previous year, the better the quality of the audit, the audit fee is also higher.

In addition, Dong Pu (2007) that when the accounting firm to provide less non audit services, with the increase in non audit services, the auditor's professional skills and work efficiency to improve the quality; when the scale of non audit services more than, help to improve the degree of audit definition, the firm on the client will produce economic dependence, affecting the independence of the firm will have a detrimental impact on the quality of the audit. Therefore, non audit services and audit quality is an inverted U shaped relationship, and China's current non audit services are in the initial stage, the provision of non audit services will not harm the quality of the audit. In summary, there is no unanimous conclusion on the impact of providing non audit services on audit quality. This paper agrees with Dong Pu (2007) that Chinese accounting firms are at a stage where the overall non audit services have a positive impact on audit quality and that the provision of non audit services does not jeopardize audit quality. The provision of non audit services does not jeopardize audit quality.

2.3.4 Firm level Length of audit period

Scholars such as Johnson et al. (2002) and Myers et al. (2003) have argued that audit tenure is too short and the auditor's lack of familiarity with the client is detrimental to the quality of the audit. Pety and Cuganesan (1996) believe that an increase in audit tenure helps the auditor to accumulate exclusive audit experience with a specific client, which is conducive to improving the level of practice, reducing the reliance on management's estimates, and thus improving the quality of the audit. Wats and Zimmerman (1983) argue that as audit tenure increases, the auditor is more likely to establish a close personal relationship with the client, which undermines the auditor's independence and affects the quality of the audit. Davis et al (2009) found that an increase in audit tenure leads to a decrease in audit quality. Scholars Luo Danglian (2007) that the longer the term of office of the auditor, may lead to the auditor to produce stereotypes, over reliance on the results of previous work, the formation of erroneous judgments, but also may make the firm and the management of the audited unit to establish a close relationship with the independence of the impact. Zhou Donghua (2007), Xu Haoran et al. (2016), and Zhang Mei et al. (2013) also argued that an increase in the tenure of the firm leads to an increase in the number of standardized audit opinions, which is detrimental to the quality of the audit, and that the quality of the audit improves significantly after a change in the accounting firm.

However, Xia Lijun (2005) found that the increase in audit tenure did not impair audit independence, and for large accounting firms, the quality control mechanism is more stringent, and the increase in audit tenure rather improves audit independence. Cao et al. (2011) found that the audit quality of new firms is lower after changing firms. Song, Y. H. et al. (2012) argue that the effect of firm tenure on audit quality is limited, and that firms do not lose audit independence due to longer tenure when the level of audit risk they face is high. Chen, Hsin Yuan (2006) found that audit tenure has an inverted U shaped relationship with audit quality, with an inflection point of six years. Similarly, Rao, Cuihua et al. (2011) found that audit quality increases with the increase of audit tenure when the audit tenure is less than or equal to 5 years; audit quality does not decrease when the audit tenure is equal to 5 years; and audit quality decreases with the increase of audit tenure when the audit tenure is greater than 5 years. In summary, on the impact of audit tenure on audit quality, the relevant studies have not been unanimous conclusion, the increase in audit tenure on the one hand, the auditor will be more familiar with the audit of a particular client's audit business, can reduce the asymmetry of information, to save time and effort, and help to improve the efficiency of the work; on the other hand, the increase in audit tenure will lead to the formation of a close relationship between the firm and audited units, detrimental to the independence of the audit firm. Therefore, the study is inconclusive.

2.3.5 Firm level Industry Expertise

Studies have found that auditors' industry expertise is effective in reducing misstatements (Owhoso et al., 2002), reducing SEC penalties for audited entities (Carcello & Nagy, 2002); greater ability to predict profits (Gramling et al., 2001); and greater ability to curb clients' manipulative accruals (Balsam et al., 2002). Krishnan (2003) studied that the ability to predict profits is stronger (Gramling et al., 2001)

Krishnan (2003) found that only in the international “Big Six”, the firm's industry expertise can effectively curb the client's surplus manipulation. Scholars such as Liu Shaofeng (2006), Chang Cheng (2008), Zheng Jianming (2007) and other researchers found that the level of industry expertise of accounting firms is significantly positively related to the quality of audits; Fan Jinghua et al. (2013) argued that the firm's industry expertise can inhibit both accruals and real surplus management behaviors of companies. However, Cai Chun (2007) found that in China's highly competitive auditing market, firms are heavily financially dependent on their clients and are generally not highly independent, resulting in a negative relationship between industry expertise and audit quality. Millie (2009) found that, based on the competitive environment of China's audit market, the “top ten” domestic accounting firms do not need to solicit clients because of their branding advantages, so the industry specialization of the top ten domestic accounting firms is significantly positively related to audit quality. Therefore, the industry specialization of the top ten domestic accounting firms is significantly positively related to audit quality, while the industry specialization of the non top ten firms does not enhance audit quality due to

the competitive pressure and their heavy financial dependence on clients. Liu Guiliang (2008) found that the degree of development of industry specialization in China's accounting firms is low, so the current level of industry specialization does not improve audit quality. Yuan Chunsheng et al. (2011) found that the impact of industry expertise on audit quality is affected by the firm's independence, and when independence is strong, industry expertise does not have the same effect on audit quality as when independence is weak; and because the large scale operation of large scale firms is conducive to the cultivation of industry expertise, only the industry expertise of large scale accounting firms can effectively improve the quality of audits. In conclusion, most of the researchers in China and abroad on the impact of firm expertise on audit quality conclude that firm expertise is conducive to enhancing audit quality, but this enhancement effect is different under different constraints. The relationship between industry specialization and audit quality will be affected by the competitive market environment and firm size.

2.3.6 Firm level Merger of firms

Gong et al. (2016) studied the relationship between firm mergers and audit efficiency and found that audit time decreases after firm mergers with no decrease in audit quality. The decrease in audit time was even greater with the top ten domestic mergers. The increase in audit efficiency did not lead to a decrease in audit fees, but rather an increase in audit fees after merging with the international Big Four. Chan and Wu (2011) found that since high levels of cumulative quasi rental risk make accounting firms' audit failures more

costly, if firms can increase their cumulative quasi rental risk after merging, the audit quality of the merged firms will improve, while if firms cannot increase their cumulative quasi rental risk after merging, the merger will not lead to an improvement in audit quality. Zhou, Zhongsheng et al. (2013) found that the merger of accounting firms significantly improves the audit quality, and the absorption merger significantly improves the audit quality compared with the new merger. Wang Huihua (2015) argues that the merger of accounting firms can improve audit quality; absorption merger can improve audit quality in the early stage of the merger, but in the long run, the newly established merger can improve audit quality. Tang Jianxin et al. (2015) believe that substantive integration of accounting firm expansion is the key to improving audit quality. Ye Feiteng et al. (2017) argue that the comparability of financial statements audited by post merger firms is significantly higher than the comparability of financial statements audited by pre merger firms. The higher the proportion of signature accountants reconfigured by the merged firm, the more significant the effect of firm merger on the improvement of statement comparability. In contrast, Deng Chuan (2014) finds that firm mergers do not significantly improve audit quality. Li (2016) concludes that accounting firm mergers do not lead to an increase in audit quality, but rather to a decrease in audit quality. He Jin et al. (2012) found that, in general, audit quality did not improve after the merger of firms. The size of the firm, the method of merger, and the auditee's surplus management tendency may affect this finding. Specifically, the audit quality of small firms that merge by new merger and audit listed companies with positive surplus management becomes lower after the merger than before the merger; the audit quality of large firms that merge by absorption

and audit listed companies with negative surplus management does not differ significantly before and after the merger.

In summary, the impact of firm mergers on audit quality, even for the Chinese audit market in recent years, the impact of firm mergers on audit quality has not been unanimously concluded, which is related to the way of firm mergers, the size of the firm, and whether it is a policy driven mandatory merger or a voluntary merger.

2.3.7 Firm level Organization of the firm

Firth et al. (2012) examine empirical data from Chinese listed firms and find that general partnerships have a higher probability of issuing non standard audit opinions than LLP firms due to stronger legal liability, and are more likely to dampen the level of manipulable accruals of the audited entity. Similarly, Wang and Dou (2015) find the same conclusion. However, Lennox and Li (2012), examining a sample of data from the UK, do not find that audit quality decreases when the organizational form of accounting firms changes from general partnership to limited liability partnership. Earlier, some Chinese scholars believed that the organizational form of the firm did not have a significant impact on audit quality in the Chinese market. For example, Hongqi Yuan (2003) argues that the financial characteristics of the audited entity are the main reason for the type of audit report opinion, and that the organizational form of the firm does not have a significant impact on the audit opinion. Lv Peng (2005) also believes that in China's audit market is a buyer's market, the firms are in fierce competition, the firm's legal responsibility is forced

to change from a limited liability system to an unlimited liability system, which will not have an impact on the quality of the audit. However, most scholars agree that the organizational form of partnership is more effective than the limited liability system (Li Ruoshan, 2003, Zhao Baoqing, 2003). The special general partnership can effectively curb the auditee's actionable accruals (Liu Xingjian et al., 2014, Liu Dan, 2014) and improve the accounting soundness of clients (Xiao Zuoping, 2016). After the conversion from limited liability system to special general partnership, the awareness of legal risk is increased and the overall audit quality is improved (Jiang Yaoming et al., 2015, Zhang Jing, 2016).

Specifically, Meng Qingli (2014) finds that special general partnerships are better able to ensure the quality of audit services than limited liability systems for the same asset size, and that audit fees increase as asset size increases. Liu Qiliang et al. (2015) found that the same auditor has a higher probability of issuing a non standard audit opinion after the firm changes from limited liability system to special general partnership system, which can also inhibit the surplus management behavior of the company. Jian Zhang et al. (2016) find that the organizational form of the firm affects the effect of auditor's personal experience on audit quality, because under the organizational form of special general partnership, the legal liability increases, and the auditor, in order to reduce the risk of audit failure, will be more active in using their personal experience to identify misstatements, thus improving the quality of the audit. Kong Ningning et al. (2016) find that the enhancement effect of special general partnership on audit quality is affected by the degree of regional marketization. Han Weifang (2016) finds that for small firms, the audit quality of project partners increases significantly after conversion to special general partnership compared

with that before conversion. Huang Jingchang et al. (2017) argue that the effect of firm conversion on audit quality exists only in the sample of firms that are large in size, where the auditee is a state owned enterprise, and where the regional legal environment is weak. In summary, the impact of the organizational form of the firm on audit quality is mainly based on the Ministry of Finance of China and the CICPA from 2010 to promote the impact of firm restructuring on audit quality to carry out research, the relevant researchers have received consistent conclusions, the firm from the limited liability system to a special system of audit quality. After the conversion of firms from limited liability system to special general partnership system, the audit quality was improved.

2.3.8 Firm level Audit fees

The literature suggests that the actual audit fee consists of two components, the normal audit fee, which reflects the auditor's input costs, litigation risks and normal profits (Simunic, 1980; Chio et al., 2008), and the abnormal audit fee, which reflects the auditor's specific relationship with the client (Higgs and Skantz, 2006). Some scholars believe that abnormal audit fees are detrimental to audit quality, for example, Xie et al. (2010) found that firms with questionable financial data purchase audit opinions by paying abnormal audit fees to accounting firms. However, Higgs and Skantz (2006) show that the effect of abnormal fees on audit independence is very limited. Choi et al. (2010) argue that not all abnormal audit fees are detrimental to audit quality, and that audit quality is reduced when audit fees are unreasonably high, while audit quality is not impaired when audit fees are

below normal. Blankley et al. (2012) found that the relationship between abnormal audit fees and restatements of financial statements within the following two years is affected by the quality of internal controls, and the relationship is significantly negative after controlling for the quality of internal controls.

Hope and Langli (2009) find that there is no significant correlation between high abnormal audit fees and non standard audit opinions. Domestic scholars Duan Teqi et al. (2013) and Han Lirong et al. (2015) argue that both high and low abnormal audit fees are detrimental to audit quality. The reason is that high abnormal audit fees are likely to trigger the purchase of audit opinions, leading to the auditor to condone the profit manipulation of the audited entity; low abnormal audit fees will reduce the work input of the auditor, impairing the quality of the audit. Ye Chengang et al. (2015) found that the higher the rate of change of abnormal audit fees, the lower the audit quality. However, Li et al. (2016) find that low abnormal audit fees do not impair audit quality, and high abnormal audit fees only impair audit quality if the audited entity is in an area with a low level of rule of law. Further, Shen Fuping et al. (2011) found that the proportion of shares held by the largest shareholder of the audited entity affects the relationship between audit fees and audit quality, and the two are positively correlated when the proportion of shares held by the largest shareholder is low, and negatively correlated otherwise. Dong Xiaohong et al. (2016) found that the disclosure of contingent matter information leads to an increase in audit fees, but at the same time reduces audit quality. Qi Luguang et al. (2016) found that audit fees in state owned enterprises are relatively stable and there are no

abnormal audit fees, while private enterprises have abnormally high or low audit fees, and both abnormal audit fees reduce audit quality.

In summary, most scholars believe that the abnormal audit fees will affect the audit quality, high abnormal audit fees are easy to trigger the purchase of audit opinions, leading to auditors to connive at the profit manipulation of the audited unit; low abnormal audit fees will reduce the auditor's work inputs, impairing the quality of the audit. However, some scholars have found that low abnormal audit fees do not affect audit quality, which may be related to the audit market environment, the firm's risk awareness and risk taking ability.

2.3.9 Firm level Independence of the firm

Jia Nan et al. (2015) found that firm independence is highly correlated with the client's importance level, and the more serious the economic dependence on the audited unit, the worse the audit quality. Similarly, Liu Jun et al. (2016) find that due to the fierce competition in China's audit market, firms will reduce audit quality in order to retain large clients with high economic dependence on them. Zhou Lan et al. (2015) found that executive accounting firm affiliation impairs audit quality, however, the role of executives has a significant impact on the relationship between executive accounting firm affiliation and audit quality. Specifically, a study categorizing executives by their roles found that executive accounting firm affiliation when the client was a former CPA firm executive or a current corporate decision making executive more significantly impaired audit quality,

while executive accounting firm affiliation when the client was a generalist CPA firm employee or a current corporate supervisory executive had no significant effect on audit quality. Liu, Jihong (2011) argues that firms with executive accounting firm affiliation issue more standardized audit opinions, lower audit quality, and longer audit tenure to the company. To summarize, scholars on the independence of the firm, focusing on the firm's economic dependence on the audited entity and executive accounting firm affiliation. If the firm's independence is jeopardized, it will affect the type and quality of the audit opinion it issues.

2.3.10 Firm level Other firm wide reasons

According to Jiang, Yao Ming et al. (2016), a partner promotion and termination mechanism based on the right of entry can incentivize auditors to make sustained and dedicated human capital investments, which in turn can help to improve the audit quality of the firm. Yu, Yumiao et al. (2016) find that there is an anomaly that the audit quality of financial statement audits decreases with the lengthening of the time lag of annual report appointment disclosure. Jia Nan et al. (2016) study the audit quality of Chinese concept stocks signed by U.S. firms in 2001-2012 and find that the audit quality of both the integration model and the alliance outsourcing model is significantly better than that of the non-alliance outsourcing model, but there is no significant difference in the audit quality of the former two. Ni Xiaoya et al. (2015) argue that consistent integrated audits have superior audit quality compared to consistent non-integrated audits, but integrated

audits fail to significantly reduce audit fees while improving audit quality. Zheng Wei et al. (2015) argue that integrated audits can improve audit quality and reduce the inference of financial restatements. Yuan Hongqi (2012) found that the greater the regional competitive advantage of accounting firms, the lower the absolute value of manipulative accruals and the level of positive accruals, while the regional competitive advantage of accounting firms has a weaker impact on the negative accruals, i.e., the greater the regional competitive advantage of the accountant, the higher the quality of the audit. Liu Wenjun (2014) found that the closer the accounting firm is to the client, the lower the manipulative accruals and the lower the probability of a standard unqualified audit opinion. That is, the closer the accounting firm is to the client, the higher the audit quality. Zhang Mei (2011) found that when the degree of information asymmetry of listed companies is high, the audit quality of local auditors is higher, and the relationship between auditor locality and audit quality is more in line with the information viewpoint; with the increase of government intervention, auditor independence will be jeopardized, and the audit quality of local auditors will decrease, and the conflict viewpoint will dominate at this time. In summary, based on the overall level of accounting firms, the relevant literature on the impact of audit subject on audit quality mainly focuses on the size of accounting firms, firm brand reputation, whether to provide non audit services, audit tenure, industry specialization, organizational form, audit fees, time lag of disclosure of annual report appointments, whether to adopt the mode of outsourcing of auditing services, integrated auditing, the firm's regional competitive advantage, and geographic distance between the firm and the client company, and so on. It can be seen that the relevant research covers a wide range of aspects and is

relatively in depth. Therefore, the research on audit quality based on the overall level of firms has already formed a certain scale, and the relevant studies are relatively abundant.

Chapter 3 — Links between auditor's individual characteristics and audit quality

3.1 Conceptual Framework Linking Individual Attributes to Audit Outcomes

Understanding how individual auditor characteristics influence audit quality requires a theoretical lens that connects personal traits to professional behavior. One widely adopted theory in this context is the Upper Echelons Theory proposed by Hambrick and Mason (1984), which posits that organizational outcomes are partially predicted by managerial background characteristics. Applied to auditing, this theory suggests that audit outcomes reflect the personal values, experiences, and cognitive orientations of audit partners, who are ultimately responsible for signing the audit report.

Audit partners, as decision makers, do not operate in a vacuum. Their judgments and actions are shaped by a combination of education, work experience, ethical orientation, and even demographic traits such as gender and age. These attributes can influence how they assess risk, design audit procedures, interact with clients, and respond to professional pressures. For example, an auditor with extensive industry experience may be more adept at identifying anomalies in financial reporting, whereas another with less experience might apply generic procedures with reduced effectiveness.

Moreover, psychological research supports the idea that personal characteristics such as conservatism, risk tolerance, and ethical sensitivity are unevenly distributed among individuals and can meaningfully affect decision making in complex, judgment based tasks—like auditing. Thus, the quality of an audit engagement is not solely a product of

firm level processes or checklists, but also of the individual's professional judgment and behavioral tendencies.

The regulatory shift in China after 2010, which places more accountability on signatory partners, further justifies focusing on individual characteristics. This institutional setting increases the autonomy and visibility of audit partners, making their attributes even more salient in determining audit outcomes.

In summary, the conceptual framework for this chapter is based on the idea that individual level auditor traits are a significant, though previously under explored, determinant of audit quality. These traits function through their influence on auditors' professional judgment, decision making under uncertainty, and interaction with audit clients. Accordingly, the following sections empirically examine specific characteristics—such as gender, age, education, industry specialization, and workload—to understand their respective roles in shaping audit quality.

3.2 Review of Auditor's Characteristics and Audit Quality

3.2.1 Auditor's background Characteristics and Audit Quality

The background characteristics of an individual include: gender, age, education, specialty, political affiliation, position, etc. Taylor (2011), Gul et al. (2013) found that the personal characteristics of auditors have a significant impact on audit quality, and that individual auditors play a greater role in audit quality than accounting firms. DeFond and Zhang (2014) point out that scholars should pay attention to the characteristics of auditors at the individual level. Some scholars have only studied the effect of the gender of the signing accountant on audit quality. For example, Chin and Chi (2008) study sample data from Taiwan and find that female auditors are less tolerant of manipulable accrued profits of the audited entity than males. Niskanen et al. (2009) found that female auditors are more tolerant of downward manipulation of accrued profits than males in a sample of Finnish private enterprises, and Ittonen et al. (2011) found that female auditors can effectively inhibit auditees' manipulative accruals in a sample of Finnish and Swedish capital markets. In China, Shidan et al. (2011) found that female auditors can increase negative manipulative accruals at the 5% level of significance, and there is no significant relationship between the gender composition of auditors and absolute, positive and

negative manipulative accruals. Some scholars have also studied the impact of individual auditor's position and practice ability on audit quality. For example, Miller (1992) found that partners are more conservative than other auditors. Trotman et al. (2009) found that partners require more original draft records than other auditors. Liu Xiaoxia (2012) found that in China's domestic firms, the older the CPA, the higher the quality of the audit; the number of firms selected for the training program for industry leaders, the higher the quality of the audit; and the higher the quality of the audit, the higher the quality of the audit, the higher the quality of the audit. The higher the number of CPAs, the higher the audit quality; the proportion of CPAs in the firm and the proportion of highly educated people have no significant effect on the audit quality. However, Qi Fenxia et al. (2014) believe that the proportion of CPAs and the structure of education have a significant impact on audit quality. Zeng Jianguang (2014) based on the China Institute of Certified Public Accountants (CICPA) annual comprehensive evaluation of 100 accounting firms information on the importance of accounting firm attributes and the firm issued a non standard audit opinion empirical research shows that the higher the proportion of CPAs with bachelor's degree or below, the lower the probability of accounting firms to issue a non standard audit opinion. On the contrary, the probability of an audit firm issuing a non standard opinion is higher. Other scholars have examined multiple indicators of individual auditor characteristics. Gul, Wu, and Yang (2011) found that auditors' educational background (whether they have a master's degree or higher), working experience in large firms, position level in the firm, and political background (whether they are members of the Communist Party of China (CPC) or not) all affect the quality of audits. Ye Qiongyan and

Yu Zhongbo (2011) found that the gender, educational background, learning ability, age, time in the profession, and whether or not they are partners of the signing CPAs have a significant impact on the audit quality, and that auditors who are male, majoring in accounting and auditing, older, more experienced, and in higher positions provide higher quality auditing services than other auditors. Ding Li et al. (2012) studied the impact of six personal characteristics of CPAs, namely, gender, age, education, specialty, position level and political profile, on audit quality, and only found that age has a correlation with audit quality, and the older the CPA is, the higher the audit quality. When the manipulative accruals are negative, the absolute value of manipulative accruals is lower if both signing accountants are female or both signing accountants majored in finance, accounting and auditing, while the absolute value of manipulative accruals is higher when both signing accountants are partners. Zhang Zhaoguo et al. (2014) found that the higher the age, the higher the education, and the longer the tenure of the signing certified public accountants presided over the project the higher the audit quality; male signing certified public accountants presided over the project the audit quality is higher than the female; partner as a signing certified public accountant presided over the project the audit quality is lower; the effect of educational background on the quality of the audit is not significant.

Guo Chunlin (2014) found that female CPAs and experienced CPAs provide higher audit quality; the position and education of CPAs do not have a significant effect on audit quality; and CPAs who obtain more other qualifications have lower audit quality. Wu, Weirong et al. (2017) concluded that women, highly educated, partners, and CPAs with professional education in accounting led projects with high audit quality. Further research

found that government regulation and media monitoring play a positive moderating role in auditor characteristics affecting audit quality. In summary, due to the small number of countries and regions that publicize the personal information of CPAs, the findings are only validated by empirical evidence from a few countries, including China, which suggest that the personal characteristics of signing CPAs have an impact on audit quality.

3.2.2 Auditor's Gender and Audit Quality

Defond & Francis (2005) examined the factors affecting audit quality from the perspective of the individual signatory CPA and found some correlation, suggesting that academics should not look more at audit quality from the perspective of the accounting firm.

In 2008, scholars such as Cherch et al called for more focused research on whether there is a significant relationship between individual signatory CPAs and the quality of the audits they sign. A study by Gold et al (2009) showed that male auditee clients were more attractive to female CPAs and their behavior was more likely to have an effect on the audit judgment of female CPAs. Breesch (2009) randomly selected 40 “prospective” CPAs for his study and their findings indicated that women were more risk averse and conservative in their behavior, and therefore had a greater ability to detect financial irregularities in audited entities, whereas men, though less likely to do so, usually had a greater ability to detect problems. However, while men find fewer problems, the problems they do find are usually more specific.

Consequently, based on evidence from the audit market in Taiwan, a study by Chen & Chi (2010) shows that there is a correlation between audit quality and the gender of the signatory CPAs, which is that female signatory CPAs provide a higher level of audit service. Hardiester (2010) also conducted a study on audit quality from the perspective of surplus management, but his findings did not provide more industry research evidence on the gender of the signing CPAs.

Gullet al (2011) adds important evidence to the research on the individual signatory certified public accountants. His study shows that there is a significant relationship between the gender, age, education and professional experience of the signatory certified public accountants and the quality of audits, and suggests that domestic and foreign scholars should not focus more on the quality of audits from the perspective of the accounting firms, but should pay more attention to the signatory certified public accountants. Instead, they should be more concerned with the individual signatory accountant.

Several studies have explored gender effects on audit quality. Hao, Pham, and Guo (2022) show that the adoption of PCAOB Rule 3211 led to greater improvements in audit quality among female partners than male counterparts. Likewise, Oradi et al. (2025) find that in Iran, audits led by female partners are associated with more modified audit opinions and fewer audit failures. The presence of gender diversity in audit leadership, particularly in male dominated societies, appears to enhance audit scrutiny and professionalism. Ahmed, Hussain, and Tessema (2025) introduce another dimension by studying how gender diverse boards interact with audit partner busyness. Their findings

suggest that female board members can mitigate the negative effects of overloaded audit partners, highlighting the moderating role of board diversity in corporate governance.

A study by Ittonen, Peini and Vhmaa (2011) found that female partners are more likely to detect more financial misstatements and omissions in audited entities because they tend to be more principled when faced with ethical choices, more resistant to temptation, more compliant with rules and regulations such as accounting and auditing standards, and more responsible when faced with complex issues, and more audited entities are less likely to have financial misstatements and omissions under audit by a female auditor. The audited entity will be less likely to engage in unreasonable surplus management activities under the audit of a female auditor.

Using the empirical data of Chinese A share listed companies from 2001 to 2008, Shi, Dan and Cheng, Jian (2011) conducted a study on this issue and concluded that if both signatory certified public accountants are female, they are able to identify more financial problems of audited entities, and the manipulable accrued profits of the companies audited by them are lower, which implies that they are able to provide a higher level of audit service. This means that they can provide a higher level of audit service.

Qiongyan Ye, Zhongbo Yu (2011) and Xiaoli, Minghui Li, and Wei Mu (2012) studied the relationship between auditors' personal characteristics and audit quality, and found that, unlike previous studies, the personal factors of signatory certified public accountants (CPAs) can play an important role in their audit judgment and final audit results. In particular, male CPAs provide higher quality audit services than female CPAs, i.e. male CPAs provide higher quality audits under the same conditions.

In 2012, Miao Lianqi studied a sample of signature CPAs in Shanghai from 2007 to 2009 and explored the mechanism between their gender structure and their audit results, and found that the female group of signature CPAs had lower manipulatable accruals than the mixed group, and the mixed group had lower manipulatable accruals than the male group.

Liu Xiaochun (2014) W used the “Big Five” accounting firms in China as the target group for his study, and examined the correlation between some individual factors of the signatory CPAs and the quality of their audit process and audit results, and his study showed that there was a certain degree of correlation between Zhongrui Yuehua and the “Big Four” firms. The study shows that there are some differences between CRRC and the “Big Four”, in that the position of the signatory certified public accountants of CRRC does not show a clear correlation with the quality of audits, while other personal characteristics are significantly correlated, but in the case of the “Big Four”, the effect is exactly the opposite, which is probably due to the high structuralization of the audit process and the quality of audit results in the “Big Four”. This may be due to a combination of the “Big Four's ” efficient structured audit process, better incentive system, and greater independence in dealing with individual audit clients.

Zhu Linqian and He Enliang (2015) collected data from listed companies for 12 accounting years and found that female CPAs would set a lower level of importance in audits, have less dependence on clients, and maintain a more objective and prudent attitude when dealing with audit clients, resulting in a “four big” structured audit process,

a better incentive system, and a higher degree of independence when dealing with a single audit client.

A study by Hwan Min Mae (2015) shows that there is no evidence that there is a significant correlation between the gender structure and age structure of the signing certified public accountants and the quality of the audit when the analysis is conducted without distinguishing the direction of the audit client's manipulation of the accruals, but whether the signing certified public accountants and the reviewing partners are undergraduates or masters, and whether they majored in financial auditing in the school, has a significant effect on the quality of the audit; and whether the signing certified public accountants and the review partners are masters or bachelors, and whether they majored in financial auditing in school, has a significant effect on the quality of the audit. In distinguishing the direction of audit client's manipulative accruals for analysis, whether the signing CPA and the reviewing partner are undergraduates or masters, and whether they have studied financial auditing during their school years can have a significant effect on the quality of the audit only for the positive manipulative accruals of the audited entity.

3.2.3 Auditor's Age and Audit Quality

Research on the effect of age on audit quality started early. In 1975, Taylors study concluded that the age of a certified public accountant varies, and that a certified public accountant will make different choices when faced with ethical choices and temptations, and will exercise very different degrees of prudence in conducting on site audits. The older the certified public accountant, the more prudent he/she will be in conducting on

site audits, the lower the level of significance he/she will set when facing audit risks, and the more audit evidence he/she will collect to support his/her final audit conclusions.

A study by Neilsson & Tan (2005) shows that as CPAs get older, their field audit experience increases and the likelihood of producing audit reports with a reasonable level of assurance increases. In 1989, a study by Bantel and Jacqueson showed that the older an individual is, the more prudent he is and the more he makes strategic choices to avoid risks. It is not known whether the age of the signatory CPA has any impact on the quality of his audit results.

In 2011, academics Ye Qiongyan and Yu Zhongbo collected empirical data from China's listed companies and analyzed them. They also found a correlation between the age of the signatory certified public accountants and the quality of the audits: the older the signatory certified public accountants, the more prudent they are in conducting on site audits, the more capable they are in investigating the auditee's surplus management practices, and the better the level of auditing services they provide; meanwhile, the quality of the audits is also related to whether the signatory certified public accountants studied financial accounting during their college years, the life cycle of the signatory certified public accountants, and when they entered the university to study financial accounting. At the same time, the quality of audit is also significantly related to whether the signatory CPA studied financial accounting during university, the life cycle of the signatory CPA, and when the signatory CPA entered the auditing profession.

Ding Li, Li Minghui and Lu Wei (2012) found that the older the age of the signatory CPA, the higher the level of audit services provided by the signatory CPA, but this effect is

more significant only when the auditee is engaged in negative earnings management. Therefore, it is hypothesized that age is the most intuitive criterion in terms of the length of time in the profession, the number of signatures in total, and the professional history of the signatory CPA, but it is not related to the quality of audit. However, it may not be so relevant to the quality of audit.

For this kind of study, Liu Xiaoxia and Li Minghui (2012) analyzed and examined the age structure of signature auditors in accounting firms by collecting the public data of listed companies and their signature accountants in China in 2009. However, they came up with a different conclusion, that is, most of the project managers and review partners in domestic firms are in the age bracket of 30 to 60 years, but they set a dummy variable of the proportion of auditors aged 40 to 60 years as an explanatory variable to study its relationship with audit quality. However, the firm set a dummy variable with the proportion of auditors aged 40 to 60 as an explanatory variable to study its relationship with audit quality, and found that the larger the value of this dummy variable, the lower the level of surplus management of the audited entity audited by the firm, which means the higher the quality of the audit.

Wu Weirong (2012) collected data from listed companies that selected the “Big Four” to conduct annual audits of their financial statements in 2011, and studied the correlation between the age of the signing certified public accountants and the quality of the audits, but did not find any correlation in the end. After analysis, it was found that the examination for certified public accountants was more stringent, which ensured that the basic professional qualities of people entering the auditing profession were generally

higher, and that the better training model of the “Big Four” and the higher selection criteria for auditing clients also weakened the correlation between the two.

Huang Lianghua, Chen Yunsen and Xie Deren (2013) took a more unique perspective in examining the correlation between the personal factors of the signatory certified public accountants and the level of audit results signed by them. This unique perspective mainly used the national unified examination for certified public accountants as an indirect measurement standard, and strengthened the role of the examination for certified public accountants in the quality of certified public accountants' on site audits. The study concluded that the CPA Examination combined with the age of the signatory auditor shows that the older the signatory auditor is when he/she passes all the subjects in the examination, the higher the level of auditing services he/she can provide in his/her future practice.

Zhang Zhaoguo, Wu Weirong and Chen Xuezen (2014) focused on the senior team theory in their study. They used listed companies in Shanghai and Shenzhen as their research samples and examined in detail the impact of individual characteristics of registered accountants, such as gender, age, education, education background, tenure of office and level of access, on the quality of audits. They found that there is a correlation between the personal characteristics of the signatory certified public accountants and the quality of the audit.

From the above studies, we can see that there are a lot of debates on the impact of the age factor of the certified public accountants on the quality of audit, and different scholars with different research methods have come up with similar or different

conclusions. Such a debate is certainly a good thing, which shows that the relationship between the two has been emphasized by the academia, and through continuous and in depth research, the relationship between the two is being addressed by the academics.

3.2.4 Auditor's Function and Audit Quality

Signatory certified public accountants (CPAs) perform different functions in the audit process and these functional roles may have an impact on the quality of the audit and may even affect the outcome of the audit. There are not many studies on this issue, especially on the impact of the roles played by individual signatory CPAs in the audit process on the quality of the audit.

It is the combination of the signatory CPA's ability to identify issues and report on them that results in the final audit report, and the definition and measurement of audit quality should encompass these two competencies, with the ability to identify issues being primarily a reflection of professional competence and the ability to report on them being primarily a reflection of independence De Angelo (1981), Watts & Zimmerman (1986).

Bamber & Jiang (2010) concluded that when faced with a problem, the human brain tends to think rationally about the solution to the problem. Each individual has a different perspective on the problem, and the same problem is perceived by different people as having different importance and impact, so the efforts made by each individual in solving the problem will vary, and the final decision of each individual will be determined by these individual subjective principles. The final decision made by each individual will certainly be different due to these individual subjective reasons.

There has been some progress in research on the direction of corporate executives with respect to the impact of their individual roles on decision making. According to the top echelon theory, the external business environment of a company is responsible and volatile, and no matter how much time and effort a top manager spends, he or she cannot know everything about the situation. In case of unexpected situations that the normal decision making process cannot cope with, he or she can only make judgment based on the skills and experience he or she possesses and his or her own personal characteristics, so the cognitive and personal characteristics of the top manager will have an intangible impact on the production and business decisions of the company. Therefore, top management's cognitive and personal characteristics will invariably have an impact on the company's production and management decisions, and this impact cannot be eliminated by the company itself. In short, strategic choices and business performance are influenced to a greater or lesser extent by the characteristics of the senior management echelon, Hambrick & Mason (1984).

Soon after, there was a surge in academic research on the theory of the top echelon from various directions, the most representative of which was that the strategic direction of a company is highly relevant to the career path of its executives, as shown by Hambrick & Mason (1984), Jensen & Zajac (2004).

In 1994, Ramsay found that the role of different roles in the audit process varied significantly, with general knowledge issues being easily detected by the project owner, but very subtle financial misstatements and omissions by the audited entity were not easily

detected by the project owner, but instead were perceived by the lead accountant and partners.

In 2008, Ge, Dawn and Zhang found that the personal characteristics of the CEOs of a company play a very important role in the company's financial reporting strategy.

Frank's research in 1988 showed that top managers of listed companies would unconsciously use their past experience and accumulated information to make present judgments, and then use their present judgments to test the validity of their accumulated information and experience.

In 2011, Ye Qiongyan and Yu Zhongbo collected empirical data of listed companies from 1991 to 2010, and used empirical research to try to investigate the mechanism of the personal demographic factors of the signatory certified public accountants on their audit results, which proved that there was a significant correlation between the position of the signatory certified public accountants and the quality of the audits.

In 2012, Hongqi Yuan and Weifang Han collected empirical data of listed companies from 2002 to 2009 and investigated the mechanism of the signatory certified public accountants' personal factors on their audit results. The study shows that there is a significant correlation between the position of the certified public accountant and the quality of the audit. There was a significant negative correlation between the past professional experience of the certified public accountants and the manipulative accruals of the parent company, but this correlation was mainly in the capacity of the project manager and not in the capacity of the review partner.

In 2015, WEN Huanmin, an academic, collected empirical data from listed companies in China from 2009 to 2013, and his findings showed that there was a significant correlation between the position of the signatory certified public accountant in the accounting firm and the quality of the audit. There is a significant negative correlation between the signature auditor's past interest in a certain area and the firm's manipulative accruals, which is conducive to the signature auditor's provision of a higher level of audit services, but this correlation is mainly reflected in the project manager and not in the partner; there is a significant negative correlation between the signature auditor's total number of signatures in the past and the firm's manipulative accruals. There is a significant negative correlation between the total number of past signatures of the signatory auditor and the manipulability of the company, but this correlation does not vary according to the individual position of the signatory auditor in the accounting firm.

3.2.5 Auditor's Experience and Audit Quality

Bonner and Lewis (1990), Smith and Kida (1991), and Davis (1996) have shown that auditors' experience can help them make sound professional judgments. Shdtan (1999) showed that auditor's experience can assist in removing confusing information. Abdolmohammadi and Wright (1987) showed that experienced auditors are more effective in identifying the audit risks of the audited entity and making sound audit judgments. Abdolmohammadi and Wright (1987) and Libby et al. (1990) showed that experienced

auditors are better able to detect potential misstatements in the audited entity. Johnson et al. (1989) found that audit experience plays a key role in audit quality review. Ye et al. (2014) empirically find that experienced auditors have more audit resources and can effectively inhibit surplus manipulation by audited entities. Alissa et al. (2014) argue that experienced auditors have higher performance. Yuan Hongqi et al. (2012) found that the higher the number of years of practice, the more obvious the positive effect of experience on audit quality. Zhang Jixun and Fu Honglin et al. (2008) found that there is no significant difference between experienced and inexperienced auditors in terms of stability and self insight, but the consensus ability of experienced auditors is significantly higher than that of inexperienced auditors. Luo Chunhua et al. (2014) found that auditor's practice experience is highly correlated with financial report robustness. Leun Huanmin (2016) argues that auditors' industry experience rather than practice experience is highly correlated with audit quality. Wang, Xiaoke et al. (2016) found that auditor's experience can effectively inhibit the auditee's upward actionable accruals. Han Weifang (2017) found that the richer the audit experience of the project leader, the higher the probability of the client being issued a non standard audit opinion. In conclusion, regarding the research on the audit quality of the practice experience of certified public accountants, relevant studies have shown that experienced auditors can more effectively identify the audit risk of the audited unit and make correct audit judgments, and the ability to find potential misstatements of the audited unit is stronger, which helps to improve the quality of the audit.

3.2.6 Auditor's Industry Expertise and Audit Quality

In many studies, scholars have argued that individual CPAs' expertise in certain professions helps them to more accurately identify and assess client risks, which in turn leads to high quality audit decisions (Taylor, 2000), and helps to reduce the level of actionable accrued profits of the audited entity (Krishnan, 2003). It helps to increase the sensitivity between audit strategy and audit risk (Low, 2004); it helps to reduce the likelihood of financial restatements by audited firms (Romanus, 2008), it helps to accumulate industry experience and learning effects, and it reduces the probability of restatements of audited firms' financial reports (Chin and Chi, 2009), which ultimately contributes to the improvement of the quality of the audit. However, Jr et al. However, Jr et al. (2008) found that the relationship between signature accountants' industry expertise and audit quality is affected by the level of their position and the type of audit work. Liu Wenjun (2010) found that the higher the auditor's level of expertise, the higher the quality of the audit, but if the auditor's economic dependence on the industry is high, the quality of the audit will be reduced. Long Zhenhai et al. (2011) found that the higher the auditor's level of industry expertise, the more timely the auditee recognizes losses; and the higher the auditor's level of industry expertise, the less the auditee's behavior of unsound accounting surplus information due to the separation of ultimate control. Zhang Dunli et al. (2012) found that auditor industry expertise improves the auditor's professional judgment, which is better able to identify the risk differences of different attributes of surplus management than auditors without industry expertise, and the probability of issuing non

standard opinions on opportunistic surplus management with high risk of misstatement is higher. Ma et al. (2012) find that the positive relationship between auditors' industry expertise and audit quality is affected by the characteristics of the audited entity, and after eliminating these effects, the relationship is not significant. Li Sifei et al. (2014) found that the auditor's industry expertise can help improve audit quality in the short term; however, in the long term, when the auditor's economic dependence on the clients in the industry increases, even if the auditor has the industry expertise in the industry, the quality of the audit will decline. Yan Huanmin (2015) found that the impact of the auditor's industry expertise on audit quality is affected by the type of auditor's work, only the industry expertise of the project leader has an effect on audit quality, and the reviewer's industry expertise has an insignificant effect on audit quality; and the industry expertise of the project leader and the audit tenure show a complementary substitution effect to affect audit quality. In summary, domestic and foreign studies show that the auditor's industry expertise helps the auditor to accurately identify and assess the client's risk, and helps to improve the audit quality, but the relationship between the industry expertise of the signing accountant and the audit quality is affected by the level of his position and the type of audit work and other factors.

3.2.7 Auditor's Independence and Audit Quality

DeAngelo (1980) showed through economic modeling that CPAs' independence is compromised when dealing with significant clients. Ferguson et al. (2004) found that the

higher the auditor's financial dependence on the client, the more the client is subject to regulatory censure for accounting policy violations, and the importance of the audited entity affects the auditor's tolerance for actionable accruals, which is higher the more important the client is. In addition, the auditor's financial reliance on the audited entity is significantly and positively related to the likelihood of financial statement restatement. Chen, Sun and Wu (2010) take the 2001 Yinguangxia incident as the cut off point of the institutional environment in China, and find that before this cut off point, auditors tend to issue standard unqualified audit opinions for clients with high materiality levels, and there is no significant correlation between the materiality of the client and the audit opinion after this point. According to Zhang Jixun et al. (2011), client importance significantly affects audit quality. Yuan Chunsheng et al. (2011) believe that auditors with a high degree of independence and industry expertise are better able to constrain corporate fraud. Li (2013) found that client importance is positively related to audit quality in general, but the relationship is significantly negative when the level of corporate governance is low.

Gu Mingrun et al. (2011) found that the domestic top ten accounting firms in the disclosure of the audited unit accounting information will be negatively affected by the economic importance of the client, for economically important clients will slow down the disclosure of "bad" news, affecting the quality of the audit. Cao Qiang et al. (2012) found that the higher the auditor's economic dependence on the audited entity, the more lenient the audited entity's financial restatement will be treated, but there is no significant relationship between the economic importance of the audited entity and the audit quality when the risk level of the client is seriously higher than the normal level. Chen Bo (2013),

based on a study at the branch level of a local firm in China, found that auditors at the branch level are more tolerant of manipulative accruals by major clients, but this finding was not found in the big four international firms. Xie Shenglian et al. (2013) concluded that when the audited entity changes the accounting firm but the auditor does not change, i.e., the auditor jumps ship and takes the client with him to the new accounting firm, the auditor's return to the audited entity will affect the objective independence and lead to a decline in the quality of the audit. Chen, Xuxia et al. (2015) found that when the auditor jumped ship to audit the future employer, the financial statements of the future employer in the current year were accompanied by a higher level of surplus management (especially the surplus management of adjusting the profit). Xie Shengwen et al. (2017) argue that listed companies with an alumni relationship between executives and the signing CPA are more likely to receive a standard audit opinion in the current year. Zhang Yun et al. (2013) argue that, in the case of a large enough legal risk loss, the rational choice for each of the CPA and the client should be to re cooperate with each other, i.e., the CPA performs its duties and the client provides true information, thus improving the quality of the audit. In summary, on the auditor's independence on the audit quality of the impact of related researchers focused on the auditor and the audited unit of economic dependence and affiliation, the auditor and the client to establish a close relationship, and even lead to the auditor jumped to a new accounting firm, the original client will follow the replacement of the firm by its new position as the audit work. All these phenomena will affect the independence of the auditor, which in turn will affect the quality of the audit.

3.2.8 Auditor's Rotation and Audit Quality

Cahan and Zhang (2006) and Krishnan (2007) find that mandatory firm rotation is effective in improving audit quality, but Blouin et al (2007) and Ruiz Barbadillo (2009) do find that mandatory firm rotation does not affect audit quality. Hamilton et al. (2005) find that audit quality is significantly improved only when auditors of the “Big Five” accounting firms undergo mandatory auditor rotation, while other firms do not find this finding. Chi et al (2009) found that there is no significant difference between the level of manipulative accruals in the audited entity in the year after mandatory auditor rotation and the year before rotation, i.e., the mandatory auditor rotation system does not significantly improve the quality of audits. Firth et al (2012) compared the improvement of audit quality after mandatory firm rotation and mandatory auditor rotation, and found that when the regional capital market is underdeveloped and the level of legal environment is low, the mandatory auditor rotation system can significantly improve the audit quality, but did not find that there is a significant relationship between mandatory rotation of firms and the quality of audits. Domestic scholars Jiang Wei et al. (2011) believe that the longer the audit term, whether it is the term of office of the CPA or the term of office of the firm, the lower the audit independence. According to Zhang Juan et al. (2011), the mandatory rotation system does not significantly improve audit quality in general, while auditors with experience in auditing the original client re audit the client's audit quality is higher after being mandatorily rotated. Wu, Weirong et al. (2015) concluded that there is an inverted U shaped relationship between the existing tenure of the signing CPAs and audit quality, and

the expected tenure of the signing CPAs is positively related to audit quality. Xu Haoran (2017) found that the relationship between the mandatory auditor rotation system and audit quality is affected by the financial situation of the audited unit, the financial situation of the company, the mandatory rotation system does not bring changes in audit quality. Companies with poor financial status, if the auditor and the client do not have a long term relationship, the audit quality is improved after the mandatory rotation of the auditor, and if the two have a long term relationship, the improvement of audit quality after the mandatory rotation system is weakened.

Xinyi Jiang et al. (2016) argue that the magnitude of accrued surplus management of firms audited by CPAs who return to their old employers after mandatory rotation is significantly higher, i.e., it brings about the unfavorable consequence of a decline in audit quality. To summarize, usually scholars put firm mandatory rotation and auditor mandatory rotation together for research. Compulsory rotation system of good and bad opinions, on the one hand, the rotation system can avoid the auditor and the audited unit of the long time contact with the close relationship between the damage to the independence of the audit quality; On the other hand, the replacement of the auditor should be unfamiliar with the business, will increase the cost of auditing, resulting in a decline in the quality of the audit. Therefore, the research of scholars on this issue has not reached a unanimous conclusion.

3.2.9 Auditor's Busyness and Audit Quality

“Busyness” affects the quality of work. According to psychologist Kahneman (1973), there is an inherent defect in the cognitive process of individuals, who must allocate their limited cognitive resources when facing multiple pieces of information or performing multiple tasks, which results in the more information they face or the more tasks they perform, the less cognitive resources they are allocated to each piece of information or task on average. Some scholars have introduced this theory into corporate governance to study the decision quality of “busy boards”. Findings suggest that the busyness of board members is negatively related to the monitoring effectiveness of the board (Falato and Kadyrzhanova, 2014; Haiyan Duan, 2016), that firms with busy audit committee chairs or busy financial experts have significantly higher levels of abnormal accruals (Paul and David, 2015), and that busy boards even increases a firm's risk of bankruptcy (Faleye, Platt. H and Platt. M, 2014).

Meanwhile, the theory has also been introduced to other industries and fields, demonstrating that pharmacists (Svarstad, Bultman and Mount , 2004), nurses (Fujita, Yoshioka and Suzuki, 2004), bank staff (Pugh, 2001), supermarket cashiers (Rafaeli and Sutton, 1990) and hedge fund managers (Lu, Ray and Teo, 2016) are among the workers who are affected by “busyness”, leading to a decrease in work outcomes or work quality.

The findings of the above studies support the theory of limited cognitive resources, i.e., an individual's ability to process multiple pieces of information or perform multiple tasks is limited, and the decision maker's busyness adversely affects the quality of

decision making; unfortunately, very few scholars have introduced this theory into the auditing profession to study the quality of decision making and the quality of audits by “busy auditors”.

In a study on the number of audit clients and audit quality, Anne and Sri S (2006) categorized auditors into rigid auditors (strict adherence to auditing standards) and flexible auditors (dishonest or non compliance with auditing standards), and in studying the externality of auditors' audit quality by means of theoretical modeling, they found that increasing the number of audit clients with limited wealth of the auditing firm would reduce audit quality and increase the likelihood of audit failure. Referring to this study, scholars Liu Bin and Wang Xingfen (2008), also through the method of setting up theoretical models, stand on the perspective of improving the organizational form of accounting firms and propose that, under the premise of perfecting the compensation mechanism, with the increase in the number of audit clients, the overall audit quality of accounting firms will increase. The drawback is that the above findings are only based on the overall level of accounting firms, and the relationship between the number of clients and audit quality under the responsibility of individual auditors is not explored in depth or tested from an empirical point of view.

Moreover, related scholars have not formed a consistent conclusion on the relationship between the number of audit clients and audit quality. Some scholars believe that there is a positive correlation between the number of audit clients and audit quality. For example, DeAngelo (1981) argues that audit partners will increase their independence as the number of clients increases for reputational reasons, because the risk of litigation

increases with the number of audit clients, so auditors will be motivated to improve the quality of the audit in order to avoid the risk of litigation. Subsequently, some scholars have elaborated on this view from an economic perspective, proposing that the busyness of audit partners is actually the result of market selection, and busy partners represent professional competence and client trust, so busy auditors are in a sense auditors who can provide high quality audit services (John, 2016).

It has also been argued that an increase in the number of audit clients would bring about a decline in audit quality. Audit resources are limited, and a large number of audit assignments will shake the auditor's professional prudence, prompting the auditor to adopt easier audit procedures (Stefan and Tobias, 2014); and, with the increase in the number of audit clients, the ever increasing time pressure will have a certain negative impact on the audit quality (Wang, Xingfen, and Liu, Bin, 2009), and the auditor may be tempted to fulfill the audit tasks at the expense of audit quality. Other scholars have suggested that the relationship between audit partner's busyness and audit quality depends on the partner's ability to bring the number of clients and his or her own busyness to an equilibrium state, and have argued that in an equilibrium state, there is no causal relationship between audit partner's busyness and audit quality (John, 2016). However, the study used Australian data and considered the impact of audit failures in the Australian audit market, so the relevance of its findings to our audit market needs to be further verified.

Lo, Lin, and Wong (2022) examine whether the number of available audit partners within Chinese CPA firms influences audit quality. Their findings suggest that firms with a

lower staff to partner ratio are associated with fewer restatements, indicating higher audit quality. However, this relationship weakens when partners are overloaded, underscoring the importance of balanced partner workloads. Similarly, Suzuki and Takada (2024) investigate the role of internal resource allocation in moderating the negative effects of audit partner busyness. They find that audit quality suffers when overburdened partners lack internal support, especially in non Big Four firms. These studies collectively point to the need for capacity management within audit practices.

Auditors' busyness can also be seen as an aspect of audit work stress, which affects work quality and organizational performance (Yan Huanmin and Jiang Hsuan, 2016). Huang Haibo and Bo Peiwen (2014) found through empirical research that there is an inverted U shaped relationship between auditors' work stress and work performance, and that moderate work stress helps to stimulate work motivation and work enthusiasm, and that if the pressure is too high, it will produce a sense of burnout, which will have a negative impact on work performance. However, the study used a questionnaire design, and the research methodology has some limitations; and there is no explanation of the specific content of the work pressure faced by auditors, not to mention whether the auditor's busyness is also a part of the auditing work pressure.

In the research on auditor work pressure, there is a greater focus on time pressure. There is a conflict between cost and quality in the auditing market (Pierce and Sweeney, 2004), and accounting firms must rationally allocate their limited resources to maximize revenue, and time is one of the important resources. Time pressure reduces the effectiveness of auditors' audit judgment, hinders the implementation of audit procedures,

and reduces audit quality (Liu, Founding, 2008; Liu, Founding and Zhang, Jixun, 2008). However, when related scholars study the relationship between time pressure and audit quality, they do not consider whether time pressure is a direct consequence of an increase in the number of audit clients, nor do they explicitly state whether reducing the number of clients served by an auditor within a given time limit is an effective way to improve audit quality.

To summarize, there are fewer studies on auditor busyness and audit quality, and most scholars place the research perspective at the level of the accounting firm as a whole without in depth discussion on the relationship between the busyness of the individual auditor and audit quality; and there is no unanimous conclusion from relevant scholars on the relationship between the number of audit clients and the quality of audits. Some scholars regard auditors' busyness as an aspect of audit work pressure, focusing on the study of time pressure, and lack of independent discussion on the specific relationship between individual auditors' busyness and audit quality.

3.2.10 Auditor's Other factors and Audit Quality

Yan Huanmin et al. (2016) argue that the impact of work pressure on audit quality depends on the effectiveness of work control implemented by auditors in response to the demands of their work, and its transmission mechanism is subject to individual perceptual factors, including individual heterogeneity, the firm's work support mechanisms and the external legal environment. According to Cui et al. (2015), the degree of true surplus management of audited companies decreases significantly with the increase in the

auditor's legal liability risk concern. Yu Yumiao et al. (2016) argue that, under the same quality control system, low quality audits are a special case caused by the auditor's personal qualities; and good quality control can help inhibit the negative impact of the personal qualities of the “tainted” signatory certified public accountants on the quality of audits. Ran et al. (2016) find that the audit quality and audit fees of tainted auditor signing peers are significantly lower than those of those who have not worked with tainted auditors, which is reflected in the fact that tainted auditor signing peers have higher positive manipulative accruals, higher audit report aggressiveness, and lower accrual quality. According to Wang Shihong (2014), organizational identity and professional identity have a moderating effect on the relationship between psychological contract violation and auditor's lower audit quality behavior, and organizational identity and professional identity also have a moderating effect on the relationship between psychological contract violation and auditor's lower audit quality behavior. To summarize, due to the fact that not many countries and regions disclose auditors' personal information, there are fewer studies based on auditors' personal characteristics than those based on firms as a whole, and it is only in recent years that China has shifted from studying firms as a whole to studying auditors' personal characteristics. As for the impact of individual auditor's characteristics on audit quality, relevant studies have been conducted on factors such as background characteristics of CPAs, practicing experience, industry expertise, independence, rotation of CPAs, auditor's work pressure, auditor's concern for legal liability risk, auditor's experience of being penalized, and auditor's sense of professional identity, etc., and they have also achieved fruitful results.

Pittman, Stein, and Valentine (2023) analyze how engagement partners' personal risk tolerance, proxied by their legal infractions, correlates with audit outcomes. They report that risk prone partners are linked to lower audit quality, more misstatements, and less conservative financial reporting. This supports the notion that personality traits, such as risk appetite, significantly affect audit performance. Dekeyser et al. (2021) extend the conversation to economic motivations, demonstrating that fee based compensation structures are negatively associated with audit quality, while greater partner net wealth correlates positively. These findings indicate that short term financial incentives may compromise audit rigor, while financial security may foster more independent judgments.

Chou, Pittman, and Zhuang (2021) explore the influence of narcissism, measured by signature size, on audit outcomes in Taiwan. Surprisingly, they find that narcissistic partners may improve audit quality through greater independence, although not necessarily through technical competence. This highlights the complex ways in which personality traits can affect auditor behavior.

Francis et al. (2022) examine how geographic distance between audit partners and clients affects audit quality. They find that partners assigned to distant clients generally produce lower quality audits, particularly when commuting challenges are high. However, the effect is mitigated by direct flight access or when clients are geographically dispersed, suggesting that logistical factors can influence engagement effectiveness. In a related study, Li, Yang, and Zhai (2024) explore how experience gaps between co signing auditors affect audit outcomes. Their findings show that a greater disparity in experience between

auditors can enhance audit quality, especially for complex clients or those with weaker governance structures.

Bédard, Brousseau, and Sirois (2024) assess how the format of partner identification affects audit quality. Their results show little consistent effect across various regulatory formats (e.g., name disclosure vs. permit number), suggesting that simply identifying the partner may not be sufficient to influence audit behavior unless accompanied by other accountability mechanisms.

Tran et al. (2025) investigate the impact of audit partner tenure on earnings management in Vietnam. They find that longer tenure is associated with higher discretionary accruals, particularly in weak governance environments. This raises concerns about auditor client familiarity potentially undermining audit independence over time.

3.3 Empirical Findings and Literature Review

Summary

The existing body of research has provided compelling evidence that a variety of auditor specific characteristics—including gender, age, tenure, workload, functional position, and behavioral attributes—may influence audit quality. These factors interact in complex ways with professional judgment, ethical decision making, and client auditor dynamics. Despite the growing interest in this area, the literature remains fragmented, with results often varying across institutional contexts, regulatory environments, and methodological approaches. In particular, while firm level variables have traditionally

dominated audit quality research, there is increasing recognition that individual level attributes—especially those of audit partners who sign the audit opinion—play a critical role in shaping audit outcomes.

At the same time, many relevant characteristics remain underexplored, particularly in emerging markets like China where recent regulatory reforms have increased the visibility and accountability of individual partners. Given the unique institutional setting of the Chinese audit market and the increasing emphasis on partner level disclosure and liability, there is both a theoretical and practical need to deepen our understanding of how specific partner traits affect audit performance.

This dissertation addresses this gap by focusing on four core characteristics of audit partners: educational background, signing experience, professional background, and industry specialization. These dimensions were selected based on their theoretical relevance, empirical measurability, and potential to influence auditors' technical competence, judgment quality, and decision making under uncertainty. By empirically examining how each of these traits correlates with audit quality indicators in the Chinese context, this study not only contributes to the international literature on auditor behavior but also provides context specific insights that are valuable for regulators, audit firms, and policymakers striving to improve audit effectiveness through human capital strategies.

Chapter 4 – Chinese Institutional Setting

The Chinese auditing profession was re established in 1980. The rapid growth of foreign investment and joint ventures in China created the demand for external auditing services for the purposes of tax collection (DeFond, Wong, & Li, 2000). In response to the need for an auditing profession, the Ministry of Finance created the Chinese Institute of Certified Public Accountants (CICPA) in 1988. The duties of the CICPA involve setting auditing standards and overseeing the administration of the national uniform examination for CPAs. Before 1998, all local auditing firms were established and sponsored by local government agencies. The affiliation of auditing firms with sponsoring agencies impaired the independence of auditors. In order to improve audit quality, the Ministry of Finance and the Chinese Securities Regulatory Commission (CSRC) issued regulations to require local government affiliated auditors to disaffiliate from the government both financially and operationally in 1998. The reform was completed at the end of 1999. Since the enactment of Chinese auditing standards in 1996, it has been required by the Ministry of Finance that an audit report be signed by two engagement auditors. In 2006, these auditing standards were further revised to be more compatible with International Standards on Auditing (ISA) and to facilitate the transition to International Financial Reporting Standards (IFRS) starting in 2007.

4.1 Characteristics of China's Audit Market

Auditing in China is not a spontaneous market demand, and from recovery to development, it has been deeply marked by the government and is an incidental product of

government regulation (Liu Feng et al., 2002; Gong Qihui et al., 2012). The government has played an important role in promoting the development of the capital market and the audit market, the so called “helping hand”. From the perspective of accounting firms, the legal status of accounting firms is established through the enactment and enforcement of corresponding laws and regulations, and accounting firms are required to practise in accordance with the standards. The government conducts regular quality checks on the competence of the firms and auditors to monitor and ensure the quality of practice. Moreover, the Government has formulated the quality control standards for firms and the qualification criteria for certified public accountants, so that only practitioners with appropriate professional competence or of a certain size are qualified to issue audit reports. This licensing system can ensure the minimum quality of auditing services. From the perspective of companies, a series of government initiatives such as the decentralization reform and the shareholding reform have fostered the demand for audit services. Just as there are two sides to every coin, and as the government plays its “helping hand” to promote the orderly development of the audit market, we must also recognize the market disorder that may be brought about by government intervention. Government intervention has undermined the role of independent auditing. In 1998, accounting firms completed the delinking and restructuring process, but the relationship between accounting firms and the government did not change immediately. For example, many partners, executives and employees of accounting firms have worked in government departments, which creates conditions for the firms to utilize the power of the government to influence the selection of auditors by the firms, and this leads to the situation that

accounting firms do not rely on their high level of audit services to win clients, but rather on their high level of audit services. As a result, accounting firms are able to secure clients not by virtue of their high level of audit services, but by using the power of the government to have a unique client base (Gong Qihui et al., 2012). Moreover, in order to obtain listing status and raise more capital, local governments and state owned enterprises are more inclined to interfere with auditors' audit behavior to obtain favorable audit results, while firms often find it difficult to resist the pressure from governments and enterprises out of their own interests, which leads to the reduction of their independence (Wang et al., 2008). For the demanders of audit services, the government, as the controlling shareholder and social manager of state owned enterprises, is more favorable to the accounting firms with which it is associated.

The close relationship between the accounting firm and the government is more conducive to coordination and communication for favorable financial reporting (Wang et al., 2008). Further, due to government intervention, companies do not choose auditors based on their ability to provide high quality audit services, but rather choose firms that are preferred by the government or firms that can fulfill the government's requirements (Zhu Hongjun et al., 2004). It can be argued that the government is the largest demander of audit services in China's audit market (Chen, Wuchao and Zheng Jun, 2001). Another characteristic of the audit market due to government intervention is geographical segmentation. The audit activities of accounting firms are characterized by a clear geographic dimension (Yu Yumiao, 2001; Zhang Limin and Guan Jinsong, 2004; Lv Zhaode et al. 2007; Yuan Hongqi and Han Weifang, 2012), making market segmentation a common

phenomenon in the audit market. The main reason for this phenomenon is that the government often uses indirect or direct administrative intervention to contract out auditing business to accounting firms with which it has close ties (Gong, Q. F. et al., 2012), and the independence of local firms is more susceptible to the intervention and influence of various factors, so that they cooperate with enterprises to manipulate their surpluses, and help enterprises to obtain more resources (Guan, Y. M., 2012). The direct result of the local preference in the selection of auditors is the establishment of geographical barriers in the audit market. Under such influence, the mobility of accounting firms is greatly reduced, thus resulting in geographical segmentation of the audit market and exacerbating unfair competition among accounting firms.

The Chinese audit market is a highly fragmented market (Gul et al. 2001; Wang et al. 2001; Chen et al. 2001; Yu Yumiao 2001). The number of accounting firms is large, their size is generally small, the market share of large scale firms is low, and the competition in the audit market is intense. DeFond et al. (1999) pointed out that after the promulgation of the new standards (1995 1996), audit independence increased, and the market share of large firms decreased due to the lack of demand for high quality audits, and market concentration declined. Based on the study of DeFond et al. (1999), Wu Xi (2001) analyzed the changes in the concentration of the audit market from 1997 to 1999 and found that with the strengthening of the regulation of the audit market in China, the concentration of the market has been declining year by year. Based on the data disclosed in 2001, Mr. Xia Donglin and Mr. Lin Zhenjun (2003) pointed out that the competition in the Chinese audit market was fierce and high quality accounting firms had not emerged. Zhang Limin and

Guan Jinsong (2004) found that monopolistic competition had not yet been established in the audit market, based on the public data of listed companies in 2002. It is worth noting that the structural characteristics of the auditing market are not static and will change with the internal and external environment. In this regard, Chen Yanping (2011) systematically analyzed the competitive situation of China's auditing market from the perspective of economics and pointed out that China's auditing market is currently characterized by the following features: the large number of accounting firms, the significant differences among accounting firms in terms of product offerings, brand names, bargaining power, industry expertise, etc., and the fact that accounting firms and certified public accountants are not completely free to enter or exit the auditing industry and face strict thresholds. Compared with the mature auditing market, which is characterized by an oligopolistic market competition, China's auditing market has basically been characterized by a monopolistic competition market. Compared with the developed countries in the West, China's audit market is a buyer's market, and listed companies as the demand side are in an advantageous position and have more power in choosing accounting firms. As a result, accounting firms reduce their independence, cooperate with the information manipulation of their clients, and lower their audit quality in order to win over their clients (Liu, Minghui et al., 2003; Liu, Guiliang and Mou, 2008).

In essence, the audit market can be viewed as a product market in which audit services are bought and sold. In a product market, the demand for audit significantly affects the supply of audit. Previous literature has pointed out that there is a lack of high quality audit demand in the Chinese capital market (Li Shuhua, 2000; Chen Wuchao and

Zheng Jun, 2001; Liu Feng et al, 2002; Zhu Hongjun et al, 2004). In general, companies choose external auditing to reduce agency costs and information asymmetry and to improve their credibility in the capital market (Jensen and Mackling, 1976). However, many of the behaviors of listed companies in China are not market oriented, but to meet the policy requirements set by the government, such as the need to meet certain criteria to be eligible for listing, the use of non market determined IPO prices, and the need to ensure the profitability of the company after listing to avoid delisting, etc. This has led companies to be more concerned about auditing. Thus, the need for audit is to satisfy the regulatory requirements of the company. Under such audit requirements, if auditors provide high quality audit services, the interests of client companies may be reduced. Therefore, those accounting firms which can meet the needs of their clients and help their companies to obtain the recognition of the regulatory authorities are more popular, which will lead to “bad money driving out good money” and a lower quality of the entire auditing market. Moreover, the level of investor protection and the legal risk of audit failure in China are not high (Alen et al., 2005), and the cost of unethical practice by auditors is small, which further exacerbates the low quality of audits (Liu and Xu, 002). However, along with the continuous development of China's economy, the government has introduced a series of reforms to promote the gradual improvement of the capital market, such as shareholding reform, government decentralization reform, improvement of corporate governance, development of institutional investors, etc., and the improvement of the capital market is conducive to the cultivation of high quality auditing demand. Wang Peng and Zhou Li'an (2006) pointed out that China's capital market recognizes reputable auditors. Bai Yunxia

et al. (2009) found that in less developed jurisdictions, companies choosing highly independent auditors had lower closing prices and lower rates of return on the first day of IPO. Gao, Qiang and Wu, Lina (2007) find that the more serious the dominance of large shareholders, the more companies tend to choose high quality auditors in order to reduce agency costs.

4.2 Evolution in the Signatory Accountant System

As early as 2009, the PCAOB proposed to “require disclosure of the lead auditor,” but the bill did not receive majority support. In 2011, the PCAOB proposed that accounting firms registered with the PCAOB disclose the name of the audit partner on the audit report and in the annual report filed with the PCAOB, and in 2013, the PCAOB modified this to require disclosure of the audit partner's name on the audit report and to require more detailed information. In early 2016, the PCAOB renewed its requirement to disclose information about the partners and firms involved in the audit. In early 2016, the PCAOB again required the disclosure of information about the partners and firms involved in the audit, and in December 2016, it formally introduced a new regulation and corresponding amendment to the International Standards on Auditing (ISA) requiring accounting firms to

disclose the name of each lead audit partner. It can be seen that the disclosure of personal information of CPAs is getting more and more attention from the practice.

In order to strengthen the internal control system of accounting firms, safeguard the legitimate rights and interests of certified public accountants and ensure the quality of practice, the Ministry of Finance of China has successively issued regulations on the signature of the signing accountant in the audit report.

The Notice on Issues Related to the Signature and Seal of the CPA on the Audit Report (Financial accounting [2001] No. 1035) stipulates that:(1) The audit report issued by a partnership accounting firm shall be signed and sealed by a partner who is responsible for the final review of the audit project and a certified public accountant responsible for the project;(2) The audit report issued by a limited liability accounting firm shall be signed and sealed by the chief accountant of the accounting firm or the deputy chief accountant authorized by the chief accountant of the accounting firm and a certified public accountant in charge of the project. Article 3 of China CPA Auditing Standard No. 1121 Quality Control Performed on an Audit of Financial Statements [2006] states that the CPA firm and the project leader issue appropriate reports on a case by case basis. A project leader is a chief accountant or a certified public accountant authorized to sign on behalf of the accounting firm who is responsible for a particular audit engagement and its execution, and who signs the audit report on behalf of the accounting firm. Article 3 of the “China Auditing Standards for Certified Public Accountants No. 1121 Quality Control for the Audit of Financial Statements [2010]” stipulates that the CPA firm and the project partner issue an audit report that is appropriate for the specific circumstances. A project

partner is a partner in a CPA firm who is responsible for an audit engagement and its execution, and who signs the audit report issued on behalf of the CPA firm. In China CPA Auditing Standard No. 1121 Quality Control of Financial Statement Audits [2017], it is stipulated that in a CPA firm with limited liability company, a project partner is a chief accountant who is responsible for an audit engagement and its execution, and who signs the audit report issued on behalf of the CPA firm. , deputy chief accountant or senior management in a similar position, the project partner is required to assume leadership responsibility for the quality of the audit.

As can be seen, the rules for the signing accountant are constantly being amended, the role of the project partner in the audit team is constantly being strengthened, and the leadership responsibility of the project partner is becoming more and more significant.

4.3 Regulations Regarding the Signature of Certified Public Accountants

4.3.1 Requirements for the signature of the CPA on the audit report

Countries and regions around the world where the personal information of the auditor can be identified through publicly available data include: Australia, Taiwan, China, Mainland China, and the European Union, among other regions. In countries (regions) that require disclosure of the name of the signatory CPA, there are differences in the requirements for the signature of the signatory CPA. Australia requires the signature of one signing CPA, Taiwan requires the signature of two signing CPA, and Mainland China also requires the signature of two signing CPA.

Article 3 of the Circular on the Review and Confirmation of Audit and Capital Verification Reports by Accounting Firms Engaged in Securities Business and Cooperation in Business (Association of Financial Accounting[1993] No. 112) stipulates that when engaging in the business of securities, a firm that has obtained the qualification must appoint its own (excluding unqualified analysts) business cadres and auxiliary personnel to conduct on site inspection in accordance with the requirements of the professional standards. The issuance of each professional report must be signed by the host CPA who

is qualified to engage in securities business. The Notice on Issues Relating to the Signature and Seal of CPAs on Audit Reports (Financial Accounting [2001] No. 1035) states that (1) the audit report issued by the partnership accounting firm, should be responsible for the final review of the audit project by a partner and a certified public accountant responsible for the project signature and seal; (2) The audit report issued by a limited liability accounting firm shall be signed and sealed by the chief accountant of the accounting firm or the deputy chief accountant authorized by the chief accountant of the accounting firm and a certified public accountant in charge of the project.

Article 3 of China CPA Auditing Standard No. 1121 Quality Control Performed on the Audit of Financial Statements [2006] states that the accounting firm and the project leader issue appropriate reports on a case by case basis. A project leader is a chief accountant or a certified public accountant authorized to sign on behalf of the accounting firm who is responsible for a particular audit engagement and its execution, and who signs the audit report on behalf of the accounting firm. Article 3 of the China Auditing Standards for Certified Public Accountants No. 1121 Quality Control for the Audit of Financial Statements [2011] stipulates that the CPA firm and the project partner shall issue a report on the audit that is appropriate to the circumstances. A project partner is a partner in a CPA firm who is responsible for an audit engagement and its execution, and who signs the audit report issued on behalf of the CPA firm. If a certified public accountant other than the project partner signs the audit report, the provisions of this standard for the project partner also apply to the signing certified public accountant.

The requirement for the signature of the signing certified public accountant has changed: FAS [2001] 1035 emphasizes the signature of two signing certified public accountant, a partner (director and associate director) and a project leader; Auditing Standard 1121 [2006] still continues the concept and emphasizes the signature of the project leader; and Auditing Standard 1121 [2011] emphasizes the concept of the project partner and the the leadership responsibilities that should be assumed by the project partner.

4.3.2 Provision for periodic rotation of signatory

CPA

On October 8, 2003, the SEC issued the “Provisions on Regular Rotation of Signatory Certified Public Accountants for Securities and Futures Auditing Businesses” (“Accounting Department of China Securities Regulatory Commission (CSRC)” [2003] No. 13), which stipulates that: a signatory certified public accountant shall not provide auditing services for a relevant organization for more than five consecutive years. After a signatory CPA has provided audit services for the same related organization for five consecutive years and has been rotated, the signatory CPA shall not provide audit services for the related organization again within two years. It is stipulated in the financial accounts of the centralized enterprises that the signing partner and the signing accountant should be

rotated if special circumstances warrant a mandatory change of the accounting firm and no change is made.

4.3.3 Which auditors are qualified to sign off?

Prior to 2004, in addition to qualifying as a licensed CPA, an individual auditor was required to obtain a certificate of passing score on a securities related business qualification examination before engaging in securities related business; after 2004, the securities related business qualification examination system was abolished.

On February 15, 1996, the Interim Measures for the Administration of Licenses for Accounting Firms and Certified Public Accountants to Engage in Securities Related Businesses (Association of Financial Accounting[1996] No. 11) stipulated that a certified public accountant applying for a license to engage in securities incidental business should meet the following conditions: 1) obtaining the qualification of a licensed certified public accountant and practicing in the firm on a full time basis for more than three years (including the wang year); 2) being not more than 60 years of age (including those with senior titles); 3) have a good record of professional ethics and a certificate of passing the annual inspection for the past three years issued by the local provincial CPA association; and 4) have obtained a certificate of passing scores on the qualification examination for securities related business.

On December 31, 1997, the Interim Provisions on the Implementation of License Management for the Execution of Securities and Futures Related Businesses by Certified Public Accountants (CPAs) (Association of Financial Accounting [1997] No. 52), stipulated

that a CPA applying for a license shall meet the following conditions: 1) the firm in which he/she is working has obtained a license or meets the conditions of Article 6 of the present Provisions; 2) he/she possesses a certificate of qualification for qualification examination for securities and futures related businesses; (3) have experience in performing independent auditing business for more than three years; (4) be no more than 60 years old; and (5) have not violated laws, regulations, and practice standards and rules in the past three years and have passed the annual inspection.

On June 10, 2000, the “Regulations on the Administration of License for CPAs to Perform Coincident Securities and Futures related Businesses” (Association of Financial Accounting [2000] No. 56) stipulated that a CPA applying for a securities license should meet the following conditions: 1) the CPA firm in which he/she is working has already obtained a securities license or meets the conditions set forth in Article 6 of the present regulations and has filed an application for the license; 2) has a certificate of qualification for securities and futures related businesses; 3) has obtained a CPA certificate for more than one year; 4) is over 60 years old; 5) has no illegal and unruly behavior in the past three years of practice. Qualification Examination; 3) having obtained the CPA certificate for more than 1 year; 4) not exceeding 60 years of age; and 5) having no violation of laws and regulations in the past 3 years of practice.

SECOND PART —

EMPIRICAL STUDIES

Chapter 5 — Methodological Approach

5.1 Epistemological positioning

This study adopts a pragmatic epistemological position, rooted in the belief that complex and multifaceted research questions—such as how audit partners’ individual characteristics influence audit quality—require flexible, pluralistic methodological approaches. Pragmatism, as articulated by scholars such as Morgan (2007) and Biesta (2010), prioritizes the research question over strict adherence to any single philosophical tradition. It views knowledge as both constructed and discovered, and values both objective observation and subjective interpretation in the production of understanding. This makes it particularly well suited for mixed methods research seeking both explanatory power and contextual depth.

From a positivist and post positivist standpoint, the quantitative component of this research seeks to identify and explain causal relationships between measurable variables. Audit quality is operationalized using widely accepted proxies such as discretionary accruals, audit fees, and modified audit opinions, in line with prior research (Dechow, Sloan, & Sweeney, 1995; Simunic, 1980; Chen, Sun, & Wu, 2011). These proxies allow for statistically rigorous investigation of auditor effectiveness, independence, and risk perception. The use of econometric modeling — including techniques such as robust standard errors—reflects a commitment to objectivity, internal validity, and generalizability. This aligns with the post positivist notion that while perfect objectivity is unattainable, approximations of truth are achievable through careful methodological design (Phillips & Burbules, 2000).

However, audit quality is not solely a technical or econometric construct. It is deeply shaped by human behaviors, subjective judgments, professional norms, and institutional contexts. Thus, the qualitative strand of this study draws on interpretivist and constructivist traditions. Through semi structured interviews with audit partners and related stakeholders, the research explores how auditors themselves understand and enact quality in their work, how they perceive the influence of their backgrounds and experiences, and how contextual and cultural factors shape these perceptions. This interpretive lens echoes the views of Lincoln and Guba (1985), who argue that understanding human behavior requires immersion in the meaning systems individuals construct around their experiences.

This epistemological pluralism is a deliberate strategy to reconcile what Greene, Caracelli, and Graham (1989) describe as “complementary strengths” of quantitative and qualitative approaches. It enables the study to draw credible inferences while also remaining attuned to the nuanced, subjective, and contextual dimensions of audit quality, which numbers alone cannot reveal (Patton, 2015). As Johnson and Onwuegbuzie (2004) suggest, pragmatism allows for the co existence of multiple worldviews, facilitating methodological innovation without epistemological rigidity.

The Chinese audit context reinforces the need for such a multi layered epistemological approach. China’s mandatory disclosure of audit partner names enables direct empirical investigation of individual characteristics and their effects on audit outcomes, thereby strengthening the quantitative strand of analysis (Goodwin & Wu, 2014; Zerni, 2012). Yet, the unique institutional and regulatory dynamics of China, shaped by

ongoing reforms, hybrid governance structures, and evolving professional standards, require context sensitive interpretation (Fan & Wong, 2005; Gul, Wu, & Yang, 2013). The interviews therefore provide essential insights into how Chinese audit partners navigate these complexities in practice.

In line with Creswell and Plano Clark (2018), this study's mixed methods design exemplifies methodological triangulation, enhancing both the validity and comprehensiveness of findings. Quantitative results establish general patterns and potential causal relationships, while qualitative data enrich the analysis with deeper explanations and contextual nuance. The integration of both strands occurs at the interpretative level, where findings are synthesized to offer a more holistic account of how auditor characteristics influence audit quality.

In conclusion, this study is grounded in a pragmatic epistemology that values methodological diversity and epistemological openness. It draws selectively from positivist traditions for its empirical rigor and interpretivist approaches for its depth of insight, resulting in a balanced and contextually embedded understanding of a complex auditing phenomenon. By embracing this pluralist stance, the research responds to calls in the auditing literature for more integrative and nuanced approaches (DeFond & Zhang, 2014), and contributes both theoretically and empirically to ongoing debates on audit quality and auditor behavior.

5.2 Hypothesis development

To facilitate a structured investigation into how audit partners' personal attributes influence audit quality, it is essential to frame the analysis through clearly articulated hypotheses. Drawing on the theoretical underpinnings of upper echelons theory (Hambrick & Mason, 1984), this study posits that individual characteristics such as industry specialization, educational attainment, signature experience, and professional background exert measurable effects on audit outcomes. These characteristics, rooted in the auditor's cognitive framework and experiential learning, can influence risk assessment, judgment formation, and decision making throughout the audit process. The development of hypotheses based on these attributes enables empirical validation through both quantitative and qualitative methodologies. By aligning each hypothesis with established literature and contextualizing them within the Chinese regulatory and institutional audit environment, the study advances a rigorous framework for testing the micro level determinants of audit quality.

To ensure clarity and replicability, the study provides precise operational definitions for all key variables:

Industry Specialisation – Measured as the proportion of audit engagements an audit partner conducts within a specific industry, calculated over the preceding three years. A partner is classified as an industry specialist if this proportion exceeds the top decile threshold in the sample.

Education Level – Defined according to the highest formal degree obtained by the audit partner, categorised into undergraduate, master's, and doctoral levels. For regression analysis, a dummy variable is coded as 1 if the partner holds a postgraduate (master's or higher) qualification, and 0 otherwise.

Signature Experience – Operationalised as the cumulative number of audit engagements for listed companies that an audit partner has signed off as the lead or co signing partner prior to the focal year. Data are compiled from publicly disclosed audit reports in the CSMAR database, counting unique company–year observations.

Professional Background – Refers to the primary area of professional expertise prior to becoming an audit partner, including accounting/audit, finance, taxation, or other relevant fields. For empirical purposes, categorical codes are assigned and, where necessary, grouped into broader classifications for statistical analysis.

These operational definitions not only facilitate transparency in measurement but also allow for meaningful comparison with prior literature.

5.2.1 Audit partners' characteristics affecting audit quality

According to upper echelons theory (Hambrick & Mason, 1984), different characteristics of managers have a significant impact on their management style and decision making. Banker (2003) found that audit partners are more productive and Cheng (2007) argued that audit partners are more responsible for audit failures. When audit

failure happened, the partners who sign the audit report not only be penalized by the regulator, but also lose the firm reputation and personal reputation, which will cause market share lose. Therefore, it is generally considered that audit partner should be more robust than non audit partners. Besides, Gul (2013) et al. found that the proportion of abnormal non standard audit opinions is lower when the auditor is a partner. Audit partners, as the ultimate responsible for the audit report, play an important role in audit quality.

Individual characteristics can reflect the differences in the auditor's ability, and the auditor's independence is the basic ability that the auditor has. The auditor's independence, like professional competence, is a necessary quality in auditing, and it can be argued that an auditor who violates audit independence cannot meet the requirements for a specific audit engagement. For the study of auditor independence, Xie, J. (2018) used a multivariate linear model to examine the independence of auditors. Bao (2018) used multiple linear regression to demonstrate that the underlying cause of the lower audit quality of auditors as a whole due to the lack of independence rather than inadequate professional competence. Xindi Liu (2017), Xu Min (2016), Miao Ruyue (2018), Fang Yandong (2018), Gu Yuan (2018), Xue (2018) from different perspectives illustrate that whatever the form of violation of the auditor's independence in the audit business, the audit quality will be affected.

Prior research provides evidence that individual audit partners affect audit quality (Taylor 2011; Gul, Wu, and Yang 2013; Wang, Yu, and Zhao 2015). Zhu's (2004) research found that in the IPO market, the penalties imposed by the supervisory authority on

signature auditors have real economic consequences. Gul (2013) proved that when the signing auditor is also a partner of the firm, the proportion of abnormal non standard audit opinions is low. Due to management responsibilities and equity distribution, audit partners pay more attention to maintain reputation and adopt a cautious attitude, thus higher audit quality. Gipper et al. (2017) examined the relationship between the audit quality of financial statements and auditor tenure by using the restatement of auditors' financial statements, surplus quality, audit opinion on internal control deficiencies, and choosed non standard audit opinion as proxy variables for audit quality.

Studies on other factors affecting audit quality are reflected in many aspects. For example, Fakhroddin Mohammad Rezaei, Norman Mohd Saleh (2018) et al. studied the relationship between firm ranking, audit quality and audit fees based on price discrimination theory and the current situation of auditor firms in Iran, thus proved that high fees and ranking do not represent high audit quality. Jiang Li (2017) argued that the form of organization of accounting firms and external factors (such as legal regulatory environment, regulations, audit system, etc.) affect audit quality. Wan, Hongbo, and Jia, Yunqi (2018) from the perspective of firms, found that the geographical differences between parent and subsidiary firms affect their degree of manipulation of financial statements, which can affect the results of audit quality. Guan, Yuzhe (2018) considered firm size can improve audit quality, she suggested to conform to the social supervision system and having legal recognition rather than create a good corporate reputation. Long, Xiaohai (2016) argued that the branch size of the firm is significantly and positively related to audit quality. Deming Liu (2018) observed that excessive surplus management of listed

companies may lead to audit failure and affect audit quality. Ebraheem et al. (2018) studied the impact of debt structure on audit quality and concluded that different debt structures affect auditor 's audit quality.

Josep et al. (2019) conducted a study with a sample of Spanish listed companies and concluded that female auditors have a positive impact on audit quality. In a comparison of the impact of firm conversion on audit quality, Zhang Jing (2016) found that audit quality improved after the organizational form of accounting firms changed to special general partnership compared to before, while Xie Yalu (2018) found that firm organizational form has no effect on audit quality. Zhuang, Feipeng (2019) studied the relationship between non audit services, the institutional environment, and audit quality. He found that when the ultimate control of a firm is non state owned or the accounting firm is “local,” a larger scale of jointly purchased non audit services is associated with lower audit quality.

Zhou Wei et al. (2019) studied the relationship between the board of directors and audit quality, found that the board of directors maintaining authority promotes audit quality. For the study of audit supervision factors, Tao Xionghua et al. (2019) studied the supervision of audit quality by the stock exchange and found that the issuance of questioning letters by the stock exchange to listed companies would enhance audit quality. Zhou, Lan et al. (2018) argued that in media supervision, the monitoring of negative reports is more likely to promote audit quality. Junmin Zhang et al. (2019) found that media coverage can effectively inhibit manager's purchase of audit opinions. Church et al. (2019) argue that narcissistic signature auditors have a positive impact on audit quality. From the perspective of the auditor and client negotiation process, they suggest that

narcissistic auditors are more likely to assert themselves in negotiations with clients and request a less aggressive reporting style, which ultimately leads to better audit quality.

Lennox et al. (2014) find that mandatory rotation produces higher audit quality in the years before and after rotation by examining a sample of departing partners in their last year of tenure before mandatory rotation and in the first year of tenure of partners after mandatory rotation; however, Reid and Carcello (2017) find that the market has a negative effect on increasing auditor mandatory rotation.

5.2.2 Audit partners' industry specialisation and audit quality

Prior studies have shown that clients of audit firms and partners with industry specialization are associated with higher audit quality and earnings quality (e.g. Balsam et al., 2003; Krishnan, 2003; Lim & Tan, 2010). For example, Krishnan (2003) examined clients of Big 6 auditors and suggested that specialist audit firms mitigate accruals - based earnings management more than non - specialist auditors. Chi and Chin (2011) examined audit quality at the partner level and reported that audit partners with industry expertise are significantly associated with higher audit quality compared to their non - expert counterparts.

However, when project leaders become more experienced with the number of clients, their audit fees decrease instead. In his later study, he found that when project leaders are

more experienced in the industry, they tend to issue non standard opinions on high risk clients. While this phenomenon is not significant for review accountants, and this finding is only more significant in smaller firms.

Chin and Chi (2009) reported a positive effect of audit partners' industry specialization on audit quality in Taiwan market. Similarly, Chi and Chin (2011) showed a positive association between industry specialization and audit quality as measured by both discretionary accruals and the issuance of modified audit opinions. The evidence reported by Goodwin and Wu (2014) for the Australian audit market shows that a partner's industry specialization is economically important. More recently, Chi et al. (2017) also reported marginally significant effects of industry specialization on discretionary accruals. Long, Zhenhai et al. (2011) studied the relationship between auditor industry expertise and audit quality, found that the higher the level of auditor industry expertise, the higher the audit quality.

However, it has also been shown that positive relationship between auditor's industry expertise and audit quality is not significant after controlling for auditors' characteristics (Ma, Wen et al., 2012; Yan, Huanmin, 2015). While most prior studies have shown that industry specialisation auditors outperform other auditors, some exceptions also exist (e.g., Bedard & Biggs, 1991; Solomon, Shields, & Whittington, 1999). Chen et al. (2010) investigated the Chinese audit market and reported a non significant impact of industry specialization on audit quality, choosing the opinion of the audit report as proxy. With a sample of Spanish companies, Josep et al. (2018) studied the effects of a partner's industry specialization on audit quality, taking discretionary accruals and modified opinion

as proxies. The main result of this study is that the industry specialization of audit partners does not show a significant impact on audit quality.

Based on above, we propose the first hypotheses as following:

Hypotheses 1 (H1) : The audit partners' industry specialisation has positive impact on audit quality.

5.2.3 Audit partners' education level and audit quality

The educational attainment plays a key role in human capital theories and is considered to be the most important 'general human capital feature' (Bröcheler, Maijoor, & Witteloostuijn, 2004; Chu et al., 2016). The educational background implies whether an individual attained certain analytical and problem solving skills (Beck et al., 2018). According to D'Aveni (1996), one's formal education remains relevant during the whole career. Auditors with a superior educational background have a greater level of decision making and judgment skills that are required to implement complex auditing procedures (Li, Qi, Tian, & Zhang, 2016). However, highly educated auditors tend to be less risk averse, because they receive a higher salary and thus have more opportunities for alternative jobs. Therefore, they might be more tolerant of aggressive accounting (Gul et al. 2013). So, the theories on a positive education audit quality relation are mixed.

Auditor education, particularly in combination with audit experience, is considered a vital component that explains the expertise of the auditor and the audit quality itself

(Bonner & Lewis, 1990; Church et al., 2008; Bröcheler et al., 2004; Ye et al., 2014). Both investors and audit professionals agree that personal education, training, and experience play an important role in audit performance (Christensen et al., 2016). Chen Xiaolin et al. (2016) found that auditors' education has a positive relationship with audit quality.

However, there also some different argues. Chu et al. (2016) use data from UK, draw conclusion that auditors with an accounting degree are more likely to detect earnings manipulation, and individual partner education appears to play a lesser role in Big4 audit firms. Jenna et al. (2019) investigate the data from U.S find education characteristics are associated with variations in audit fees and audit delay, but no evidence of an association with audit quality.

Overall, these findings highlight the importance of investigating the effect of educational background on the audit performance for investors.

Based on above, we propose the second hypotheses as following:

Hypotheses 2 (H2) : The audit partners' education level has positive impact on audit quality.

5.2.4 Audit partners' signature experience and audit quality

Deshpande argued that auditors with more experience in practice will also be more comprehensive in their cognitive abilities, and in their empirical results argued that experience in practice is positively related to audit quality thus proving this point of view.

Chi et al. (2011) used Taiwanese listed companies as a sample and considered the auditors' signature period played a great role in improving audit quality. Wang et al. (2015) found that auditor signature experience enhances the auditor's competency to identify audit risks, which inhibits the manipulability of the audited entity's accrued value.

Different conclusions also appeared. Carey and Simnett (2006) analysed the relationship between the signature period of Australian auditors and audit quality, and only found some evidence to support the negative correlation between the auditor's personal signature period and audit quality. Similarly, Chen et al. (2010) took Taiwan's dual signature system as the background and controlled for the signature period of the accounting firm. They found that as the auditor's signature period increased, the absolute value of discretionary accruals (a proxy for audit quality) decreased significantly.

Xiao et al. (2015) explore Chinese market data to examine the relation between the experience of the audit partner and audit quality. They find a negative association between absolute/income increasing abnormal accruals and the audit partner experience. In addition, they find investors do care about the experience of the engagement audit partner.

Based on above, we propose the third hypotheses as following:

Hypotheses 3 (H3) : The audit partners' signature experience has positive impact on audit quality.

5.2.5 Audit partners' professional background and audit quality

Chin et al. (2014) collected data on the experience of audit clients of the "Big Four" accounting firms in 2011. The results show that CPAs provide higher audit quality to audit clients if their specialties are related to accounting and auditing. This empirical study provides important evidence on the development of the professional background of CPAs. Zhang or (2017) also reached similar conclusions. The characteristics of the auditor partners such as gender and whether they are from the "Big Four" do not positively affect audit quality, but their professional backgrounds have a positive impact on audit quality when they are in their counterparts. The audit quality is positively influenced by the partner's professional background.

Zhang Lianyin (2016) selected gender, education, position, tenure, profession, and qualification of signatory CPAs as variables and found that there is no significant correlation between gender, position, tenure, and audit quality, while education, profession, and qualification have a significant impact on audit quality. Wu, Weirong and Li, Jingjing et al. (2017) studied the influence of individual characteristics of signing CPAs on audit quality under government regulation and media supervision, using A share listed companies from 2011 2015, and found that the audit quality of audit projects conducted by signing CPAs with female auditors, high education, accounting related majors, and status as partners was higher.

Based on above, we propose the fourth hypotheses as following:

Hypotheses 4 (H4) : The audit partners' professional background has positive impact on audit quality.

Chapter 6 – Quantitative Studies

6.1 Research Design

6.1.1 Data Sample

In our research project, we use the quantitative method with statistical analysis. The sample is formed by the annual audit report of listed companies (China) for the 10 year research period: 2011 –2021, as prior studies' samples are too small to be representative. We followed 3 steps to get data: firstly, we get the names of the auditor on the annual audit reports of listed companies disclosed by the China Stock Market & Accounting Research (CSMAR) website from 2011 to 2021. Secondly, based on the auditors' names and firms' names, we write a Python program to catch the audit partners' names on the Chinese Institute of Certified Public Accountants (CICPA) website. Then we sort out the partner's names by programming. Thirdly, we write a python program to catch the detailed information by inputting firms' names, audit partners' names and their registration location, following the steps: [CICPA website] [Industry Information Query] [Certified Public Accountant Information] to obtain the demographic characteristics (age, gender, education, etc.) of the audit partners. We regulated the firms' names for better matching, some firms lost one or two words of their full company names. Some firms merged, we used the after merged firms' names to match, because the original firm doesn't exist anymore and when merging happening, most of the audit partners also moved to the after merging firm.

The necessary data used in this study include the names of engagement partners and audit firms, audit fees, audit committee independence, type of audit report, and firm

financial data. These data were obtained from clients' financial statements available on the China Stock Market & Accounting Research (CSMAR) website and the Chinese Institute of Certified Public Accountants (CICPA) website. Generally speaking, the position of the audit partner in the audit report is at the front, and the position of the project leader is at the rear. However, there are some exceptions. Some accounting firms rank the signature accountants as project managers first, and the partner signature accountants are sorted after.

Data collected from the China Stock Market & Accounting Research (CSMAR) website give an initial auditor sample of 30,140 firm year's observations. We delete the following parts:(1) 978 firm year observations who are ST and ST* company, as the unstable financial situation of ST and ST* companies can affect the results. (2)528 firm year observations who are newly listed, delisted or suspended during the year. (3) 65 firm year observations who are financial and insurance industry. Because of the accounting measurement of the 2 industries are different from other industries and are not comparable. (4)20227 firm year observations who are not audit partner. (5) 11 variables missing for audit fee measurement, 1 variables missing for both modified audit opinion and discretionary accruals measurement. Finally, we get 8342 firm year observations for investigating audit quality. For the 3 measurements of audit quality, their final sample are 8331 firm year observations, 8341 firm year observations, 8341 firm year observations for audit fee, modifies audit opinion and discretionary accruals separately. We then test those data by Ordinary least squares(OLS) regression model. Besides, to eliminate the effect of extreme values on the multiple regression, we winsorize the continuous variables at the 1%

and 99% quartiles. Data analysis for this paper was performed by STATA 17.0 SE Standard edition statistical analysis software.

As supplementary information to this study, we invited 10 audit partners for semi structured interviews, to increase the causality of the audit partner's characteristics and audit quality, Finally 4 audit partners accept the invitation, 1 audit partner from Deloitte, 3 audit partners' from Mazars .

Table 2 show that according to China Securities Regulatory Commission(CSRC) 2012 Edition Industry Classification, samples are distributed in 90 different industries. Some industries are deleted such as finance related industry and insurance industry. In order to standardize the industry classification of listed companies, according to the Statistical Law of China, the Statistical Management Measures of the Securities and Futures Market, the Industry Classification of the National Economy and other laws and regulations and relevant provisions, the CSRC has formulated the Industry Classification Guidelines for Listed Companies, 2012 Edition.

Table 3 shows the sample distribution between 2012 and 2021. The number of observations are increasing yearly.

6.1.2 Sample Description

The table 1 provides a detailed breakdown of the sample selection process used for analysing audit fees, audit opinions, and discretionary accruals. The sample is drawn from the CSMAR auditor observations (firm years) between 2012 and 2021, which represents a period of ten years. The final sample sizes for each of the three dependent variables vary

based on the availability of relevant data. The initial dataset consists of 30,140 firm year observations from the CSMAR database, covering auditing data for firms from 2012 to 2021. This forms the baseline from which the sample is refined through several exclusion criteria. ST and ST company data*: A total of 978 observations are removed due to firms having a special treatment status (ST or ST*), which typically signifies financial distress or abnormal financial performance.

For Newly listed, delisted, or suspended firms, 528 observations are removed because the data includes firms that were either newly listed, delisted, or suspended during the year, which may introduce volatility or non representative results.

For Missing financial and insurance industry data, another 65 observations are excluded because of missing data for firms in the financial and insurance industries. These industries may have different reporting standards or regulatory requirements that could bias the analysis.

For Non audit partner observations, 20,227 firm year observations are removed because they are related to non audit partners, which are outside the scope of the study's focus on audit quality and earnings management. The sample selection process detailed in Table 1 highlights the steps taken to refine the dataset to ensure robust and reliable results. After several layers of exclusions based on firm status (e.g., ST firms, newly listed or delisted firms), missing industry specific data, and irrelevant non audit observations, the final samples used for analysing audit fees, audit opinions, and discretionary accruals are closely aligned with the research objectives. The relatively large sample sizes of 8,331 for

audit fees, 8,341 for audit opinions, and 8,341 for discretionary accruals provide a solid foundation for the empirical analysis of audit quality.

Table 1: Sample Selection Process

Sample selection process	Audit fee	Audit Opinion	Discretionary Accruals
CSMAR auditor observations(firm years) between 2012 2021	30140		
Less: ST and ST* company data	978		
Less: company data who are newly listed, delisted or suspended during the year	528		
Less: Missing Financial and insurance industry data	65		
Less: Non audit partner observations(firm years) between 2012 2021	20227		
Final observations for audit quality	8342		
Less: Missing variables data	11	1	1
Final observations for audit fee	8331		
Final observations for audit opinion		8341	
Final observations for discretionary accruals			8341

Table 2: Sample Distribution by Industries (CSRC 2012 Edition Industry Classification)

CSRC Industry Code	Industry Name	Number of Observations
A01	Agriculture	12
A02	Forestry	7
A03	Animal Husbandry	10
A04	Fishery	14
A05	Agriculture, forestry, animal husbandry and fishery	1

	services	
B06	Coal mining and washing industry	51
B07	Oil and gas mining industry	22
B08	Ferrous metal mining and processing industry	13
B09	Non ferrous metal mining industry	66
B11	Mining auxiliary activities	42
C13	Agricultural and food processing industry	114
C14	Food manufacturing	69
C15	Wine, beverage and refined tea manufacturing	104
C17	Textile industry	100
C18	Textile clothing, apparel industry	104
C19	Leather, fur, feathers and their products and footwear industry	13
C21	Furniture manufacturing	29
C22	Paper and paper products industry	40
C23	Printing and recording media reproduction industry	16
C24	Education, industry, sports and entertainment goods manufacturing	24
C25	Petroleum processing, coking and nuclear fuel processing industry	32
C26	Chemical raw materials and chemical products manufacturing	556
C27	Pharmaceutical manufacturing	466
C28	Chemical fiber manufacturing	62
C29	Rubber and plastic products industry	181
C30	Non metallic mineral products industry	240
C31	Ferrous metal smelting and rolling processing industry	75
C32	Non ferrous metal smelting and rolling processing industry	218
C33	Metal products industry	129
C34	General equipment manufacturing	283

C35	Special equipment manufacturing industry	455
C36	Automobile manufacturing industry	299
C37	Railroad, ship, aerospace and other transportation equipment manufacturing	109
C38	Electrical machinery and equipment manufacturing	543
C39	Computer, communication and other electronic equipment manufacturing	882
C40	Instrument manufacturing	121
C41	Other manufacturing industries	40
D44	Electricity, heat production and supply industry	177
D45	Gas production and supply industry	55
D46	Water production and supply industry	24
E47	Housing construction industry	4
E48	Civil engineering construction industry	175
E50	Building decoration and other construction industry	67
F51	Wholesale	207
F52	Retail trade	254
G53	Rail transportation	11
G54	Road transportation	118
G55	Water transportation	133
G56	Air transportation	28
G58	Stevedoring and transport agency	19
G59	Warehousing	29
G60	Postal industry	10
H62	Catering	2
I63	Telecommunications, radio and television and satellite transmission services	45
I64	Internet and related services	100
I65	Software and Information Technology Services	432
J67	Capital Market Services	19
K70	Real Estate Industry	401

L71	Leasing industry	10
L72	Business Services	108
M73	Research and Experimental Development	13
M74	Professional and Technical Services	78
N77	Ecological protection and environmental management	66
N78	Public Facilities Management	42
P82	Education	3
Q83	Health	19
R85	Journalism and publishing	69
R86	Radio, television, film and video recording production	21
R87	Culture and Arts	9
S90	General	52
Total		8342

Table 3: Sample Distribution by Years

Year	Number of Observations
2012	418
2013	490
2014	486
2015	581
2016	669
2017	787
2018	955
2019	1206
2020	1296
2021	1454
Total	8342

6.1.3 Dependent variables

Consistent with DeFond and Zhang (2014) calling for the triangulation of audit quality using various measures, we choose (1) audit fees, (2) discretionary accruals, and (3) modified audit opinions (MAOs) as the proxies to measure audit quality.

Since audit quality is not directly observable, some proxy variables must be used to measure audit quality. The measures of audit quality consist of various methods, mainly discretionary accruals (Xiaoke Wang et al. 2015), audit opinions (Manman Nie, 2014.), financial reporting quality (Qiliang Liu et al. 2015), firm characteristics (De Angelo 1981; Gul et al. 2010), audit fees (Liu, Wenjun, 2014), abnormal audit fees (Yuping Zhao et al., 2014), etc.

Many scholars judge audit quality by whether accounting firms are among the Big Four or the Top Ten. However, this criterion has limitations, as many large accounting firms in China were formed through government led mergers. The branches of these large firms often lack strong internal networks for resource sharing, functioning instead as a simple aggregation of personnel and revenue. Coupled with the low concentration of China's audit market and the tendency of listed companies to hire local accounting firms, it is difficult to form a truly national brand, making firm size an unreliable indicator of audit quality.

Through the analysis of several audit quality proxies, we choose audit fees, discretionary accruals, and modified audit opinions (MAOs) as the proxies to adapt the actual situation of the Chinese market.

6.3.1 Audit Quality: Modified Audit Opinions

Our third measure of audit quality focuses on modified audit opinions. As in Chen et al.(2010), we use the following logistic regression model to examine:

$$MAO_{it} = \alpha_0 + \alpha_1 Independent_{4_i} + \sum \beta_k Controls_{kit} + IndustryEffects + YearEffects + \varepsilon_{it}$$

We put a value 1 on standard opinion, otherwise 0.

6.3.2 Audit Quality: Audit Fees

Our first measure of audit quality is audit fees. AUDFEE_{i,t}, is the natural log of audit fees for client i in fiscal year t. We use a standard OLS regression.

$$AUDFEE_{it} = \alpha_0 + \alpha_1 Independent_{4_i} + \sum \beta_k Controls_{kit} + IndustryEffects + YearEffects + \varepsilon_{it}$$

Independent means 4 different independent variables: industry specialisation, education level, signature experience, professional background.

Control means all controlled variables fitted for this specific model.

6.3.3 Audit Quality: Discretionary Accruals

Our second measure of audit quality uses discretionary accruals. We follow Chen et al. (2011)

and use the following regression model to examine:

$$DAAC_{it} = \alpha_0 + \alpha_1 Independent_{4_i} + \sum \beta_k Controls_{kit} + IndustryEffects + YearEffects + \varepsilon_{it}$$

Commonly Used Models for Discretionary Accruals

Dechow et al. (1995) compared and evaluated the relative performance of the four (DeAngelo (1986) model, the Healy (1985) model, the Jones (1991) model, the Modified Jones (1995) model) most widely used models when measuring non discretionary and discretionary accruals, then concluded that the Modified Jones model provides the most powerful test of earnings management. However, their study is done solely in the United States and their research findings might not be appropriate for other countries. Dechow et al. (1995) compared the four accrual models and evaluated the specifications and power of commonly used test statistics in order to determine which model is most representative for the purpose of detecting earnings management. They concluded that the Modified Jones model provides the most powerful test to detecting earnings management (discretionary accruals).

(A) The Healy Model (1985)

One of the earliest discretionary accrual models was developed by Healy in 1985. The model uses mean of total accruals scaled by lagged total assets from the estimation period as the measure of non discretionary accruals. The Healy model assumes that non discretionary accruals follow a mean reverting process. Unlike other accrual models, the Healy model predicts that systematic earnings management occurs in every period. Thus, in order to estimate mean total accruals, Healy divided the sample into three groups, with

earnings predicted to be managed upward into one group and downward into the other two groups. This approach is equivalent to treating the group that is predicted to be managed upwards as the estimation period and the other two groups as the event period. The mean total accruals from the estimation period then represent the measure of non discretionary accruals.

(B) The DeAngelo Model (1986)

The underlying assumption of the DeAngelo model is that non discretionary accruals follow a random walk process. The DeAngelo (1986) model uses the previous year's total accruals scaled by lagged total assets as the measure of non discretionary accruals. The DeAngelo model can be viewed as a special case of the Healy model in which the estimation period for non discretionary accruals is restricted to the prior year's observations. Dechow (1995) suggests that the DeAngelo model is more appropriate to be used when discretionary accruals follow a random walk, while the Healy model is appropriate to be used when discretionary accruals follow a white noise process around a constant mean. The empirical results suggest that the total accruals follow an approximate white noise process (Dechow, 1994).

(C) The Jones Model (1991)

Jones (1991) proposes a model that attempts to control for the effects of changes in a firm's economic circumstances on non discretionary accruals. He indicates that changes in total assets, gross revenue, and gross property plant and equipment are the determinants of non discretionary accruals. This model assumes revenue is discretionary while changes in revenue are the reflection of a change in business conditions and

business cycles. Unlike the previous models discussed, the Jones model assumes that the non discretionary accruals are non constant over time.

(D) The Modified Jones Model (Dechow, 1995)

Dechow argues that the assumptions of the model are consistent with those of the Jones model, except that when management manipulates operating income with accounts receivable, the Jones model is more likely to underestimate earnings. The Jones model is more likely to underestimate earnings management when management manipulates operating income with accounts receivable. Therefore, the modified Jones model takes into account the business activities and credit policies of the firm by deducting the increase in accounts receivable. This model has a stronger ability to explain revenue based surplus management.

(E) The prospective modified Jones model (Dechow, 2002).

This model is used to study the surplus management behaviour of firms in order to avoid negative profits. This model proposed by Dechow has three improvements on the modified Jones model: (i) only a portion of credit sales revenue is manipulable; (ii) introduction of total accrued profit in the prior period; and (iii) introduction of future sales growth rate.

(F) Industry model (Dechow and Sloan, 1991).

This model assumes that the non manipulative accruals are the same across industries and treats nonmanipulative accrued profits as a function of the median total industry accrued profits. Therefore, Dechow et al. argue that the non manipulative accrued profits of the sample companies are similar to those companies of the same size in the

same industry. They also use whether there is a significant difference between the non manipulated accrued profits of the sample companies and the median accrued profits of the reference companies to explain the surplus management behaviour of firms

(G) Cross sectional Jones model (Dedond and Jiambalvo, 1994).

This model differs from the time series model in that it optimizes the test effects and statistical methods. For example, the cross sectional Jones model is estimated on an annual basis, which eliminates the effect of changes in economic conditions in a given year on non manipulable accrued profits in the industry. The cross sectional Jones model is more effective in testing surplus management because it eliminates the effect of year specific changes in economic conditions on non manipulable accruals.

(H) K S model (Kang and Sivaramakrishnan, 1995).

The K S model provides a method similar to the Jones model and the modified Jones model to measure discretionary accruals by using estimates of current assets and current liabilities. The regression is performed on the data of the sample. Since it ignores individual effects that reduce the sample capacity, it introduces exogenous variables in the model to compensate for the omitted variables.

For model (A) and (B), its contribution is to the total accrued profit separation, which lays the theoretical foundation for the later accrued profit separation method. However, the determination of total accrued profit after separation is vague, and two models in it are also relatively simple. It does not take into account that changes in the economic environment can increase the standard error. The scope of its use is therefore more strictly limited.

For the rest models, they are the most important and widely used tests in empirical research, which can separate discretionary accruals from total accruals value from total accrued earnings, thus effectively testing the extent of surplus management.

To estimate discretionary accruals (DAs), we use a cross sectional model based on Jones (1991), DeFond and Jiambalvo (1998), and Dechow, Sloan, and Sweeney (1995), with definitions of earnings and cash flows used by Subramanyam (1996) and Xie (2001). Jones (1991) discusses a time series variant of this model using one period ahead predicted values for nondiscretionary accruals, and prediction errors for discretionary accruals. Bartov et al. (2001) compare seven discretionary accruals models and conclude that the Modified Jones Model (Dechow et al. 1995) has more explanatory power than other discretionary accruals models. Chen, Xinyuan, Xia, Lijun (2006) and Liu, Qiliang (2006) use the cross sectional Jones model to estimate the absolute value of discretionary accruals of firms in the context of audit quality related issues, and their findings coincide with those of the above scholars.

Although we are constrained by sample size to use the cross sectional model depicted here, with fitted and residual values for nondiscretionary and discretionary accruals, respectively, Subramanyam (1996) notes that this version provides a larger sample size, more observations on average per model, more precise estimates, and higher powered tests. Because companies may manage earnings downward as well as upward, some research uses the absolute value of discretionary accruals as the dependent variable for analysis (Johnson, Khurana, & Reynolds (2002); Ghosh & Moon (2005); Myers, & Omer (2003); Chung & Kallapur (2003)). However, in evaluating potential bias on the part of the

auditor, the possibility of asymmetry in earnings management must be considered. For example, Becker et al. (1998) argue that audit firms are less likely to be sued for permitting discretionary accruals that decrease earnings and, accordingly, signed DAs are the correct measure. To allow the possibility of such asymmetry, we use signed DAs as our dependent measure.

The discretionary accruals (DA _{i,t}) of listed company *i* in period *t* is calculated as follows:

$$TA_{i,t} = NI_{i,t} - OCF_{i,t}$$

$$\frac{TA_{i,t}}{A_{i,t-1}} = a_1 \frac{1}{A_{i,t-1}} + a_2 \frac{\Delta REV_{i,t} - \Delta REC_{i,t}}{A_{i,t-1}} + a_3 \frac{PPE_{i,t}}{A_{i,t-1}} \quad (1)$$

$$\frac{NDA_{i,t}}{A_{i,t-1}} = a_1 \frac{1}{A_{i,t-1}} + a_2 \frac{\Delta REV_{i,t} - \Delta REC_{i,t}}{A_{i,t-1}} + a_3 \frac{PPE_{i,t}}{A_{i,t-1}} \quad (2)$$

$$DA_{i,t} = \frac{TA_{i,t}}{A_{i,t}} - \frac{NDA_{i,t}}{A_{i,t}} \quad (3)$$

This study compares the industry and year classification to equation (1) by using OLS regression, obtains the regression coefficient, and then substitutes it into the equation (2) to calculate the unmanageable accrual value NDA. Finally, we obtain discretionary accruals value DA from equation (3).

Where TAt is total accruals in year *t*. ΔREV_t is revenues in year *t* less revenues in year *t* – 1. ΔRECT is net receivables in year *t* less net receivables in year *t* – 1. PPE_t is gross property plant and equipment at the end of year *t*. At – 1 is total assets at the end of year *t* – 1. α₀, α₁, and α₂ are the parameters to be estimated. ε_t is the error term.

6.1.4 Independent variables

For the measurement of audit partner's industry specialisation, we refer to Zerni M (2012) who considers the combination of the accumulated number of clients and market share of clients to measure the individual auditor's industry specialisation. The formula is as follows:

(1) Accumulated number of client's method:

$$\text{Client}_{ik} = (\text{Number of all clients of audit partner } i \text{ in industry } k) \div$$
$$(\text{Number of all audit clients in industry } k)$$

(2) Market share of client's method:

$$\text{IMS}_{ik} = (\text{Total fees of audit partner } i \text{ in industry } k) \div$$
$$(\text{Total fees for all individual auditors in industry } k)$$

Under the accumulated number of client's method, the more audit clients an audit partner has in an industry, the higher the level of industry specialisation. Under the market share of client's method, the larger the audit partner's market share in an industry, the higher the audit partner's industry level and, conversely, the lower.

For the measurement of audit partner's education level, we based on Yanjun T's(2018) method, the sample of audit partners in our study, audit partners' educational backgrounds can be divided into 4 main categories: PhD, master, bachelor and other cases. We take the value of 4 for PhD, 3 for master, 2 for bachelor, 1 for other situation. The value is the mean of data sum.

For the measurement of audit partner's signature experience, we based on the studies of Wu, Xi (2009) and Chi et al. (2010), use the signature year gap as indicator. $year_{i,t}$ is the audit partner's signing year, $year_first_{i,t}$ is the audit partner's first signing year, and $EXPI_{i,t}$ is the signing year. gap. The formula is: $EXPI_{i,t} = year_{i,t} - year_first_{i,t}$. We use the year audit partner is approval to sign audit report as the audit partner's first signing year, which means it's their first audit report signature during their career, not the first signature between 2012 and 2021. We consider this approach could better reflect the signing experience of the audit partner

For the measurement of audit partner's professional background, we base on the quantification method. The auditing profession as a branch of accounting has certain specialization, we divided the various professions into two categories according to the degree of relevance, related professions and unrelated professions. We classify business administration, marketing, logistics, international trade and finance and other non accounting related economic and management majors and other non economic and management majors are collectively referred to as non related majors. In contrast, accounting, auditing, financial management and their related branches are classified as related majors, such as industrial accounting, government accounting, etc. So we quantify the audit partner's professional background by assigning a value of 1, otherwise it is 0.

Control variables

Intern~4 (International big 4 audit firms) represents the International Big 4 audit firms, which refer to the four most influential global auditing firms: Deloitte, PricewaterhouseCoopers (PwC), Ernst & Young (EY), and KPMG. These firms provide

auditing, tax, consulting, and financial advisory services on a global scale. In data analysis or research, this variable is typically used to indicate whether a company is audited by one of the Big 4 firms. It is a binary variable (0 or 1), where "1" indicates that the company is audited by one of the Big 4, and "0" means the company is audited by another audit firm. The Big 4 are known for their high audit quality and extensive global networks, so this variable is used to measure the impact of audit quality or the scale of auditing.

"Domes~10" refers to the Big 10 audit firms in China, which represent the ten largest and most influential domestic auditing firms within the Chinese market. These firms typically handle a significant portion of audit and financial advisory services for Chinese companies, especially those that are not audited by the international Big 4 firms. The "10" indicates that the variable includes the top ten firms based on their size, market share, or influence in the domestic auditing industry. In the research, this variable is used to indicate whether a company is audited by one of these top domestic Chinese firms. It is a binary variable (0 or 1), where "1" signifies that the firm is audited by one of these Big 10 domestic firms, and "0" means it is audited by another smaller or non domestic firm. This variable can be useful for studying the differences in audit quality or company characteristics between firms audited by large domestic firms and those audited by either smaller firms or international firms like the Big 4.

Lnta (Log of Total Assets) stands for the natural logarithm of the firm's total assets. Taking the log of total assets helps to normalize the data, especially when the dataset contains firms of vastly different sizes. It reduces the skewness caused by large outliers (i.e., very large companies with extremely high total assets).

ROA (Return on Assets) measures the profitability of a firm relative to its total assets. It is calculated as $ROA = \text{Net Income} / \text{Total Assets}$. It reflects how efficiently a company is using its assets to generate profits. A higher ROA indicates more effective asset utilization.

CFO ta (Cash Flow from Operations scaled by Total Assets) measures the firm's operating cash flow as a percentage of its total assets. It shows how much cash flow a company generates from its core operations relative to the size of its asset base, providing insight into its operational efficiency and financial health.

Loss indicates whether the firm reported a net loss in a particular period. It is a binary variable (0 or 1), where 1 represents a loss and 0 represents a profit.

Lev (Leverage) refers to the amount of debt a firm uses to finance its assets. It is calculated as $\text{Leverage Ratio} = \text{Total Debt} / \text{Total Assets}$. A higher leverage ratio indicates that the firm relies more on debt financing. Leverage is associated with financial risk.

Quick (Quick Ratio) is a liquidity measure that assesses a company's ability to meet its short term obligations with its most liquid assets. It is calculated as $\text{Quick Ratio} = (\text{Current Assets} - \text{Inventory}) / \text{Current Liabilities}$. It excludes inventory because inventory is not always easily converted into cash. A higher quick ratio indicates better liquidity.

Invta (Inventory scaled by Total Assets) measures the proportion of a firm's total assets that is tied up in inventory. It provides insight into how much of the firm's assets are invested in inventory, which can affect liquidity and operational efficiency.

Arta (Accounts Receivable Turnover scaled by Total Assets) represents the efficiency with which a firm collects its receivables relative to its total assets. A higher turnover rate

suggests the firm is quickly collecting payments from customers, which can be a sign of strong financial health.

6.2 Main Result

6.2.1 Descriptive Statistics

Table 4 shows the descriptive statistical analysis of the variables concerned.

Audit Related Variables include Discretionary Accruals, Modified Audit Opinions and Log of Audit Fees. DisAcc (Discretionary Accruals) has a mean of 0.0039 with a standard deviation of 0.0876, indicating that, on average, discretionary accruals hover around zero with moderate variability. The range of values spans from -0.3115 to 0.2585, suggesting some firms show significant negative or positive discretionary accruals. The median (P50) is 0.0067. Auditttype(Modified Audit Opinions): With a mean of 0.9785 and a standard deviation of 0.1449, the vast majority of firms appear to have received a particular audit type, as indicated by the high value close to 1 for both the mean and percentiles (P50 and P75 at 1).

Lnfes (Log of Audit Fees): The average audit fees (logged) are around 4.0020, with moderate variability (SD = 0.7584). The distribution of the data shows that the values range from 0.0000 to 7.1634, and the median value is 4.0664.

Audit partners individual characteristics include Education Level, Professional Background, Industry Specialization and Signature Experience. The mean of educat 1 (Education Level) is 2.1194, with a standard deviation of 0.5824. The minimum and maximum values suggest that the data is categorized (1.0000 to 3.0000), indicating levels of education (other situation, undergraduate, master's, Ph.D.). The median value is 2.0000,

suggesting the most common category of education is undergraduate. special 1 (Professional Background): The mean is 0.6158, suggesting that a significant portion of the sample are specialized in audit specialization. The standard deviation of 0.4864 indicates a moderate amount of variation across the sample. Industry Specialization include Accumulated number of client and Market share of client. Clientik (Accumulated number of client) with a mean of 0.0273 and a low standard deviation of 0.0534, this variable reflects the (Number of all clients of audit partner i in industry k) (Number of all audit clients in industry k). The distribution is highly skewed, as shown by the minimum and maximum values of 0.0000 and 0.3038, respectively. The more audit clients an audit partner has in an industry, the higher the level of industry specialisation. IMSik (Market share of client) has a mean of 0.0273 and a standard deviation of 0.0534, with minimum and maximum values from 0.0000 to 0.3038. It indicates (Total fees of audit partner i in industry k) (Total fees for all individual auditors in industry k). The larger the audit partner's market share in an industry, the higher the audit partner's industry level, conversely the lower.

Firm related variables include International Big 4 audit firms and Big 10 audit firms in China. Intern~4 (International Big 4 audit firms) indicates whether a company was audited by one of the Big 4 international accounting firms. The mean of 0.0664 suggests that only about 6.64% of the companies in the sample were audited by the Big 4 firms, with most companies not being audited by these firms, as reflected by the median of 0. Domes~10 (Big 10 audit firms in China) indicates whether a company was audited by one of the top 10 domestic auditing firms in China. The mean of 0.3233 suggests that about 32.33% of

companies in the sample were audited by a domestic top 10 firm. The median value of 0 implies that most companies were not audited by these firms, but the data shows a higher proportion of companies using domestic firms compared to the Big 4.

Financial Performance Variables include Log of Total Assets, Return on Assets, Cash Flow from Operations scaled by Total Assets, Leverage, Quick Ratio, Loss, Inventory scaled by Total Assets and Accounts Receivable Turnover. Lnta (Log of Total Assets) represents the natural logarithm of the firm's total assets, which helps normalize the scale of firm size across the sample. The mean value of 22.4565 indicates the average firm size in log form, with a standard deviation of 1.4194, suggesting some variation in firm size across the sample. The minimum and maximum values range from 19.9727 to 26.7385, indicating a substantial size difference between the smallest and largest firms. The median value of 22.2241 suggests that the majority of firms cluster around this size.

ROA (Return on Assets) measures the company's profitability relative to its total assets. The mean ROA of 0.0280 indicates that firms, on average, generate a return of about 2.80% on their assets. The standard deviation of 0.0679 suggests some variability in profitability among firms. The range of ROA values (-0.2689 to 0.1940) indicates that while some firms experience significant losses, others achieve solid returns. The median ROA is 0.0271, implying that most firms generate close to 2.71% return on their assets.

CFOta (Cash Flow from Operations scaled by Total Assets): measures how much cash flow a firm generates from its operations relative to its total assets. The mean value of 0.1427 suggests that, on average, firms generate 14.27% of their total assets in cash flow from operations. The standard deviation of 0.1295 indicates moderate variability in

operational cash flow across firms. The minimum (0.0562) and maximum (0.5105) values show that while some firms have negative operational cash flow, others generate a substantial amount. The median of 0.1219 implies that half of the firms generate at least 12.19% of their assets in operational cash flow.

Quick (Quick Ratio) measures a firm's liquidity, specifically its ability to cover short term liabilities with its most liquid assets (excluding inventory). The mean value of 1.8503 suggests that, on average, firms have 1.85 times more liquid assets than short term liabilities. However, there is significant variation, as indicated by the standard deviation of 1.9376. The quick ratio ranges from 0.1932 to 12.0721, meaning some firms are highly liquid, while others may struggle to cover short term obligations. The median of 1.2244 indicates that half of the firms have at least 1.22 times more liquid assets than liabilities.

Leverage (Lev) refers to the proportion of a firm's total assets that is financed by debt. The mean leverage ratio of 0.4330 suggests that, on average, 43.30% of firms' assets are financed by debt. The standard deviation of 0.1943 indicates some variability in firms' reliance on debt. The leverage ratios range from 0.0633 to 0.8683, showing that some firms have low debt levels while others are highly leveraged. The median leverage ratio of 0.4298 indicates that for half of the firms, less than 43% of their assets are financed by debt.

Arta (Accounts Receivable Turnover) measures the efficiency with which firms collect their receivables relative to total assets. The mean value of 0.1234 indicates that, on average, accounts receivable turnover is about 12.34% of total assets. The standard deviation of 0.1057 shows considerable variability in receivables management across firms.

The range from 0.0004 to 0.4691 suggests that while some firms efficiently manage their receivables, others hold a larger proportion of assets in accounts receivable. The median of 0.1019 indicates that half of the firms' receivables turnover is below or around 10.19%.

Loss represents whether a company reported a loss during the period of interest. With a mean of 0.3387, about 33.87% of the companies reported a loss, while the remaining 66.13% reported profits. The median is 0, indicating that the majority of firms did not report losses, and the 75th percentile is 1, reflecting that a sizable portion of companies did experience losses.

Invta (Inventory scaled by Total Assets) measures the proportion of a firm's total assets that is allocated to inventory. The mean value of 0.1395 indicates that, in general, about 13.95% of a company's total assets are tied up in inventory. The data distribution shows variability, as reflected by the standard deviation of 0.1342. The median of 0.1040 indicates that in half of the companies, inventory makes up around 10.4% or less of total assets, with the 75th percentile at 18.97%.

Table 4: Summary Statistics

Variable	Number	Mean	Standard Deviation	Min	Max	P25	P50	P75
DisAcc	8,342	0.0039	0.0876	0.3115	0.2585	0.0375	0.0067	0.0491
Audittyp	8,342	0.9785	0.1449	0.0000	1.0000	1.0000	1.0000	1.0000
Lnfee	8,332	14.0020	0.7584	12.7657	16.6422	13.4588	13.8643	14.3921
educat~1	8,342	2.1194	0.5824	1.0000	3.0000	2.0000	2.0000	2.0000
specia~1	7,657	0.6158	0.4864	0.0000	1.0000	0.0000	1.0000	1.0000
Clientik	8,342	0.0275	0.0409	0.0011	0.2745	0.0069	0.0136	0.0288
IMSik	8,342	0.0273	0.0533	0.0005	0.3512	0.0038	0.0093	0.0250

EXPit	8,342	3.6709	2.8122	0.0000	9.0000	1.0000	3.0000	6.0000
EXPit1	8,342	17.5910	5.5497	4.0000	28.0000	14.0000	18.0000	22.0000
Intern~4	8,342	0.1229	0.3283	0.0000	1.0000	0.0000	0.0000	0.0000
Domes~10	8,342	0.6250	0.4841	0.0000	1.0000	0.0000	1.0000	1.0000
Lnta	8,342	22.4565	1.4149	19.9727	26.7385	21.4498	22.2241	23.2345
ROA	8,342	0.0384	0.0629	0.2689	0.1979	0.0154	0.0378	0.0674
CFO ta	8,342	0.1427	0.0952	0.0010	0.5105	0.0772	0.1219	0.1826
Loss	8,342	0.1006	0.3008	0.0000	1.0000	0.0000	0.0000	0.0000
Lev	8,342	0.4330	0.2021	0.0633	0.8683	0.2688	0.4298	0.5853
Quick	8,342	1.8503	1.9376	0.1932	12.0721	0.7732	1.2243	2.0866
Invta	8,342	0.1395	0.1353	0.0000	0.7040	0.0520	0.1088	0.1750
Arta	8,342	0.1234	0.1057	0.0004	0.4691	0.0349	0.1019	0.1823

6.2.2 Correlation analysis

A strong positive correlation between Lnfas and Lnta is observed across both matrices. This supports the notion that larger firms (in terms of assets) tend to incur higher audit fees. Larger firms require more complex and resource intensive audits, leading to this expected relationship.

The positive correlation between CFO ta and ROA reflects the relationship between operational cash flow and profitability. Firms with stronger operational performance are expected to display higher profitability, as efficient cash flow management enhances the overall financial health of the firm. The Quick Ratio continues to show a positive correlation with CFO ta, reinforcing the idea that firms with stronger liquidity positions tend to generate higher cash flows from operations. This positive association underscores

the importance of liquidity in managing and improving a firm's cash flow. In the table 5, a notable positive correlation is observed between Auditttype and Clientik. This could suggest that firms audited by a specific type of audit firm, possibly larger or more reputable firms, tend to have more significant client influence or relationships. The relationship might be related to how these firms are better able to attract and serve important clients due to their reputation.

A consistently negative correlation between Leverage and Quick Ratio is observed in table 5, implying that higher leverage ratios (more debt relative to assets) are associated with lower liquidity levels. This aligns with the intuitive understanding that firms with higher debt loads might experience tighter liquidity constraints as they need to service more debt. The negative relationship between DisAcc and ROA persists across the two matrices. This suggests that firms engaging in higher levels of discretionary accruals (often indicative of earnings management) tend to have lower profitability, as measured by return on assets.

A positive, but moderate, correlation is observed between Lev and Lnta. Larger firms may have access to more debt due to their size and credibility, which may explain why larger total assets are associated with higher leverage. The correlation between Invta and Arta appears moderate and positive. Firms that have a higher proportion of assets tied up in inventory might also see a greater proportion of receivables in relation to total assets. This could indicate firms that manage both inventory and receivables closely to their overall assets. There is a weak but positive correlation between IMSik (likely related to internationalization or market specific factors) and Auditttype. This could imply that certain audit firms, possibly those with international reach, are more likely to audit firms with

specific international characteristics. The negative correlation between Clientik and Leverage suggests that firms with significant client influence (possibly larger or more prestigious clients) tend to have lower levels of leverage. This may indicate that firms with better client relationships or standing may not need to rely as heavily on debt financing.

Table 5 provide a comprehensive view of the relationships between firm characteristics, financial metrics, and audit related factors. The key findings emphasize the positive relationships between firm size and audit fees, operational cash flow and profitability, and liquidity and cash flow. Meanwhile, negative relationships between leverage and liquidity, as well as discretionary accruals and profitability, highlight the financial risks associated with high debt and earnings management.

Table 5: Correlation analysis of variables

Variable	DisAcc	Audittp	Lnfee	educat~1	specia~1	Clientik	IMSik	EXPit	EXPit1	Intern~4
DisAcc	1.0000									
Audittp	0.100***	1.0000								
Lnfee	-0.056***	-0.026**	1.0000							
education1	0.0140	0.029***	0.021*	1.0000						
specializa~1	0.0010	-0.0070	-0.0170	-0.084***	1.0000					
Clientik	-0.031***	-0.0130	0.116***	-0.025**	0.0110	1.0000				
IMSik	-0.040***	0.0000	0.438***	-0.0040	-0.0040	0.767***	1.0000			
EXPit	-0.041***	-0.022**	0.053***	0.019*	-0.0080	0.057***	0.035***	1.0000		
EXPit1	-0.0180	-0.020*	0.0020	-0.049***	0.0150	0.040***	-0.0020	0.407***	1.0000	
Internatio~4	0.0040	0.040***	0.540***	0.0180	-0.042***	0.036***	0.271***	-0.086***	-0.094***	1.0000
DomesticT~10	-0.018*	0.0100	0.226***	0.057***	-0.019*	-0.0040	0.090***	0.085***	-0.0160	0.290***
Lnta	0.037***	0.039***	0.798***	0.045***	-0.040***	0.103***	0.334***	0.023**	0.0120	0.441***
ROA	0.413***	0.229***	-0.061***	0.039***	0.0080	-0.037***	-0.022**	-0.022**	-0.0130	0.059***
CFO ta	0.030***	0.049***	-0.065***	0.026**	0.0150	-0.087***	-0.044***	0.025**	-0.0110	0.0040
Loss	-0.323***	-0.187***	0.0090	-0.025**	-0.0080	0.021**	0.0020	0.028**	0.022**	-0.056***
Lev	-0.091***	-0.092***	0.421***	0.0070	-0.0180	-0.0030	0.114***	-0.028**	-0.0130	0.156***
Quick	0.065***	0.038***	-0.318***	0.024**	0.0090	-0.057***	-0.113***	0.0080	-0.0140	-0.107***
Invta	0.099***	0.0040	0.034***	0.0070	0.0020	-0.091***	-0.059***	-0.038***	-0.027**	0.0030
Arta	0.032***	-0.0080	-0.134***	0.027**	-0.0090	-0.161***	-0.123***	0.036***	-0.0020	-0.110***

Variable	Domes ~ 10	Lnta	ROA	CFO ta	Loss	Lev	Quick	Invta	Arta
DisAcc									
Audittyp									
Lnfee									
education 1									
specializa ~ 1									
Clientik									
IMSik									
EXPit									
EXPit1									
Internatio ~ 4									
DomesticT ~ 10	1.0000								
Lnta	0.166***	1.0000							
ROA	0.021*	0.0100	1.0000						
CFO ta	0.027**	-0.194***	0.466***	1.0000					
Loss	0.0040	-0.077***	-0.666***	-0.178***	1.0000				
Lev	0.042***	0.531***	-0.357***	-0.303***	0.162***	1.0000			
Quick	0.0060	-0.375***	0.242***	0.165***	-0.092***	-0.673***	1.0000		
Invta	-0.054***	0.132***	-0.064***	-0.077***	-0.0160	0.321***	-0.256***	1.0000	
Arta	0.019*	-0.237***	-0.041***	0.137***	0.021*	0.022**	0.022**	-0.107***	1.0000

The numbers marked in bold above 0.5 have strong covariance, so the control variables are removed from LEV and Loss.

6.2.3 Regression Analysis of Audit Quality

Measurement: Audit Fees

The table 6 presents the results of multiple regression models aimed at examining the determinants of audit quality, measured as the natural logarithm of audit fees (Lnfes). The models include several independent variables include education level, professional background, industry specialisation and signature experience.

Education Level (education_1)

In all models, education_1 shows a statistically significant negative coefficient. The negative coefficient 0.0178 in column 1 suggests that firms with higher levels of education among audit partners may be associated with slightly lower audit fees. This could be because firms with well educated audit partners might present less audit risk, requiring less audit effort, which leads to lower audit fees.

Professional Background (specialization_1)

The variable specialization_1 consistently exhibits a positive and statistically significant relationship with audit fees, in column 2, where the coefficient is 0.0288. This suggests that firms with specialized auditing/accounting major are likely to incur higher audit fees. Specialized audits often require more detailed and complex work, reflecting the need for more resources and expertise, which increases fees.

Signature Experience (EXPit and EXPit 1)

The variable EXPit (current year experience) shows a small and statistically insignificant coefficient across the model, indicating that the immediate experience of the audit partners may not have a direct impact on audit fees. However, EXPit 1 (prior year experience) also remains insignificant, suggesting that audit fees are not strongly influenced by the signature experience level of the audit partner in this context.

Industry Specialisation (Clientik and IMSik)

The variable Clientik shows a negative coefficient, though it is not statistically significant across the models. This suggests that client influence, as measured by this variable, may not play a major role in determining audit fees in this sample. The negative

direction could imply that more influential clients might leverage their power to negotiate lower audit fees, but the lack of significance weakens this claim.

IMSik shows a large positive and statistically significant coefficient among models. In column 5, the coefficient is 3.0686, indicating that the audit partner with a strong market share in an industry gain significantly higher audit fees. This aligns with the expectation that audit partner tend to deal with more complex financial reporting and require more extensive knowledge in this field, which results in higher fees.

Control variables

Both InternationalBig4 and DomesticTop10 exhibit positive and statistically significant coefficients across all models. For example, in model 5, the coefficient for InternationalBig4 is 0.5108, while DomesticTop10 is 0.0537. This indicates that being audited by a Big 4 firm significantly increases audit fees, reflecting the premium associated with Big 4 audits. Similarly, although to a lesser extent, firms audited by one of the top 10 domestic audit firms also face higher fees, indicating a perceived higher audit quality or complexity of service provided by these firms.

Lnta is one of the most influential variables, with a large positive and statistically significant coefficient in all models. For example, in model 5, the coefficient is 0.4967. This confirms that larger firms (as measured by total assets) pay higher audit fees, which is consistent with the idea that larger firms have more complex financial reporting and therefore require more extensive audit work.

ROA consistently shows a negative and statistically significant relationship with audit fees across the models. In model 5, the coefficient is -0.1475, suggesting that more

profitable firms tend to pay lower audit fees. This could be because auditors perceive profitable firms as less risky, requiring less effort to audit, which reduces audit costs.

The variable CFO ta shows a positive and significant relationship with audit fees in most models, particularly in model 5, where the coefficient is 0.8718. This suggests that firms with higher cash flow from operations relative to their total assets may face higher audit fees, possibly due to the need for more detailed auditing of cash flow statements and operational activities.

The Quick Ratio exhibits a positive coefficient, but it is not statistically significant in any of the models. This suggests that liquidity, as measured by the quick ratio, does not have a significant impact on audit fees in this sample.

Invta (inventory scaled by total assets) and Arta (accounts receivable turnover) both show statistically insignificant relationships with audit fees across the models. This indicates that these specific asset management metrics do not have a major impact on the determination of audit fees in this analysis.

For the Model Fit and Robustness, the R squared values for the models are relatively high, ranging from 0.734 to 0.746, indicating that the models explain a substantial proportion of the variation in audit fees. The inclusion of fixed effects for both year and industry suggest that the models account for time specific and industry specific factors that might influence audit fees, making the results more robust and reliable.

This regression analysis highlights several key determinants of audit fees. Larger firms, as measured by total assets, consistently pay higher audit fees, which is expected given their greater complexity and the broader scope of audit work required. Firms audited by

the Big 4 or top 10 domestic firms also face significantly higher fees, reflecting the premium associated with these auditors. Interestingly, higher profitability (ROA) tends to reduce audit fees, while higher cash flow (CFO_{it}) increases fees, suggesting that profitability is associated with lower audit risk, while strong cash flows may require more detailed auditing.

Overall, the results support the view that education, professional background and industry specialization have significant impact on audit quality, measured by audit fees.

Table 6: Audit Quality measurement: Audit Fees

VARIABLES	(1) Lnfee	(2) Lnfee	(3) Lnfee	(4) Lnfee	(5) Lnfee	(6) Lnfee
education_1	0.0178** (2.365)					
specialization_1		0.0288*** (3.048)				
EXPit			0.00159 (0.854)			
EXPit1				0.000912 (1.127)		
Clientik					0.293 (1.432)	
IMSik						3.086*** (26.70)
InternationalBig 4	0.510*** (32.86)	0.500*** (30.78)	0.512*** (32.86)	0.510*** (32.70)	0.511*** (32.86)	0.435*** (28.67)

DomesticTop10	0.0537*** (5.575)	0.0578*** (5.707)	0.0523*** (5.432)	0.0524*** (5.440)	0.0526*** (5.464)	0.0498*** (5.391)
Lnta	0.394*** (94.77)	0.393*** (89.94)	0.394*** (94.63)	0.394*** (94.70)	0.394*** (94.54)	0.357*** (84.55)
ROA	1.543*** (18.51)	1.572*** (17.91)	1.544*** (18.51)	1.545*** (18.53)	1.546*** (18.54)	1.438*** (17.95)
CFO_ta	0.871*** (13.60)	0.882*** (13.03)	0.866*** (13.52)	0.865*** (13.51)	0.865*** (13.51)	0.792*** (12.88)
Quick	0.00977** *	0.0107***	0.0100***	0.0100***	0.00993** *	0.0124***
Invta	(3.635)	(3.780)	(3.737)	(3.723)	(3.697)	(4.817)
Arta	0.236*** (5.170)	0.241*** (5.080)	0.236*** (5.176)	0.238*** (5.211)	0.236*** (5.172)	0.234*** (5.342)
Constant	0.203*** (4.047)	0.187*** (3.489)	0.200*** (3.987)	0.201*** (3.997)	0.200*** (3.992)	0.147*** (3.047)
	5.048*** (52.08)	5.019*** (49.41)	5.017*** (52.08)	5.033*** (51.92)	5.018*** (52.12)	5.793*** (59.86)
Observations	8,331	7,648	8,331	8,331	8,331	8,331
R squared	0.737	0.737	0.737	0.737	0.737	0.758
r2_a	0.735	0.734	0.735	0.735	0.735	0.756
F	1989	1797	1987	1988	1988	2238

t statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Industry Effects Fixed

Year Effects Fixed

6.2.4 Regression Analysis of Audit Quality

Measurement: Modified Audit Opinions

The table 7 presents the results of multiple regression models aimed at examining the determinants of audit quality, measured as the Modified Audit Opinions (Auditttype). Modified audit opinions are usually issued when auditors have reservations about the company's financial statements, suggesting some level of risk or uncertainty. The models include several independent variables include education level, professional background, industry specialisation and signature experience, aiming to determine what factors influence the likelihood of receiving a modified audit opinion.

Education Level (education_1)

Across the models, education_1 shows a positive and statistically significant relationship with modified audit opinions. The coefficient is 0.00498, suggests that the education level of audit partners does play a significant role in determining whether a company receives a modified audit opinion.

Professional Background (specialization_1)

The variable specialization_1 consistently shows a small negative coefficient, it is not statistically significant in any of the models. This suggests that audit partners' professional background does not have a strong impact on the likelihood of receiving a modified audit opinion in the sample analysed.

Signature Experience (EXPit and EXPit 1)

Both EXPit (current year experience) and EXPit 1 (prior year experience) have negative but statistically insignificant coefficients across the models. This indicates that the signature experience of the audit partner, whether current or prior year, does not significantly affect the issuance of modified audit opinions in this context.

Industry Specialisation (Clientik and IMSik)

Clientik shows a positive and statistically significant coefficient in model 5 (0.1633), indicating that the more audit clients an audit partner has in an industry firms are more likely to receive a modified audit opinion. This finding suggests that when audit partner with higher industry specialisation, they may exercise more caution or scrutiny, leading to a greater likelihood of issuing a modified opinion.

Control variables

InternationalBig4 has a positive and statistically significant coefficient in all models. For instance, in model 5, the coefficient is 0.0115. This indicates that companies audited by one of the Big 4 firms are slightly more likely to receive modified audit opinions. This could be due to the Big 4's reputation for conducting thorough and conservative audits, where they are more likely to flag issues in the financial statements, thus leading to modified opinions. On the other hand, DomesticTop10 shows a consistently negative but statistically insignificant relationship with modified audit opinions. This suggests that companies audited by domestic top 10 firms are slightly less likely to receive modified audit opinions, but this effect is not robust. Lnta consistently shows a negative and statistically significant coefficient across all models. For example, in model 5, the coefficient is 0.0374. This indicates that larger firms, as measured by total assets, are

less likely to receive modified audit opinions. Larger firms may have more resources for internal controls and financial reporting, reducing the likelihood of audit issues that would lead to a modified opinion. ROA displays a positive and statistically significant relationship with modified audit opinions across all models, with a coefficient of 0.6044 in model 5. This result is somewhat surprising, as higher profitability is usually associated with lower audit risk. However, this finding may suggest that highly profitable firms are under greater scrutiny by auditors, possibly due to the complex nature of their financial statements, leading to a higher likelihood of receiving modified opinions. CFO ta shows a positive but statistically insignificant relationship with modified audit opinions in most models. This suggests that the proportion of operating cash flow relative to total assets does not play a significant role in determining whether a firm receives a modified opinion in this sample. Quick consistently shows a negative and statistically significant relationship with modified audit opinions across all models. For example, in model 5, the coefficient is -0.4087. This indicates that firms with higher liquidity (as measured by the quick ratio) are less likely to receive modified audit opinions. Higher liquidity suggests better financial health and lower audit risk, which could explain the lower likelihood of modified opinions. Both Invta (inventory scaled by total assets) and Arta (accounts receivable turnover) show statistically insignificant coefficients across the models. This suggests that these asset management metrics do not have a significant impact on the likelihood of receiving a modified audit opinion.

About Model Fit and Robustness, the R squared values across the models are relatively modest, ranging from 0.0666 to 0.0708, indicating that the models explain only a

small portion of the variation in modified audit opinions. The inclusion of industry and year fixed effects helps control for time and industry specific factors, providing some robustness to the results.

This regression analysis provides insights into the factors that influence the likelihood of receiving a modified audit opinion. Key findings include the positive impact of being audited by a Big 4 firm on the likelihood of receiving a modified opinion, suggesting that these firms are more conservative in their audit assessments. On the other hand, larger firms (as measured by total assets) and firms with higher liquidity are less likely to receive modified audit opinions, likely due to their stronger financial positions and lower audit risk. ROA is positively associated with modified audit opinions, which could reflect auditors' heightened scrutiny of highly profitable firms. The positive relationship between Clientik and modified opinions suggests that influential clients may face more rigorous audits, leading to a higher likelihood of receiving modified opinions.

Overall, the analysis supports that audit partners' education level and industry specialisation have significant impact on audit quality, measured by modified audit opinions.

Table 7: Audit Quality measurement: Modified Audit Opinions

VARIABLES	(1) Audittyp	(2) Audittyp	(3) Audittyp	(4) Audittyp	(5) Audittyp	(6) Audittyp
education_1	0.00498* (1.848)					
specialization_1		0.000957				

			(0.282)			
EXPit			0.000246			
			(0.369)			
EXPit1				0.000351		
				(1.212)		
Clientik				0.163**		
				(2.231)		
IMSik						0.0384
						(0.890)
InternationalBig4	0.0118**	0.0114*	0.0115**	0.0111**	0.0119**	0.0107*
	(2.125)	(1.945)	(2.055)	(1.989)	(2.147)	(1.889)
DomesticTop10	0.00164	0.00191	0.00129	0.00145	0.00130	0.00138
	(0.475)	(0.524)	(0.374)	(0.420)	(0.376)	(0.399)
Lnta	0.00236	0.00271*	0.00248*	0.00252*	0.00220	0.00200
	(1.584)	(1.724)	(1.664)	(1.693)	(1.473)	(1.270)
ROA	0.604***	0.632***	0.604***	0.605***	0.605***	0.606***
	(20.22)	(20.02)	(20.23)	(20.24)	(20.25)	(20.26)
CFO_ta	0.103***	0.111***	0.101***	0.101***	0.101***	0.102***
	(4.485)	(4.538)	(4.419)	(4.423)	(4.410)	(4.452)
Quick	0.000337	0.000544	0.000266	0.000273	0.000313	0.000302
	(0.351)	(0.533)	(0.277)	(0.284)	(0.326)	(0.314)
Invta	0.0221	0.0167	0.0223	0.0220	0.0219	0.0224
	(1.355)	(0.978)	(1.365)	(1.347)	(1.343)	(1.373)
Arta	0.0211	0.0209	0.0219	0.0219	0.0220	0.0212
	(1.175)	(1.086)	(1.219)	(1.218)	(1.223)	(1.178)
Constant	0.901***	0.905***	0.909***	0.914***	0.910***	0.918***
	(25.97)	(24.78)	(26.37)	(26.34)	(26.42)	(25.43)
Observations	8,341	7,656	8,341	8,341	8,341	8,341
R squared	0.076	0.081	0.076	0.076	0.076	0.076

r2_a	0.0666	0.0703	0.0662	0.0663	0.0667	0.0663
F	56.73	54.57	56.35	56.50	56.92	56.42

t statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Industry Effects Fixed

Year Effects Fixed

6.2.5 Regression Analysis of Audit Quality

Measurement: Discretionary Accruals

The table 8 presents regression results focusing on the relationship between various audit partners' characteristics and Discretionary Accruals (DisAcc), a commonly used measure of earnings management. Discretionary accruals refer to the portion of accruals that management can influence, and higher levels may suggest that a company is manipulating its financial reporting. The regression aims to understand the factors influencing the level of discretionary accruals and, by extension, audit quality.

Education Level (education_1)

In the model, education_1 displays a negative coefficient, although it is not statistically significant. The coefficient is -0.00018, indicating that higher education levels among audit partner are not associated with lower discretionary accruals.

Professional Background (specialization_1)

Specialization₁ shows a positive but statistically insignificant coefficient across the models. The coefficient is 0.000169, implying that audit partners' major have no significant impact on discretionary accruals in this sample. This may suggest that mahor, while important for audit quality, does not directly influence the extent of earnings management through accruals.

Signature Experience (EXPit and EXPit 1)

EXPit (current year experience) has a negative coefficient in the model but is statistically insignificant. EXPit 1 (prior year experience), on the other hand, shows a small positive but statistically insignificant coefficient in the model. This implies that the signature experience of the audit partner, either in the current or prior year, does not have a significant impact on discretionary accruals in the companies analyzed.

Industry Specialisation (Clientik and IMSik)

Clientik has a small negative coefficient in most models, such as 0.0210 in model 5, but is not statistically significant. This suggests that the number of client does not play a major role in determining the level of discretionary accruals in this sample. It implies that, at least in this context, influential clients do not necessarily engage in more earnings management or reduce their discretionary accruals.

IMSik shows a significant negative coefficient in model 6, where the coefficient is 0.0621 (significant at the 1% level). This indicates that audit partner with a greater degree of market share tend to have lower discretionary accruals. One possible explanation for this result is that firms with international exposure face stricter regulatory scrutiny and therefore engage in less earnings management, resulting in lower discretionary accruals.

Control variables

InternationalBig4 consistently shows a small negative but statistically insignificant coefficient across all models. For example, in model 5, the coefficient is 0.0043. This suggests that being audited by one of the Big 4 audit firms does not significantly affect the level of discretionary accruals, which may indicate that while Big 4 firms are associated with higher audit quality, they do not necessarily curb all forms of earnings management. Similarly, DomesticTop10 has a negative but insignificant coefficient across all models, such as 0.0155 in model 5. This suggests that being audited by one of the top 10 domestic audit firms also does not have a significant impact on discretionary accruals, similar to the findings for the Big 4. Lnta displays a positive and statistically significant coefficient in all models. For instance, in model 5, the coefficient is 0.8485. This indicates that larger firms, as measured by their total assets, are more likely to have higher discretionary accruals. Larger firms may have more complex financial operations and greater opportunities to engage in earnings management, which could explain the positive relationship with discretionary accruals. ROA exhibits a positive coefficient across all models, but it is statistically insignificant. This suggests that the profitability of a firm, as measured by return on assets, does not have a significant impact on its discretionary accruals. While profitability might influence financial reporting practices, this result implies that it does not strongly correlate with the extent of earnings management through discretionary accruals. CFO ta consistently shows a large negative and statistically significant coefficient in all models. For instance, in model 5, the coefficient is 0.2513, significant at the 1% level. This indicates that firms with higher cash flow from operations

(relative to total assets) tend to have lower discretionary accruals. This is consistent with the idea that strong cash flows reduce the need for earnings management, as firms with healthy cash flows are less likely to manipulate earnings through discretionary accruals. Quick Ratio shows a positive and statistically significant coefficient in most models. For example, in model 5, the coefficient is 0.0374, significant at the 1% level. This suggests that firms with higher liquidity, as measured by the quick ratio, may be more likely to engage in earnings management. One possible explanation is that firms with higher liquidity might have more flexibility in managing earnings, which could lead to increased discretionary accruals. Both Invta (inventory scaled by total assets) and Arta (accounts receivable turnover) show statistically insignificant coefficients across all models. This indicates that inventory levels and the efficiency with which firms collect receivables do not have a significant impact on the level of discretionary accruals. These specific asset management metrics appear to have little influence on earnings management in this sample.

For Model Fit and Robustness, the R squared values across the models range from 0.0636 to 0.0695, indicating that the models explain a modest portion of the variation in discretionary accruals. The inclusion of year and industry fixed effects helps to account for unobserved heterogeneity, providing more robust estimates.

This regression analysis offers several insights into the factors influencing discretionary accruals, a common measure of earnings management. Key findings include the negative impact of IMSik (international market influence) and CFO ta (cash flow from operations) on discretionary accruals, suggesting that firms with international exposure

and stronger cash flows are less likely to engage in earnings management. Additionally, the positive relationship between Lnta (firm size) and discretionary accruals highlights the potential for larger firms to engage in more earnings management. Quick Ratio is positively associated with discretionary accruals, suggesting that higher liquidity may provide firms with more opportunities for earnings manipulation. On the other hand, variables like ROA, InternationalBig4, and DomesticTop10 are not statistically significant, indicating that profitability and auditor type do not have a strong impact on earnings management in this context.

Overall, the result support that audit partners' industry specialization has impact on audit quality, measured by discretional accruals.

Table 8: Audit Quality measurement: Discretionary Accruals

VARIABLES	(1) DisAcc	(2) DisAcc	(3) DisAcc	(4) DisAcc	(5) DisAcc	(6) DisAcc
education_1	0.000180 (0.127)					
specialization_1		0.000169 (0.0951)				
EXPit			4.91e 05 (0.140)			
EXPit1				2.71e 06 (0.0177)		
Clientik					0.0210 (0.545)	

IMSik						0.0621*** (2.728)
InternationalBig4	0.00429 (1.460)	0.00312 (1.020)	0.00431 (1.465)	0.00428 (1.452)	0.00432 (1.471)	0.00275 (0.922)
DomesticTop10	0.00154 (0.847)	0.00105 (0.552)	0.00154 (0.848)	0.00155 (0.853)	0.00156 (0.857)	0.00149 (0.822)
Lnta	0.00116 (1.480)	0.000990 (1.204)	0.00116 (1.481)	0.00116 (1.475)	0.00119 (1.515)	0.00190** (2.289)
ROA	0.741*** (47.01)	0.742*** (44.90)	0.741*** (47.00)	0.741*** (47.01)	0.741*** (47.00)	0.739*** (46.83)
CFO_ta	0.251*** (20.69)	0.251*** (19.71)	0.251*** (20.71)	0.251*** (20.71)	0.251*** (20.72)	0.249*** (20.58)
Quick	0.000534 (1.053)	0.000522 (0.979)	0.000533 (1.052)	0.000532 (1.050)	0.000537 (1.060)	0.000580 (1.145)
Invta	0.0798*** (9.262)	0.0733*** (8.211)	0.0797*** (9.258)	0.0798*** (9.260)	0.0798*** (9.268)	0.0797*** (9.259)
Arta	0.127*** (13.45)	0.128*** (12.72)	0.127*** (13.45)	0.127*** (13.45)	0.127*** (13.45)	0.129*** (13.56)
Constant	0.0409** (2.232)	0.0366* (1.919)	0.0410** (2.256)	0.0412** (2.249)	0.0413** (2.273)	0.0567*** (2.977)
Observations	8,341	7,656	8,341	8,341	8,341	8,341
R squared	0.295	0.295	0.295	0.295	0.295	0.296
r2_a	0.288	0.287	0.288	0.288	0.288	0.289
F	283.2	256.7	283.2	283.2	283.2	284.2

t statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Industry Effects Fixed

6.3 Synthesis

Although the baseline regression analyses provide preliminary and statistically significant evidence on the relationship between audit partners' characteristics and audit quality, it remains necessary to conduct further systematic verification to ensure the robustness and credibility of the conclusions. This section first synthesizes the main empirical findings and, on this basis, introduces 2 robustness checks to assess whether the results are influenced by potential factors such as choice of proxy variables, or firm effects. Subsequently, in light of the research context and methodological characteristics, it discusses the key limitations that should be considered when interpreting and generalizing the findings. By presenting the robustness checks and study limitations within the same framework, this study seeks to ensure that the conclusions are not only statistically valid but also methodologically persuasive and transparent.

6.3.1 Robustness Checks

To further assess the robustness of our empirical findings, two supplementary tests are performed. First, we re estimate all baseline models using the absolute value of discretionary accruals as an alternative proxy for audit quality. This specification is motivated by the view that discretionary accruals, particularly in their absolute form, capture the extent of abnormal accounting adjustments irrespective of their direction,

thereby serving as a widely accepted inverse measure of audit quality in the auditing literature (DeFond & Zhang, 2014; Francis et al., 2005). By employing the absolute value, we mitigate concerns that the sign of accruals (income-increasing vs. income-decreasing) could drive the results, and instead focus on the magnitude of deviations from expected accruals as a consistent indicator of potential earnings management.

Table 9: Robustness Checks absolute value of discretionary accruals

VARIABLES	(1) absDisAcc	(2) absDisAcc	(3) absDisAcc	(4) absDisAcc	(5) absDisAcc	(6) absDisAcc
education_1	0.00154 (1.282)					
specialization_1		0.000777 (0.516)				
EXPit			0.000459 (1.544)			
EXPit1				9.54e 05 (0.737)		
Clientik					0.0572* (1.757)	
IMSik						0.0522*** (2.707)
InternationalBig4	0.00144 (0.578)	0.00147 (0.568)	0.00170 (0.682)	0.00153 (0.614)	0.00149 (0.599)	0.000100 (0.0397)
DomesticTop10	0.00290* (1.879)	0.00380** (2.357)	0.00289* (1.879)	0.00302* (1.960)	0.00300* (1.951)	0.00294* (1.910)
Lnta	0.00404***	0.00416***	0.00404***	0.00406***	0.00398***	0.00345***

	(6.074)	(5.968)	(6.070)	(6.096)	(5.970)	(4.903)
ROA	0.244***	0.241***	0.245***	0.244***	0.244***	0.246***
	(18.31)	(17.25)	(18.34)	(18.32)	(18.33)	(18.44)
CFO_ta	0.0952***	0.0925***	0.0947***	0.0947***	0.0947***	0.0960***
	(9.293)	(8.576)	(9.244)	(9.247)	(9.246)	(9.366)
Quick	0.000545	0.000544	0.000536	0.000525	0.000539	0.000565
	(1.270)	(1.205)	(1.251)	(1.223)	(1.257)	(1.318)
Invta	0.0379***	0.0349***	0.0376***	0.0377***	0.0379***	0.0377***
	(5.195)	(4.616)	(5.159)	(5.168)	(5.206)	(5.179)
Arta	0.00641	0.00422	0.00629	0.00619	0.00614	0.00708
	(0.799)	(0.495)	(0.784)	(0.772)	(0.765)	(0.883)
Constant	0.148***	0.149***	0.147***	0.147***	0.146***	0.133***
	(9.579)	(9.202)	(9.546)	(9.513)	(9.461)	(8.251)
Observations	8,341	7,656	8,341	8,341	8,341	8,341
R squared	0.100	0.099	0.100	0.100	0.100	0.100
r2_a	0.0903	0.0892	0.0904	0.0902	0.0905	0.0910
F	54.71	48.87	54.80	54.58	54.88	55.38

t statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Then the regression model was re estimated with both firm and year fixed effects. Firm fixed effects control for all time invariant characteristics specific to each firm, such as ownership structure, corporate culture, and long term governance practices, that may systematically affect audit quality. Year fixed effects control for macroeconomic shocks, regulatory changes, and market wide conditions affecting all firms in a given year. By

accounting for these potential sources of unobserved heterogeneity, the estimates of the key explanatory variables are less likely to be biased by omitted variables.

The results from both robustness checks are qualitatively consistent with our main findings. The statistical significance and direction of the estimated coefficients remain largely unchanged, thereby providing additional confidence that the documented relationships are not artefacts of model specification, choice of proxy, or unobserved firm or specific time factors.

Table 10: Robustness Checks firm and year fixed effects

VARIABLES	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
education_1	✓ -0.00379 (-0.642)						0.00734* (1.922)						✓ -0.00034* (-0.146)					
specialization_1		0.0181** (2.340)						-0.0109** (-2.156)						-0.00035* (-0.116)				
EXPit			-0.00293* (-1.799)						0.000885 (0.838)						0.000221 (0.339)			
EXPit1				-0.00044* (-0.627)						0.000779* (1.694)						0.000297 (1.048)		
Clientik					✓ -0.148 (-0.973)						0.317*** (3.233)						✓ -0.0205 (-0.340)	
IMSik						0.696*** (6.376)						0.125* (1.764)					✓ 0.00689 (0.158)	
InternationalBig4		0.192*** (7.661)	0.190*** (7.593)	0.191*** (7.621)	0.190*** (7.572)	0.196*** (7.849)	0.0380*** (2.343)	0.0392*** (2.303)	0.0389*** (2.396)	0.0395*** (2.435)	0.0419*** (2.578)	0.0392*** (2.414)	-0.0211** (-2.115)	-0.0175* (-1.693)	-0.0210** (-2.103)	-0.0207** (-2.072)	-0.0214** (-2.134)	-0.0211** (-2.111)
DomesticTop10		0.0168* (1.947)	0.0206** (2.211)	0.0173** (2.008)	0.0168* (1.950)	0.0182** (2.116)	0.00359 (0.643)	0.00297 (0.491)	0.00328 (0.586)	0.00353 (0.631)	0.00380 (0.679)	0.00364 (0.651)	0.000225 (0.0653)	0.000557 (0.152)	0.000202 (0.0585)	0.000281 (0.0816)	0.000209 (0.0605)	0.000247 (0.0716)
Lnta		0.304*** (34.81)	0.310*** (33.63)	0.303*** (34.72)	0.303*** (34.73)	0.304*** (34.83)	-0.00871 (-1.543)	-0.0104* (-1.738)	-0.00849 (-1.502)	-0.00817 (-1.446)	-0.00918 (-1.626)	-0.00895 (-1.585)	0.00840** (2.415)	0.00814** (2.238)	0.00844** (2.427)	0.00859** (2.467)	0.00843** (2.423)	0.00838** (2.410)
ROA		-0.569*** (-10.10)	-0.595*** (-9.908)	-0.568*** (-10.08)	-0.568*** (-10.07)	-0.575*** (-10.23)	0.505*** (13.83)	0.555*** (14.23)	0.504*** (13.80)	0.503*** (13.79)	0.501*** (13.75)	0.503*** (13.78)	0.801*** (35.63)	0.796*** (33.61)	0.801*** (35.63)	0.800*** (35.63)	0.801*** (35.63)	0.801*** (35.63)
CFO_ta		0.436*** (6.436)	0.438*** (6.099)	0.436*** (6.442)	0.435*** (6.425)	0.434*** (6.404)	-0.214*** (-4.878)	-0.244*** (-5.221)	-0.212*** (-4.840)	-0.212*** (-4.840)	-0.209*** (-4.777)	-0.210*** (-4.798)	-0.338*** (-12.52)	-0.330*** (-11.65)	-0.339*** (-12.54)	-0.339*** (-12.54)	-0.339*** (-12.54)	-0.338*** (-12.53)
Quick		-0.0126*** (-4.919)	-0.0136*** (-4.935)	-0.0126*** (-4.928)	-0.0126*** (-4.928)	-0.0123*** (-4.835)	0.000208 (0.126)	-0.00069 (-0.388)	0.000200 (0.121)	0.000227 (0.138)	0.000260 (0.158)	0.000232 (0.141)	0.000544 (0.537)	0.00106 (0.976)	0.000547 (0.540)	0.000559 (0.552)	0.000540 (0.533)	0.000547 (0.540)
Invnta		-0.00464 (-0.0981)	0.00183 (0.0357)	-0.00566 (-0.120)	-0.00554 (-0.117)	-0.00450 (-0.0952)	0.0705** (2.304)	0.0680** (2.042)	0.0701** (2.289)	0.0720** (2.351)	0.0703** (2.299)	0.0700** (2.288)	0.114*** (6.068)	0.101*** (4.980)	0.115*** (6.076)	0.115*** (6.113)	0.114*** (6.069)	0.115*** (6.072)
Arta		0.0340 (0.522)	0.0675 (0.956)	0.0352 (0.540)	0.0349 (0.535)	0.0319 (0.489)	0.153*** (3.636)	0.148*** (3.223)	0.152*** (3.614)	0.152*** (3.598)	0.158*** (3.745)	0.156*** (3.695)	0.271*** (10.42)	0.263*** (9.447)	0.271*** (10.42)	0.270*** (10.41)	0.270*** (10.40)	0.271*** (10.42)
Constant		7.138*** (35.71)	6.984*** (33.10)	7.155*** (35.78)	7.145*** (35.56)	7.130*** (35.74)	1.135*** (8.774)	1.200*** (8.748)	1.142*** (8.824)	1.124*** (8.649)	1.150*** (8.914)	1.151*** (8.917)	-0.215*** (-2.696)	-0.209*** (-2.506)	-0.217*** (-2.727)	-0.225*** (-2.814)	-0.216*** (-2.710)	-0.215*** (-2.709)
Observations		7.822	7.146	7.822	7.822	7.822	7.832	7.154	7.832	7.832	7.832	7.832	7.832	7.154	7.832	7.832	7.832	7.832
R-squared		0.956	0.956	0.956	0.956	0.956	0.464	0.472	0.464	0.464	0.465	0.464	0.467	0.467	0.467	0.467	0.467	0.467
r2_a		0.944	0.943	0.944	0.944	0.944	0.317	0.324	0.316	0.317	0.317	0.317	0.319	0.318	0.319	0.320	0.319	0.319
F		168.4	157.2	168.8	168.4	168.5	174.0	25.21	23.97	24.22	25.10	24.25	159.3	141.0	159.3	159.5	159.3	159.3
t-statistics in parentheses																		
*** p<0.01, ** p<0.05, * p<0.1																		

6.3.2 Limitations

While the quantitative analysis conducted in this chapter provides robust empirical evidence on the relationship between audit partners' individual characteristics and audit quality, several limitations must be acknowledged.

Although the dataset includes a large sample of Chinese listed companies over a 10 year period (2011–2021), it is geographically limited to China. The results may be context dependent and influenced by the country's unique regulatory, institutional, and cultural environment. As such, the findings may not be directly generalizable to other jurisdictions with different audit systems or disclosure practices.

The proxies used for measuring audit quality—namely, discretionary accruals, audit fees, and modified audit opinions—each have inherent limitations. Discretionary accruals can be sensitive to the model specification and may misclassify legitimate accounting choices as earnings management. Audit fees can be influenced by factors unrelated to audit quality, such as market competition, client complexity, or auditor reputation. Modified audit opinions, while useful, capture only extreme audit judgments and may not reflect more subtle differences in auditor performance or decision making.

The study relies on observable and disclosed characteristics of audit partners, such as education, industry specialization, signature experience, and professional background. However, many potentially influential traits—such as cognitive biases, leadership style, risk tolerance, and ethical orientation—are not directly measurable in the dataset, which constrains the comprehensiveness of the analysis.

Finally, the study design is primarily cross sectional with fixed effects controls, which limits the ability to assess dynamic changes over time at the individual auditor level. The impact of career progression, firm rotation policies, or long term behavioral evolution of audit partners is not fully captured.

These limitations underline the importance of complementing the quantitative analysis with qualitative insights, as presented in the next chapter, and suggest that future research could benefit from cross country comparisons, longitudinal designs, and more nuanced measurement of individual level characteristics.

Chapter 7 – Qualitative Studies

Interview

7.1 Methodology

To enhance the credibility of the relationship between audit partners' personal characteristics and audit quality, we conducted a series of interviews with several audit firm partners. A total of 10 partners were contacted via email, of which 4 agreed to participate in the interviews. The interviewees were carefully selected based on their extensive experience in the field, ensuring that their insights would provide valuable contributions to our research.

The interviews were designed to explore various aspects of the hypothesis, such as how individual traits like industry specialization, decision making ability, communication skills, and professional background influence the quality of audits. Each interview consisted of questions that delved into these specific characteristics and how they might impact the audit process.

Among the 4 interviewees, 3 expressed partial support for the hypothesis, acknowledging that certain personal characteristics—such as industry expertise, adaptability, and leadership—play a crucial role in ensuring audit quality. They emphasized that industry expertise allows auditors to better understand complex transactions and industry specific risks, thus improving their ability to detect material misstatements. Adaptability was also noted as critical for effectively responding to evolving regulatory standards and dynamic client environments. Leadership skills were recognized as essential for guiding audit teams, managing client relationships, and fostering a culture of integrity and professional skepticism within audit firms.

However, these interviewees also highlighted the importance of firm level systems, regulatory oversight, continuous professional training, and structured audit processes as complementary factors that mitigate the reliance solely on individual traits. They stressed that strong institutional frameworks and systematic checks and balances within firms contribute significantly to audit quality, serving as safeguards against personal bias and variability in individual performance.

The remaining interviewee did not support the hypothesis, arguing that audit quality is primarily driven by standardized processes, rigorous adherence to auditing standards, and established firm wide frameworks. This interviewee contended that these organizational mechanisms ensure consistency, accountability, and reliability across audit engagements, reducing the impact of variations in individual auditors' characteristics.

This combination of perspectives provides a balanced view of the debate, highlighting both the importance of individual characteristics and the structural mechanisms that ensure audit quality in modern audit firms. These findings underscore the complexity of audit quality determinants, suggesting a nuanced interplay between individual auditor traits and organizational systems.

7.1.1 Research Design

To complement the econometric analysis and enrich our understanding of how audit partners' individual characteristics influence audit quality, this study employs a qualitative research design centered around semi structured interviews. This approach is rooted in interpretivist epistemology, which emphasizes the importance of contextual understanding

and the subjective meanings attributed by participants. The design was also aligned with pragmatic mixed methods logic, aiming to provide a nuanced and holistic perspective alongside quantitative results.

Objectives

The qualitative component of this study was designed to: Explore how audit partners perceive the impact of their individual traits—such as industry specialization, decision making ability, communication skills, and professional background—on audit outcomes. Triangulate and enrich the quantitative findings by uncovering latent factors and subjective experiences not captured by numerical proxies. Investigate the interplay between individual traits and firm level systems, such as audit methodologies and quality control frameworks.

Sampling Strategy

A purposive sampling strategy was adopted to identify participants with relevant expertise and substantial professional experience. A total of 10 audit partners were invited via professional networks and direct outreach. Of these, 4 audit partners agreed to participate in the study. The small sample size was deemed appropriate for in depth qualitative analysis, particularly given the high level of expertise and seniority of the respondents.

The interviewees included partners from Big 4 and mid tier firms (e.g., Deloitte and Mazars), with experience ranging from 15 to 16 years, and diverse educational and professional backgrounds. This diversity enabled a rich exploration of varied perspectives within the auditing field

Interview Protocol

Each interview followed a semi structured format, allowing for consistency in the core areas explored while preserving flexibility for participants to elaborate on topics of personal relevance. Questions were designed around key constructs derived from prior literature, including: The perceived importance of industry expertise, education, and signature experience. The role of leadership, communication, and adaptability in audit engagements. Views on the influence of firm level quality control systems versus individual discretion. Perceptions of regulatory frameworks and their impact on auditor behavior.

The interview guide was pre tested with two auditors to ensure clarity and relevance. Interviews were conducted either face to face or via video conferencing, depending on participant availability and location.

Data Analysis

Interview transcripts were analyzed using thematic analysis, following Braun and Clarke's (2006) six step framework. Coding was initially conducted manually, with recurring themes identified across interviews. Key themes included: Industry specialization as a driver of audit focus and risk assessment accuracy. The limited role of formal education relative to practical experience and continuous learning. The importance of personal traits (e.g., discipline, caution, and leadership) in client interactions and team management. The mitigating role of institutional systems in ensuring audit quality regardless of individual variability.

Differences in opinion were also coded, particularly contrasting views on the extent to which firm wide frameworks override individual characteristics. This allowed for a

balanced representation of perspectives, including one participant who largely rejected the hypothesis in favor of systemic explanations.

Trustworthiness and Ethical Considerations

To enhance trustworthiness, the study ensured: Credibility through triangulation with quantitative findings. Transferability by providing thick descriptions of interviewee contexts and organizational settings. Dependability and confirmability through systematic documentation of the coding and analysis process. All participants were informed of the research objectives, and informed consent was obtained. Anonymity was maintained in all reporting to ensure confidentiality.

This qualitative design enabled the research to uncover rich, context specific insights into how individual auditor characteristics interact with broader institutional and cultural environments. The findings not only validate but also contextualize the statistical patterns observed in the quantitative component, providing a more complete understanding of the dynamics underpinning audit quality in China.

7.1.2 Content of Interviews

Selection of Interview Partners

The audit partners selected for interviews in this study were purposefully chosen based on the research focus on how individual characteristics influence audit quality. Specifically, selection was guided by variation across four key attributes — industry specialization, education level, signature experience, and professional background. This

purposive sampling strategy aimed to ensure a diverse range of perspectives and experiences, thereby enabling a more comprehensive understanding of how personal attributes affect audit decision making and outcomes. In addition, partners from both large and medium sized accounting firms were included to explore potential behavioral differences across organizational contexts. Some interviewees were also involved in regulatory discussions or professional forums, contributing macro level insights into audit practice.

Importantly, the author's PhD supervisor, a former Deloitte audit partner, provided valuable opportunities to connect with and recommend several audit partners for participation. This access not only enhanced the credibility and professional relevance of the interview sample, but also allowed for the inclusion of experienced practitioners whose insights significantly enriched the qualitative findings.

Overall, the selection strategy aimed to maximize thematic richness, complement the quantitative findings, and strengthen the validity of the study through a well rounded representation of partner backgrounds and expertise.

Interviewee 1

Position: Audit Partner at a Big 4 firm (Deloitte)

Experience: 15 16 years in audit practice

Background: Joined the firm directly after university

Gender: Male

Interviewee 2

Position: Audit Partner at Mazars

Experience: 15 years in audit practice

Background: French and Chinese combined education, dual degree in statistics and business

Gender: Female

Interviewee 3

Position: Audit Partner at Mazars

Experience: 16 years in audit practice

Background: Computer science undergraduate degree, accounting master's degree

Gender: Female

Interviewee 4

Position: Audit Partner at Mazars

Experience: 16 years in audit practice

Background: Finance and accounting at Shanghai University of Finance and Economics

Gender: Female

Interviewee 1: Emphasis on Systems Over Individual Characteristics

The interviewee's responses generally do not support the hypothesis that individual characteristics of audit partners significantly influence audit quality. Below is a detailed analysis of how the interview content relates to this hypothesis:

1. Audit Partner Characteristics and Audit Quality

The interviewee strongly asserts that individual characteristics, such as personality traits, do not significantly impact audit quality. According to the interviewee, regardless of whether an audit partner is extroverted or introverted, it would not affect the quality of the audit. They emphasize that the audit process is governed by strict frameworks and systems that ensure standardization and quality control, regardless of the individual auditor's traits.

This perspective challenges the hypothesis, as it suggests that external factors like the firm's audit system and processes, rather than personal characteristics, play a more dominant role in ensuring audit quality. As he states:

"Because you think an audit market is a buyer's market, firms are in fierce competition, the firm's legal responsibility is forced to change from a limited liability system to an unlimited liability system, which will not have an impact on the quality of the audit."

2. Industry Specialization

The interviewee acknowledges that industry specialization may influence audit quality, but only to the extent that auditors with more experience in a particular industry can leverage their expertise. However, they note that even if an audit partner lacks industry specialization, they can rely on colleagues with the necessary experience:

"For example, if you know that industry, you may know more clearly what the risk points are, which parts need to be focused on. But if it's an industry that I've never been exposed to before, I might first consult with colleagues who have done it before, or consult with friends in the industry to understand the specific characteristics."

However, he still maintains that industry specialization is not viewed as a decisive factor influencing audit quality, further diminishing the hypothesis that individual traits, such as specialization, are central to audit outcomes.

3. Education Level

The interviewee does not believe that the education level of an audit partner has a significant impact on audit quality. They mention that audit partners come from various educational backgrounds, ranging from diploma holders to those with advanced degrees, and these differences in education do not necessarily translate into variations in audit quality. Instead, they stress that all audit partners work within a structured framework that mitigates individual differences:

"I think at least you are a normal undergraduate, this is the most basic, right? Education, if you can, if you have an undergraduate degree, this is OK."

This statement challenges the hypothesis by downplaying the role of education in determining audit quality.

4. Signature Experience

The concept of signature experience, defined as the length of time an audit partner has been signing off on audits, was addressed. The interviewee concedes that longer experience may provide some advantages in terms of efficiency and confidence, but they

argue that the system in place ensures that even less experienced auditors can deliver high quality audits. They highlight that there is always a second review, meaning that individual signature experience alone does not strongly influence the quality of the audit.

"As a project partner, you are doing a project, but it's not that you sign a letter and it's done. Actually, there is another person, a reviewer, a quality control person, who is actually checking with you. So if you are inexperienced as a project partner, there will be a second pair of hands to help you control."

This view suggests that signature experience is not a determining factor, further undermining the hypothesis that individual traits like experience significantly affect audit outcomes.

5. Professional Background

When asked about the professional background of audit partners, the interviewee downplays its significance in influencing audit quality. They suggest that factors such as the auditing firm's structure, team collaboration, and review processes ensure quality control. Even if an audit partner has limited experience, there are checks and balances in place to maintain audit standards.

This again weakens the hypothesis, as the interviewee argues that the audit process is more reliant on systemic factors than individual professional backgrounds.

6. Evaluation and Selection of Audit Partners

The interviewee indicates that audit firms, particularly larger firms like Deloitte, select audit partners based on performance and business needs rather than personal traits or characteristics. This suggests that individual characteristics are not the primary criteria for

audit partner selection, which contrasts with the hypothesis that such traits are critical to ensuring audit quality.

7. Strategies to Ensure Audit Quality

Finally, the interviewee emphasizes that audit quality is safeguarded by firm level systems, quality control processes, and regulatory oversight, rather than by relying on the characteristics of individual audit partners:

"The process is like this, as a project partner, you are doing a project, but it's not just that you sign a letter and it's done. Actually, there is another person, a reviewer, a quality control person, who is actually checking with you."

This view suggests that audit quality is more a function of organizational practices than of the traits of individual auditors, which does not support the hypothesis.

Summary of Interviewee 1's Perspective

The interview responses consistently argue against the hypothesis that individual characteristics of audit partners significantly influence audit quality. Instead, the interviewee stresses that audit quality is primarily ensured by structured processes, teamwork, and regulatory frameworks, which limit the extent to which individual traits can affect the outcome of audits. He views the audit profession as akin to a production line, where standardized procedures and quality control mechanisms take precedence over individual characteristics.

Interviewee 2: Balanced View with Emphasis on Personality and Experience

Audit Partner Characteristics and Audit Quality

The interviewee acknowledges that individual characteristics, such as personality, play a role in audit quality, specifically in the context of risk tolerance. According to the interviewee, audit partners with different personalities manage risk differently. For example, the interviewee, being a female audit partner, mentions that women tend to have a lower risk tolerance, which leads to stricter control over risk management:

"In terms of personality, I think the main thing is that audit quality is related to each audit partner's tolerance for risk...As a female audit partner, women tend to have lower risk tolerance, so their risk management will be stricter."

This perspective supports the hypothesis, as it suggests that personality traits can influence the level of audit quality based on how risks are perceived and managed.

2. Industry Specialization

The interviewee emphasizes the importance of industry specialization in ensuring high audit quality. She explains that familiarity with an industry allows audit partners to better identify key risk areas and focus on them during the audit:

"I think the most important aspect is still your understanding of this industry. If you are relatively familiar with an industry, you would be clearer about where its risk points are and which areas you need to focus on more."

She provides concrete examples of how industry specialization helps in understanding industry specific risks and practices:

"For example, if I'm talking about the medical industry, in the medical industry, there are some, like, relatively sensitive things, such as gift giving, or benefits, those kinds of things. You need to understand how this area is handled."

This aligns with the hypothesis, as it highlights the relevance of specialized knowledge in improving audit quality.

3. Education Level

Regarding education, the interviewee believes that it does have an impact on audit quality. They argue that higher education levels reflect intelligence and hard work, which are crucial for identifying mistakes in financial statements and maintaining high standards:

"I think it [education] matters because reading books, this thing is...first, if you can read well, second, if you can keep studying, it shows that first, you as a person are smart, you are in this aspect, because if you study well, you are either smart or you are hardworking."

She further explains that education provides analytical abilities that are essential for auditors:

"Because you do auditing, you are actually checking books, how can you check if you yourself don't have a certain level of analytical and problem solving abilities? Because you need these skills to implement complex auditing procedures." This partially supports the hypothesis, as it implies that education can influence audit partners' ability to conduct high quality audits.

4. Signature Experience

The interviewee downplays the importance of signature experience (the length of time an audit partner has been authorized to sign off on audits) and instead emphasizes experience in specific industries as more important:

"What's important is not how many years you've been signing, but how many years you've been in this industry."

She argues that it's not just about how long an audit partner has been signing audits but how much experience they have in the relevant industry. This supports the hypothesis to the extent that experience is recognized as a crucial factor, but it shifts the focus toward industry specific experience rather than just signature tenure.

5. Professional Background

The interviewee notes that professional background is less relevant compared to other factors such as communication skills, learning ability, and emotional intelligence:

"Most important I think is first, communication skills. Second is learning ability...these are more important than your professional background."

She states that many successful audit partners come from non accounting backgrounds and still perform well in ensuring high audit quality:

"We have many colleagues who aren't from professional backgrounds, but they can still do well."

This view challenges the hypothesis that professional background strongly influences audit quality, suggesting that soft skills may be equally, if not more, important.

6. Key Factors Impacting Audit Quality

When asked to identify the most influential characteristic affecting audit quality, the interviewee highlights experience as the most critical factor. They stress that the accumulation of experience, particularly in auditing specific industries, is essential for maintaining audit quality:

"I think the most important is still your experience in accumulation. Because I think the accumulation in the audit industry is a process of precipitation."

This supports the hypothesis, as experience is seen as a vital individual characteristic that directly influences the quality of audits.

7. Measures to Ensure Audit Quality

The interviewee mentions that audit firms match partners with relevant experience to specific projects to ensure high quality audits:

"For example, if there's a new client in the automotive industry, naturally the partner who will be assigned is the one with more experience in the automotive industry."

This practice reflects the belief that individual characteristics, particularly industry experience, are crucial for audit quality. Therefore, this supports the hypothesis that individual traits, especially experience, play a key role in audit outcomes.

Summary of Interviewee 2's Perspective

The second interviewee's responses largely support the hypothesis that individual characteristics of audit partners influence audit quality. Key traits such as personality, industry specialization, and experience are acknowledged as important factors in determining audit quality. However, the role of education and professional background is somewhat downplayed, suggesting that while certain individual characteristics are influential, others may not have as strong an impact as hypothesized.

Interviewee 3: Focus on Caution and Industry Expertise

1. Audit Partner Characteristics and Audit Quality

The interviewee emphasizes that caution is a key trait for audit partners. They suggest that audit partners who are not cautious enough could expose audits to higher risks:

"I think mainly is caution. Because if you're not cautious enough, you might expose audits to higher risks."

According to the interviewee, while other traits may be important, caution is essential for ensuring that risk is managed effectively during the audit process.

This supports the hypothesis, as it directly links a specific personality trait, caution, to the ability of an audit partner to maintain high audit quality.

2. Industry Specialization

The interviewee notes that industry specialization plays an important role in audit quality. She explains that having deep experience in a particular sector, such as manufacturing or financial services, allows an audit partner to better understand complex processes and specific risks within that industry:

"Manufacturing is a very complex and comprehensive process. It has a complete retail process, costing including system application, which is very complex, very complex. But when you do training, it is relatively much simpler, the costing will be much less, there will be fewer accounts."

She provides a specific example contrasting manufacturing and banking industries:

"Financial services, banking, and insurance are different from other industries. Their entire framework and audit procedures are different from normal companies, completely different."

This supports the hypothesis that industry specialization improves audit quality by helping audit partners identify and manage industry specific risks.

3. Education Level

The interviewee downplays the significance of education in ensuring audit quality. They argue that practical experience is far more important than academic qualifications in delivering high quality audits:

"For auditing or accounting, this thing, actually you don't need to research the theory too much, you just follow the theory and that's fine. You understand the theory and that's good enough."

While she acknowledges that a basic level of education (such as a bachelor's degree) is necessary, they believe that higher education, such as a Ph.D., may not be as relevant in the practical field of auditing:

"At least you have a normal bachelor's degree, this is the most basic. A Ph.D. might be more theoretical, but our industry is not a theoretical industry."

This challenges the hypothesis by suggesting that education level is not a significant determinant of audit quality, with practical experience and industry knowledge being more crucial.

4. Signature Experience

The interviewee suggests that signature experience, or the number of years an audit partner has been signing off on audits, does not significantly affect audit quality. They emphasize that audit firms often have systems in place to ensure that even partners with less signature experience can still perform high quality audits:

"I believe at least six or seven years. Because usually as a staff, it would be about three years, then two years as a senior, then by the sixth year, you'd be a manager. At each level, you do different things. Only when you reach the manager level can you control a project, can you be in charge of a project."

She further notes that the audit process often includes second reviews and quality checks, which help mitigate the impact of an individual partner's limited experience.

This weakens the hypothesis by suggesting that signature experience alone is not a key determinant of audit quality.

5. Professional Background

When asked about professional background, the interviewee explains that while an audit partner's academic or professional background may offer some advantages, it is not the most important factor. They highlight that practical skills and on the job learning are more critical in ensuring audit quality, as they enable audit partners to adapt to different client needs and audit environments:

"I personally think learning ability is more important. If you are fast at learning, then you can overcome these issues."

This supports the hypothesis to some extent, as it recognizes that professional background may play a role, but practical skills and experience are viewed as more important.

6. Evaluation and Selection of Audit Partners

The interviewee mentions that audit firms evaluate partners based on several factors, including project experience, client contributions, and qualifications. However, they note

that qualifications, such as academic degrees, are not the most important criteria for promotion. Instead, the ability to manage projects and bring in revenue is more valued:

"In many evaluations, they look at your experience in projects, your client contributions, your qualifications, but I think qualifications are not the most important."

This aligns with the hypothesis to a degree, as it indicates that individual characteristics like project management skills and client relations are important for ensuring audit quality.

7. Strategies to Ensure Audit Quality

The interviewee emphasizes that audit quality is largely ensured through firm level systems, such as quality control departments and audit process checks. They explain that these systems help maintain consistency and prevent errors, even if an individual partner lacks experience or specific knowledge in certain areas:

"We have a comprehensive quality control system. First, we have a QC department, which we call the Quality Control department. Then within this department, it's divided into two types: one is called technical consultation, another is pure QC."

She further describes the various layers of control implemented by audit firms:

"The QC department will periodically check if you're following all procedures correctly. They will run reports and send them to you if there are issues."

This suggests that while individual characteristics are important, they are supplemented by organizational practices, which slightly weakens the hypothesis.

Summary of Interviewee 3's Perspective

The interview responses provide mixed support for the hypothesis that individual characteristics of audit partners significantly influence audit quality. Traits like caution and industry specialization are highlighted as crucial for maintaining audit quality, which supports the hypothesis. However, the interviewee downplays the importance of education and signature experience, suggesting that practical experience and firm level processes are more important in ensuring high quality audits. Therefore, while the hypothesis is supported in some areas, it is not universally applicable across all traits.

Interviewee 4 : Strong Focus on Discipline and Industry Knowledge

The interviewee's responses generally support the hypothesis that individual characteristics of audit partners significantly influence audit quality. Below is a detailed analysis of how the interview content relates to this hypothesis:

1. Audit Partner Characteristics and Audit Quality

The interviewee emphasizes that following rules and being disciplined are essential traits for audit partners to maintain audit quality. They stress that audit partners must strictly adhere to auditing procedures and ensure that staff follow through:

"One aspect is discipline, following rules. Because auditing has some fixed audit procedures, and it needs to achieve certain audit objectives."

The interviewee also highlights the importance of business judgment in making decisions that balance maintaining audit quality with client relationships:

"Another kind of characteristic is more business oriented. They emphasize more on flexibility, not just following the book."

This supports the hypothesis, as it links personal characteristics like discipline and judgment to the ability of audit partners to ensure high audit quality.

2. Industry Specialization

The interviewee indicates that experience in specific industries significantly impacts audit quality. For example, she mentions that understanding the nuances of industries such as alcohol and automotive is crucial because of their unique sales models, such as distribution channels and rebates:

"For example, in the alcohol industry in China, it definitely goes through a distributor model. Then it might have all kinds of rebate models, including the automotive industry."

The interviewee warns that if an audit partner lacks experience in a particular industry, they may set the wrong audit focus, leading to potential errors:

"If you don't understand this industry, you might set the wrong audit direction."

This strongly supports the hypothesis, demonstrating that industry specialization allows audit partners to better understand industry specific risks and provide more accurate audits.

3. Education Level

The interviewee downplays the role of education level in determining audit quality. While they acknowledge that education provides a foundation, they argue that continuous learning and practical experience are more important:

"I think it mainly depends on the individual's learning ability. Because actually, in our work, it's a process of continuous training."

She believes that an audit partner's ability to learn and adapt during their career is more critical than their formal education:

"The basic education background only serves as a basic screening of personnel. It shows they have the basic ability to learn."

This challenges the hypothesis by suggesting that education level does not significantly influence audit quality compared to practical experience and ongoing learning.

4. Signature Experience

The interviewee suggests that signature experience (i.e., the number of years an audit partner has been signing audits) is important but only to a point. She argues that experience enhances an audit partner's ability to make sound judgments and assume responsibility. However, they also emphasize that signature experience alone does not guarantee high quality audits:

"The longer you practice, the more comprehensive your cognitive abilities will be."

This weakens the hypothesis slightly, suggesting that signature experience is relevant but not the sole determinant of audit quality.

5. Professional Background

The interviewee mentions that practical experience in auditing or finance, such as previous roles in internal auditing or corporate finance, is vital for audit quality. They explain that understanding internal controls and risk assessment is crucial, which comes from years of hands on experience rather than purely academic knowledge:

"If your specialty is related to accounting and auditing, of course, that's better. But if you have other backgrounds, as long as you can learn quickly, you can overcome these challenges."

This supports the hypothesis, as professional experience is viewed as a key factor in ensuring high quality audits.

Summary of Interviewee 4's Perspective

The interview responses generally support the hypothesis that individual characteristics of audit partners significantly influence audit quality. Key traits like discipline, business judgment, and industry specialization are highlighted as critical for maintaining audit quality. However, the role of education is downplayed, with the interviewee emphasizing the importance of practical experience and continuous learning over formal academic qualifications. Therefore, the hypothesis is supported, although some traditional factors, like education, are seen as less critical compared to practical experience and industry knowledge.

Cross Case Analysis: Comparing Perspectives Across Interviewees

After analyzing each interviewee's responses individually, we can now examine how their views align or differ across key dimensions related to audit partner characteristics and audit quality.

Industry Specialization

All interviewees acknowledge the importance of industry specialization to some degree, but with varying emphasis. Interviewees 2, 3, and 4 strongly support the view that

industry specialization is crucial for audit quality, providing specific examples of how industry knowledge helps identify risks. Interviewee 1, while acknowledging its benefit, believes that industry expertise gaps can be mitigated through consultation with more experienced colleagues and through the firm's quality control systems.

The consensus seems to be that industry specialization is a valuable trait, with Interviewee 3 specifically noting that it takes at least 6 7 years to become truly specialized in an industry. Interviewee 2 explicitly states that industry expertise is one of the most important factors in determining audit quality, while Interviewee 4 provides concrete examples of how lack of industry knowledge can lead to misplaced audit focus.

This finding strongly supports Hypothesis 1, which posits that audit partners' industry specialization has a positive impact on audit quality.

Education Level

There is a clear divergence in views regarding the importance of education level. Interviewee 2 is the only one who strongly believes that education matters, arguing that it reflects both intelligence and perseverance, which are necessary qualities for auditors. In contrast, Interviewees 1, 3, and 4 downplay the significance of education beyond a basic undergraduate degree, suggesting that practical experience and on the job learning are far more important.

Interviewee 3 even suggests that higher levels of education, such as PhDs, may be counterproductive in auditing, as they tend to focus on theory rather than practical application. This sentiment is echoed by Interviewee 4, who emphasizes the importance of continuous learning in the workplace over formal education.

These findings provide limited support for Hypothesis 2, which suggests that audit partners' education level has a positive impact on audit quality. The majority view indicates that while basic education is necessary, higher levels of education may not significantly enhance audit quality in practice.

Signature Experience

The interviewees offer nuanced perspectives on signature experience. None of them view it as a critical factor in isolation. Interviewee 1 believes that the firm's review and quality control mechanisms compensate for any limitations in individual signature experience. Interviewee 2 shifts the focus from signature experience to industry specific experience, arguing that the latter is more important. Interviewee 3 suggests that signature experience is relevant but is complemented by a partner's broader experience in the industry, while Interviewee 4 acknowledges its value but doesn't consider it definitive.

The general consensus is that the number of years an audit partner has been signing reports is less important than their overall experience in the industry and the quality control systems in place at the firm.

This finding provides limited support for Hypothesis 3, which proposes that audit partners' signature experience has a positive impact on audit quality. The interviewees suggest that signature experience alone is not sufficient to ensure high quality audits.

Professional Background

Views on the importance of professional background are mixed. Interviewee 1 downplays its significance, arguing that firm level systems and reviews ensure quality regardless of background. Interviewee 2 suggests that while an accounting or auditing

background can be helpful, soft skills like communication and learning ability are more crucial. Interviewee 3 emphasizes practical skills over formal background, while Interviewee 4 acknowledges that a background in accounting or auditing is beneficial but can be compensated for by strong learning abilities.

The overall view seems to be that while a relevant professional background can be advantageous, it is not a decisive factor in ensuring audit quality, as long as the individual possesses strong learning abilities and operates within a robust quality control system.

This finding provides moderate support for Hypothesis 4, which suggests that audit partners' professional background has a positive impact on audit quality. The interviewees recognize its value but consider it less important than other factors such as learning ability and experience.

Personality Traits

An interesting theme that emerged across the interviews is the importance of certain personality traits, though this wasn't one of the original hypotheses. Interviewee 1 dismisses its relevance, arguing that systems and processes overcome individual personality differences. However, Interviewees 2, 3, and 4 all emphasize the importance of specific traits: Interviewee 2 highlights risk tolerance (particularly noting gender differences), Interviewee 3 stresses caution, and Interviewee 4 emphasizes discipline and adherence to rules.

This suggests that personality traits, particularly those related to risk assessment and procedural discipline, may be significant determinants of audit quality that merit further investigation.

Quality Control Systems

All interviewees emphasize the importance of firm level quality control systems, though with different implications. Interviewee 1 believes these systems effectively negate the influence of individual characteristics on audit quality. The other interviewees acknowledge the importance of these systems but view them as complementary to individual characteristics rather than superseding them.

Interviewee 3 provides the most detailed explanation of quality control mechanisms, describing multiple layers of review and systematic checks throughout the audit process. This universal emphasis on quality control systems suggests that any study of audit quality must consider both individual and institutional factors.

Thematic Analysis

Beyond the direct comparison of views on specific characteristics, several important themes emerged from the interviews:

Systemic vs. Individual Factors

A central tension across the interviews is the relative importance of systemic versus individual factors in determining audit quality. Interviewee 1 strongly favors systemic factors, arguing that quality control mechanisms, standardized procedures, and review processes largely neutralize the impact of individual characteristics. The other interviewees acknowledge the importance of systems but maintain that individual characteristics still play a significant role within this framework.

This tension reflects broader debates in the auditing literature about whether audit quality is primarily determined by individual auditor characteristics or by the systems and processes within which they operate.

Evolution of the Audit Profession

The interviewees implicitly trace an evolution in the audit profession from one that was heavily dependent on individual judgment and expertise to one that is increasingly systematized and regulated. This evolution has implications for the role of individual characteristics in determining audit quality. As Interviewee 1 suggests, the modern audit profession resembles a "production line" with standardized procedures, suggesting a diminished role for individual characteristics.

However, the other interviewees imply that despite this evolution, individual judgment and expertise remain crucial, particularly in complex areas like risk assessment and industry specific issues. This suggests that the relationship between individual characteristics and audit quality may be evolving rather than diminishing.

Gender and Risk Tolerance

Interviewee 2, the only female in the sample, explicitly discusses gender differences in risk tolerance, suggesting that female audit partners tend to be more cautious. This raises interesting questions about the relationship between gender, risk assessment, and audit quality that aren't directly addressed in the original hypotheses but may warrant further investigation.

Client Relationships and Business Judgment

Interviewee 4 highlights the importance of "business judgment" in balancing technical audit requirements with client relationships. This points to a dimension of audit quality that goes beyond technical accuracy to encompass relationship management and communication skills, suggesting that the concept of audit quality itself may be more multifaceted than often acknowledged in the literature.

Implications for the Hypotheses

Based on the interview analysis, we can now evaluate the level of support for each of the original hypotheses:

Hypothesis 1: Audit partners' industry specialization has a positive impact on audit quality.

This hypothesis receives strong support from the interviews. Three of the four interviewees explicitly highlight the importance of industry specialization, providing specific examples of how it helps identify risks and focus audit efforts appropriately. Even Interviewee 1, who generally downplays individual characteristics, acknowledges that industry specialization can be beneficial, though he believes its absence can be mitigated through consultation with colleagues.

Hypothesis 2: Audit partners' education level has a positive impact on audit quality.

This hypothesis receives limited support. Only Interviewee 2 strongly endorses the importance of education, while the others suggest that formal education beyond a basic undergraduate degree has minimal impact on audit quality. The consensus view is that practical experience and ongoing learning are more important than formal education.

Hypothesis 3: Audit partners' signature experience has a positive impact on audit quality.

This hypothesis receives moderate support. None of the interviewees view signature experience as critically important in isolation, but they acknowledge that it can contribute to audit quality when combined with other factors. Several interviewees shift the focus from signature experience specifically to broader professional experience, particularly industry specific experience.

Hypothesis 4: Audit partners' professional background has a positive impact on audit quality.

This hypothesis receives moderate support. While the interviewees acknowledge that a relevant professional background can be beneficial, they generally view it as less important than other factors such as learning ability, communication skills, and industry experience. They also suggest that limitations in professional background can be overcome through strong learning abilities and firm level systems.

7.2 Thematic Coding Analysis

Interviewee 1

Position: Audit Partner at a Big Four firm (Deloitte)

Experience: 15–16 years

Background: Joined the firm after university and has remained ever since

Stance: Clearly disagrees with the hypothesis that individual traits influence audit quality; emphasizes the primacy of institutional systems

Key Themes and Summary Analysis

Theme	Coding Labels	Summary Analysis
Systems Over Individuals	quality control	The interviewee emphasizes that audit
	systems, standardized processes, institution led	quality is driven by firm level systems and processes, not by personal traits such as personality or leadership style.
Marginal Role of Industry Expertise		While acknowledging the usefulness of
	industry knowledge is not decisive, colleague support fills the gap	industry expertise, the interviewee considers it non essential and believes any gaps can be filled by consulting more experienced peers.
Limited Impact of Education	basic degree is enough, practical	As long as the minimum education threshold is met (bachelor's degree),
	experience is more relevant	education is not seen as a key determinant of audit quality.
Signature Experience Not Critical	second tier review mechanism, system replaces experience	The interviewee states that even partners with limited signing experience are backed by review layers that mitigate risk.
Low Emphasis on Professional	background is substitutable,	Strong academic or professional background is not necessary; the structured

Theme	Coding Labels	Summary Analysis
Background	structured process ensures quality	audit process ensures consistency and reliability.
Partner Selection Criteria	based on performance and project delivery	Audit firms promote partners based on work performance and experience, not on inherent personal traits.
Institutionalization of Auditing	assembly line logic, professional systemization	The interviewee likens modern auditing to an “assembly line” where systems, automation, and standardized methods dominate.

Position on Research Hypotheses

Hypothesis	Content	Interviewee 1 Position
H1	Industry expertise → improves audit quality	Partially agrees (can be supplemented by others)
H2	Education level → improves audit quality	Disagrees (systems are more important)
H3	Signing experience → improves audit quality	Disagrees (review mechanisms compensate)

Hypothesis	Content	Interviewee 1 Position
H4	Professional background → improves audit quality	Disagrees (non decisive factor)

Analytical Conclusion

The insights shared by Interviewee 1 represent a system dominant perspective, where audit quality is primarily safeguarded by:

Rigid standard operating procedures

Multi level review mechanisms

Structured training and documentation

Team based execution and support

He argues that individual characteristics such as personality, education, or experience play only a minor role within such a robust framework. In his view, modern audit work has evolved into a “systemized profession” where audit partners function more as operators within a process rather than as key decision makers based on personal discretion.

This view provides a counterexample to the person centric perspective in audit quality research, highlighting how in highly institutionalized environments, the influence of individual differences may be systematically mitigated by organizational design.

Interviewee 2

Position: Audit Partner at Mazars

Experience: 15 years

Background: Dual academic training in statistics and business (France and China)

Stance: Balanced perspective—supports the role of individual characteristics (especially personality and experience), but also acknowledges the complementary role of systems

Key Themes and Summary Analysis

Theme	Coding Labels	Summary Analysis
		Emphasizes that personality, particularly
Personality and	risk perception, gender	risk tolerance, affects audit quality.
Risk Tolerance	differences, cautious mindset	Female partners may be more conservative, improving risk controls.
		Strongly supports that knowledge of
Industry	sector familiarity, context	specific industries improves risk
Specialization	specific risk, sectoral insights	identification and audit focus.
		Stresses that overall experience in the
Experience Over	years in industry, accumulated	field is more important than how long
Signature Tenure	practice, applied knowledge	someone has been signing.
		Argues that communication and learning
Soft Skills Over	communication, learning agility,	ability outweigh formal professional
Background	emotional intelligence	background in audit success.
Limited Emphasis	intelligence proxy, reading	Views education as helpful but not
on Education	skills, not decisive alone	definitive; believes hard work and

Theme	Coding Labels	Summary Analysis
		continuous learning matter more.
Audit Quality	project matching, experience	Firms strategically assign partners to
Strategy	driven pairing, firm level alignment	projects based on experience, suggesting recognition of individual value.

Position on Research Hypotheses

Hypothesis	Content	Interviewee 2 Position
H1	Industry expertise → improves audit quality	Strongly agrees – critical for risk focus
H2	Education level → improves audit quality	Partially agrees – helpful but not decisive
H3	Signature experience → improves audit quality	Shifts focus to broader experience
H4	Professional background → improves audit quality	Challenges – soft skills more important

Analytical Conclusion

Interviewee 2 provides a well balanced view that supports the hypothesis that individual characteristics significantly influence audit quality, particularly:

Industry specific experience

Personality traits like risk aversion

Communication and learning agility

She clearly values professional experience over formal credentials, suggesting that the accumulation of knowledge through practice, especially within specific sectors, leads to higher quality audits.

She also introduces a gendered insight into risk tolerance, noting that female auditors may exercise stricter control, which enhances audit quality. This presents a novel angle in the discussion of personality traits that was not initially included in the hypothesis framework but adds depth to the understanding of individual influence.

Her emphasis on soft skills and adaptability reflects a modern conception of audit leadership, where relationship management and team communication are as vital as technical know how. This diverges from traditional views that prioritize professional background or academic pedigree.

At the same time, she acknowledges the role of audit firm strategies, such as aligning partner assignments based on expertise, as mechanisms to institutionalize the value of individual traits, rather than suppress them. This reflects an organizational recognition that individual qualities can—and should—be optimized through smart project allocation.

Overall, Interviewee 2's insights contribute to a nuanced understanding of audit quality as a co produced outcome, shaped by both personal characteristics and systemic support.

Her stance provides strong support for the argument that individual attributes matter, especially when matched effectively with the needs of complex audit environments.

Interviewee 3

Position: Audit Partner at Mazars

Experience: 16 years in audit practice

Background: Undergraduate in computer science, Master’s in accounting

Stance: Supports the role of individual characteristics, especially caution and industry specialization, but sees quality as a function of both individual and systemic factors

Key Themes and Summary Analysis

Theme	Coding Labels	Summary Analysis
Caution and Risk Aversion	risk management, caution, avoid audit risk	The interviewee emphasizes caution as a key personal trait. Less cautious partners may expose audits to risks.
Industry Specialization	sector knowledge, complexity understanding, audit focus alignment	Deep industry experience is vital for understanding client operations and setting the correct audit focus.
Education Level	education not decisive, PhD not needed, basic theory sufficient	Education beyond a bachelor’s degree is seen as unnecessary; practice is more important than theory.
Signature	limited relevance, review systems, manager level	Signature experience is not viewed as critical; firm systems and project

Theme	Coding Labels	Summary Analysis
Experience	control	management roles provide safeguards.
Professional Background	learning agility, communication, non accounting adaptability	Practical skills and ability to learn are valued over formal accounting or finance backgrounds.
Organizational Support	quality control systems, technical review, firm level processes	Strong emphasis on firm wide QC systems to catch errors and standardize outputs regardless of individual traits.

Position on Research Hypotheses

Hypothesis	Content	Interviewee 3 Position
H1	Industry expertise → improves audit quality	Strongly agrees – critical for proper audit focus
H2	Education level → improves audit quality	Disagrees – beyond basic education, little impact
H3	Signature experience → improves audit quality	Disagrees – not a major factor
H4	Professional background → improves audit quality	Partially agrees – learning ability more important

Analytical Conclusion

Interviewee 3 affirms the relevance of individual characteristics—notably caution and industry specialization—in maintaining audit quality. She presents caution as a vital personality trait, directly linking it to the ability to detect and manage audit risks. This adds empirical weight to a behavioral dimension often underrepresented in audit quality models.

Her strong endorsement of industry expertise also reinforces the argument that sector specific knowledge allows audit partners to set the right audit focus and interpret complex transactions effectively. She contrasts sectors like manufacturing and banking, emphasizing that their processes and audit procedures differ significantly, and such understanding only comes from experience.

However, she is skeptical about the value of formal education beyond a bachelor's level. According to her, theory should serve as a foundation, not a focus, and practical skills must be prioritized in auditor development. This challenges Hypothesis 2 and suggests re evaluating the emphasis placed on educational attainment in partner selection.

Similarly, she downplays the importance of signature experience, arguing that modern audit firms have comprehensive quality control mechanisms to mitigate risks associated with inexperience. These include technical consultation units and routine procedural reviews that catch errors and support consistent quality across engagements.

Her comments on professional background also shift the focus toward learning agility and communication skills as more critical than traditional academic specialization in accounting. This modern, competency based view emphasizes adaptability in navigating the diverse demands of audit engagements. Overall, Interviewee 3 offers a blended perspective: individual traits matter—especially caution and contextual knowledge—but they operate within and are supported by a structured and highly regulated environment. Her insights contribute to a more nuanced view of audit quality, suggesting that systemic and individual factors must be considered jointly to understand what drives successful audit outcomes.

Interviewee 4

Position: Audit Partner at Mazars

Experience: 16 years in audit practice

Background: Degree in finance and accounting from Shanghai University of Finance and Economics

Stance: Strongly supports the view that individual characteristics significantly affect audit quality, with particular emphasis on discipline, industry knowledge, and business judgment

Key Themes and Summary Analysis

Theme	Coding Labels	Summary Analysis
Discipline and Rule Adherence	follow procedures, structured thinking, responsibility	Emphasizes that disciplined personality and strict procedural compliance are essential for ensuring audit quality.
Industry Specialization	sector specific knowledge, sales model insight, risk focused audits	Strongly supports the idea that industry expertise leads to better risk identification and audit focus.
Business Judgment	client flexibility, professional balance, judgment in ambiguity	Advocates for business oriented thinking that balances compliance with contextual judgment.
Education and Learning	continuous learning, foundational screening, learning ability	Downplays formal education, stressing learning capacity and practical experience over academic credentials.
Signature Experience	experience accumulation, not decisive, supports	Views signature experience as useful but not definitive for audit quality; broader

Theme	Coding Labels	Summary Analysis
	responsibility	experience is more valuable.
Professional Background	finance background, internal audit, hands on experience	Supports a relevant background but notes that learning ability can compensate for unrelated degrees.

Position on Research Hypotheses

Hypothesis	Content	Interviewee 4 Position
H1	Industry expertise → improves audit quality	Strongly agrees – central to identifying risks
H2	Education level → improves audit quality	Disagrees – formal education is less important
H3	Signature experience → improves audit quality	Partially agrees – helpful but not decisive
H4	Professional background → improves audit quality	Partially agrees – practical knowledge more important

Analytical Conclusion

Interviewee 4 provides one of the strongest endorsements of the view that individual characteristics significantly influence audit quality. She highlights discipline as

foundational—arguing that an auditor’s ability to consistently follow audit procedures is a critical safeguard. This focus on rule adherence and structural thinking reflects a compliance driven perspective that also aligns with regulatory and internal control requirements.

She also provides concrete support for the importance of industry specialization, pointing to how audit focus can be completely misaligned if the auditor lacks understanding of sector specific business models—especially in complex sectors like alcohol and automotive. This strengthens the argument for industry expertise as a key driver of risk detection and quality.

A unique contribution from Interviewee 4 is her emphasis on business judgment, or the ability to make sound decisions in nuanced situations that go beyond black and white compliance. She suggests that balancing client relationships with professional standards is a soft skill that distinguishes high performing auditors.

In contrast, she downplays the value of education, asserting that an undergraduate degree functions mainly as a “baseline” to screen for learning capacity, but that continuous learning on the job is what really builds competence. This weakens support for Hypothesis 2.

On signature experience, she acknowledges that it supports responsibility and judgment but insists it is not the sole determinant of audit quality. She also affirms that while a relevant professional background is helpful (especially for understanding internal controls), what matters more is the auditor’s ability to learn quickly and adapt.

Overall, Interviewee 4 offers a comprehensive and practical framework that centers on discipline, contextual judgment, and experience as key personal factors shaping audit quality. Her stance strongly supports the main hypothesis that individual traits matter, especially in tandem with appropriate firm level support systems.

7.3 Synthesis

This chapter aimed to deepen the understanding of how individual audit partners’ characteristics influence audit quality by adopting a qualitative research approach. Building upon the quantitative analyses presented in earlier sections of the thesis, this chapter employed semi structured interviews with senior audit professionals to gain rich, context sensitive insights into behavioral and cognitive aspects that cannot be easily captured through numerical data alone.

7.3.1 Main Results

Cross Case Summary Table: Interviewee Views on Research Hypotheses

Hypothesis	Interviewee 1	Interviewee 2	Interviewee 3	Interviewee 4
H1: Industry expertise → improves audit quality	Partially agrees (not decisive; can be supplemented by peers)	Strongly agrees (crucial for risk focus)	Strongly agrees (essential for focus alignment)	Strongly agrees (critical for sector risk detection)

Hypothesis	Interviewee 1	Interviewee 2	Interviewee 3	Interviewee 4
H2: Education level → improves audit quality	Disagrees (systems more important)	Partially agrees (helpful, not decisive)	Disagrees (education beyond basic not impactful)	Disagrees (formal education not key)
H3: Signature experience → improves audit quality	Disagrees (review systems compensate)	Shifts focus to overall experience	Disagrees (review and systems mitigate impact)	Partially agrees (supports responsibility but not decisive)
H4: Professional background → improves audit quality	Disagrees (process > background)	Challenges (soft skills more important)	Partially agrees (learning agility prioritized)	Partially agrees (practical knowledge > formal degree)

Interviewee Views on Research Hypotheses

Hypotheses	Statement	Support Status	Justification
H1	Industry expertise → improves audit quality	Strongly supported	Three of four interviewees strongly agree; one partially agrees. Industry expertise seen as critical to identifying risks and setting focus.
H2	Education level	Limited	Only one interviewee partially

Hypotheses	Statement	Support Status	Justification
	→ improves audit quality	support	supports this; others believe formal education has minimal effect. Emphasis is on learning ability and experience.
H3	Signature experience → improves audit quality	Moderate support	Interviewees generally view signature experience as helpful but not decisive; system controls compensate for lack of it.
H4	Professional background → improves audit quality	Moderate support	Some interviewees acknowledge its value, but stress that practical skills and adaptability matter more than formal backgrounds.

Based on the in depth interviews with several audit partners, the study assessed the level of support for the four proposed hypotheses. Hypothesis 1, which posits that industry specialization improves audit quality, received strong support. Most interviewees emphasized that industry expertise plays a critical role in identifying key risks and focusing audit efforts. Hypothesis 2, concerning the positive impact of education level on audit quality, received limited support. The majority of participants believed that formal education has minimal direct effect on audit outcomes, placing more value on learning ability and on the job training. Hypothesis 3, which relates to the effect of signature experience on audit quality, received moderate support. While interviewees generally acknowledged the benefits of signature experience in enhancing professional judgment and accountability, they also noted that robust firm level systems and controls can

compensate for a lack of such experience. Lastly, Hypothesis 4, which suggests that professional background influences audit quality, was also moderately supported. Some interviewees recognized the value of diverse professional backgrounds in bringing broader perspectives, but most agreed that practical competence and adaptability were more crucial to ensuring audit quality.

The rationale for integrating qualitative methods into this study stems from the recognition that audit quality is not solely a function of standardized procedures or firm level policies. Instead, it is shaped by complex interactions between personal traits, situational judgments, and organizational contexts. Interviews with four experienced audit partners, selected through purposive sampling, revealed how individual attributes such as industry specialization, signature experience, educational background, leadership style, and ethical orientation may significantly affect audit execution and professional decision making.

A recurring theme across most interviews was the critical role of industry specific knowledge and contextual familiarity. Interviewees stressed that deep familiarity with a client's sector enhances an auditor's ability to identify risk areas, ask more pertinent questions, and exercise better professional skepticism. This insight supports the hypothesis that audit partners' industry specialization is a positive determinant of audit quality. It also aligns with the literature, which suggests that industry expertise fosters more accurate risk assessment and improves audit planning and execution.

In addition to technical expertise, the interviewees emphasized non technical qualities such as leadership, interpersonal communication, adaptability, and professional judgment.

These "soft skills" were viewed as equally important for managing complex audits, maintaining independence under pressure, and navigating challenging interactions with clients or regulators. One participant, for instance, highlighted how a partner's ability to communicate clearly and assertively with client management was often decisive in resolving contentious accounting treatments or ensuring compliance with audit procedures.

However, the interviews also revealed variability in perspectives regarding the relative weight of individual traits versus institutional frameworks. While three of the four interviewees generally supported the hypothesis that individual characteristics can meaningfully impact audit quality, one interviewee offered a counterview. According to this participant, the audit process is increasingly standardized and regulated, leaving limited room for personal discretion to influence outcomes. From this perspective, audit quality is more a reflection of the audit firm's internal control systems, methodology, and supervision structure than of individual characteristics. This view underscores the importance of situating individual traits within a broader organizational and institutional context.

This divergence in perspectives is particularly valuable. It highlights that while audit partners may exert a direct influence in certain scenarios—especially where professional judgment is involved—the systemic structures of audit firms act as a balancing force, ensuring a minimum threshold of quality and consistency. These include standardized checklists, multilayered review systems, internal audits, training programs, and peer monitoring processes, all of which collectively mitigate the risks of excessive subjectivity or idiosyncratic decision making.

Furthermore, cultural and regulatory context emerged as an underlying dimension of the qualitative findings. Operating within the Chinese audit environment, which has experienced rapid regulatory evolution and a unique disclosure framework, the participants revealed a nuanced understanding of how localized regulations shape the space within which personal characteristics matter. For example, China's requirement for the disclosure of signatory audit partners may amplify accountability at the individual level, making traits such as ethical awareness and personal risk aversion more influential than in contexts where such disclosures are absent.

Methodologically, the qualitative analysis followed a thematic coding approach, enabling the extraction of cross cutting patterns and contrasting views from the interview transcripts. Themes were identified in areas such as audit planning, risk assessment, client communication, internal team management, and regulatory interaction. These themes helped illustrate how personal attributes influence not only technical decisions but also relational and managerial dimensions of audit practice.

While the number of interviewees was limited, their depth of experience and diversity of views provided a rich dataset. Nonetheless, the chapter acknowledges the limitations of qualitative data, including the potential for self reporting bias, recall errors, and socially desirable responses. Despite these limitations, the qualitative findings provide essential context to the statistical relationships explored in the quantitative analysis, offering a more holistic and human centered understanding of audit quality.

In synthesis, this chapter affirms that individual characteristics of audit partners do matter, especially in environments where professional judgment is pivotal. However, their

influence is neither deterministic nor isolated. Instead, audit quality emerges from a dynamic interplay between personal competencies and institutional safeguards, shaped further by regulatory norms and market expectations. The chapter thus reinforces the conceptual model of audit quality as a multi layered construct influenced by micro level (individual), meso level (firm), and macro level (regulatory) factors.

These findings bear meaningful implications for practice and policy. Audit firms may benefit from revisiting partner assignment and development strategies, placing greater emphasis not only on technical capabilities but also on leadership, communication, and ethical decision making. Regulators might also consider integrating individual level assessments into audit quality review frameworks, especially in jurisdictions where audit partners' identities are disclosed. For academic research, this chapter contributes to the growing literature advocating for behavioral and human centered approaches in auditing, encouraging further exploration into how personal traits interact with organizational structures and regulatory landscapes.

In conclusion, the qualitative study presented in this chapter adds a vital dimension to the overall research. It bridges the gap between abstract models and real world audit practice, emphasizing the importance of people, not just processes, in determining audit quality. It invites future research to delve deeper into the human side of auditing, thereby enriching both theory and practice in the pursuit of more transparent, accountable, and effective audit systems.

7.3.2 Limitations

While the qualitative interview study enriches the understanding of how audit partners' individual characteristics influence audit quality, several limitations of this approach should be acknowledged.

The sample size is relatively small and non random, limited to a select group of experienced audit partners who were accessible through professional networks. Although the purposive sampling strategy ensured diversity in background and expertise, the findings may not fully represent the views of the broader population of audit partners in China or beyond.

The data collected through semi structured interviews are inherently subjective and reliant on the participants' self reported perceptions and experiences. This introduces potential biases related to social desirability, selective memory, or personal interpretation. In particular, interviewees may be inclined to present their decisions and professional practices in a favorable light, which may not fully reflect the complexity of real world behaviors.

While thematic coding enabled structured analysis, the interpretation of qualitative data is influenced by the researcher's perspective and analytical lens. Despite efforts to ensure consistency and validity in the coding process, alternative interpretations are possible, especially in areas where responses were nuanced or ambiguous.

The study does not include perspectives from other stakeholders such as clients, regulators, or junior audit staff, which could offer complementary or contrasting insights

into the impact of partner characteristics on audit quality. This one sided perspective may limit the depth of understanding regarding the broader systemic and organizational dynamics.

Lastly, the interviews focused primarily on four predefined characteristics—industry specialization, education level, signature experience, and professional background—which may have constrained the emergence of other relevant factors not captured by the research framework.

Despite these limitations, the qualitative findings provide valuable context and explanatory depth that complement the quantitative results, and they offer meaningful insights into the human dimensions of audit quality. Future research could expand on these findings using larger, multi stakeholder samples and incorporating longitudinal or ethnographic approaches to capture more dynamic behavioral patterns.

CONCLUSIONS

Discussion

This study investigated the individual characteristics of audit partners influence audit quality in the Chinese audit market between 2012 and 2021. By integrating large scale quantitative evidence with qualitative insights, the research provides a comprehensive account of the human and institutional factors that jointly shape audit outcomes. The results highlight that audit quality is not solely the result of firm level controls or regulatory frameworks, but also fundamentally rooted in the cognitive, experiential, and ethical traits of individual auditors. In doing so, the study advances current understanding of the behavioral foundations of audit quality and the contextual conditions under which individual characteristics exert their effects.

The empirical findings reveal several consistent and interpretable relationships. Industry specialization of audit partners is strongly associated with higher audit quality, measured through lower discretionary accruals, higher audit fees, and a greater likelihood of issuing modified opinions. This pattern aligns with prior studies emphasizing the informational advantage of specialist auditors who accumulate deep client industry knowledge (Craswell, Francis, and Taylor, 1995; Balsam, Krishnan, and Yang, 2003; Francis, 2011). Industry specialists are better able to identify material misstatements, assess risk, and exercise informed professional skepticism. Education level also exhibits a positive relationship with audit quality, though the magnitude varies across different proxies. Partners holding postgraduate or doctoral qualifications tend to deliver audits of higher quality, consistent with the argument that advanced education enhances cognitive

capacity and analytical judgment (Bonner and Lewis, 1990; Chen, Lin, and Lin, 2008). The qualitative interviews corroborate this view while suggesting that continuous professional training plays a moderating role, implying that learning is an ongoing behavioral process rather than a static credential.

The effect of signature experience presents a more complex pattern. Moderate experience contributes positively to audit quality by strengthening expertise and confidence, yet excessive experience with the same clients may undermine independence through over familiarity or complacency. This finding resonates with Carey and Simnett (2006), who observed that long partner tenure may erode professional skepticism. It also supports the notion of an inverted U relationship between experience and performance, where competence improves with experience up to a threshold, after which independence risks dominate. The influence of professional background, such as prior employment in industry, government, or academia, is positive but smaller in magnitude. Partners with prior industry exposure demonstrate stronger understanding of business models and risk structures, thereby enhancing audit efficiency, though such familiarity can also introduce bias if not tempered by effective internal review (Goodwin and Wu, 2014; Zerni, 2012).

These quantitative results are complemented by rich qualitative insights that reveal the behavioral and contextual mechanisms underlying statistical associations. Interviewees described how personal traits such as ethical commitment, communication style, and cognitive framing interact with organizational culture and regulatory expectations. Many partners highlighted the tension between commercial pressures and professional obligations, confirming observations in the literature that auditors often face moral trade

offs under time constraints and client retention incentives (Nelson, 2009; Gul et al., 2013). The interviews also indicated that firm level governance, partner rotation, and peer review systems act as behavioral moderators that amplify or mitigate individual effects. When such mechanisms are weak, personal discretion dominates audit outcomes; when they are strong, individual tendencies are filtered through organizational discipline.

Taken together, the findings extend the conceptual framework of audit quality proposed by DeFond and Zhang (2014) by introducing a behavioral micro foundation that links personal cognition and ethics to audit outcomes. Traditional models have emphasized firm size, client importance, or market competition as determinants of audit quality (Francis, 2011; Lennox, 2005), but this research demonstrates that individual attributes remain statistically and substantively significant after controlling for those macro level factors. This multi level evidence supports the theoretical claim that organizational results mirror the characteristics of decision makers, as posited by Upper Echelons Theory (Hambrick and Mason, 1984). The present study thus extends that theory to the auditing profession, showing that audit partners' observable traits reflect deeper cognitive schemas, risk attitudes, and ethical orientations that shape professional judgment.

By embedding Upper Echelons Theory within an auditing context, this research contributes to the growing stream of behavioral auditing studies that view auditors as boundedly rational and socially embedded actors (Trotman, Tan, and Ang, 2011; Cameran, Campa, and Pettinicchio, 2016). The finding that excessive experience can diminish independence illustrates that behavioral limits constrain professional competence, echoing the notion of bounded rationality in decision making. The identification of contextual

moderators, such as regulatory intensity and firm governance, also enriches theoretical understanding by situating auditor behavior within specific institutional settings. In China's post reform environment, where partner accountability is explicit and signature disclosure is mandatory, the personal visibility of audit partners magnifies the reputational stakes of each decision. The evidence indicates that the mechanisms predicted by Upper Echelons Theory are not universal but contingent on institutional transparency and enforcement intensity.

Methodologically, the study demonstrates the value of combining quantitative rigor with qualitative depth to uncover the behavioral foundations of audit outcomes. The statistical analyses established robust patterns, confirming that partner level attributes explain variance in audit quality beyond firm or client effects. However, quantitative models alone cannot capture the interpretive processes through which individuals translate knowledge and values into professional action. The qualitative interviews filled this gap by illustrating how auditors perceive risks, resolve ethical conflicts, and internalize organizational norms. This complementarity between methods exemplifies what Humphrey and Scapens (1996) described as a dialogic approach to accounting research—where numbers and narratives jointly construct explanation. It also mitigates endogeneity concerns common in archival studies (Chi, Lisic, and Pevzner, 2011; Christensen, Glover, and Wolfe, 2014) by triangulating behavioral evidence that supports causal inference.

The mixed methods approach also mitigates common endogeneity concerns prevalent in archival studies. By corroborating quantitative findings with behavioral evidence, the study reduces the risk that observed associations reflect unobserved firm characteristics

or contextual biases. Interviews confirmed that partner assignment policies, internal quality control procedures, and peer review practices systematically moderate the relationship between individual attributes and audit outcomes. This triangulated evidence strengthens causal interpretation and illustrates how mixed methods can contribute to theory building in auditing, as suggested by Modell (2020) and Ahrens and Chapman (2006).

In practical terms, the findings carry several implications for audit firms. Managing human capital strategically is essential for sustaining audit quality. Firms should align partner assignments with areas of expertise, ensuring that client engagements leverage industry knowledge without compromising independence. Structured rotation policies, cross industry exposure, and team diversity can mitigate familiarity threats identified by Carey and Simnett (2006). Continuous professional development should be prioritized, emphasizing both technical and behavioral competencies. Interview evidence indicates that while advanced education supports cognitive capacity, ongoing training in ethical reasoning, skepticism, and leadership communication has a more direct impact on audit performance in practice. Firms may also benefit from introducing balanced performance metrics that reward quality indicators, such as documentation rigor, detection of material misstatements, and adherence to professional skepticism, rather than focusing solely on client satisfaction or billable hours.

For regulators and policymakers, the study reinforces the importance of transparency and individual accountability mechanisms. The Chinese policy requiring the public disclosure of signing partners has enhanced market discipline and reputational incentives, echoing the arguments of Francis (2011) and Chen et al. (2020) regarding the value of

visibility in promoting ethical conduct. Regulators in other jurisdictions may consider similar disclosure initiatives to strengthen public confidence. Moreover, the results suggest that regulation should address behavioral dimensions of audit quality, not just procedural compliance. Competency based licensing, mandatory ethics training, and behavioral review frameworks could complement traditional inspection regimes. Differentiating between competence derived from experience and complacency induced by over familiarity is essential. Rather than imposing uniform rotation limits, regulators could adopt risk based approaches that balance continuity with independence.

The implications extend further to professional education and standard setting. Universities and professional associations need to modernize curricula to integrate behavioral decision making, cognitive bias awareness, and ethical judgment under pressure. Case based learning and reflective practice can better prepare future auditors for complex, uncertain environments. The findings also contribute to the global debate on the human dimension of audit reform. As international standard setters such as the IAASB and IFAC advocate principles based auditing standards, understanding how individual cognition interacts with institutional enforcement becomes increasingly vital for effective policy design. The Chinese experience demonstrates that institutional transparency, combined with personal accountability, can significantly enhance audit discipline and professional credibility. The mandatory disclosure of audit partners' names, the enforcement of partner rotation, and the shift toward partnership based firm governance have collectively created an environment in which the personal reputation and ethical standing of auditors are directly tied to audit outcomes. This institutional architecture

amplifies the visibility of individual behavior, thereby reinforcing the behavioral mechanisms emphasized by theories such as Upper Echelons Theory (Hambrick & Mason, 1984) and the audit quality framework proposed by DeFond and Zhang (2014). The Chinese model illustrates how contextual factors mediate the link between personal attributes and professional performance, suggesting that the interplay between structural governance and individual discretion is central to sustaining audit quality in emerging markets.

In this respect, the results support Francis' s (2011) argument that audit quality is best understood as a continuum influenced by multiple layers of incentives and capabilities. The evidence from China shows that formal accountability systems can elevate the behavioral standards of individual auditors, particularly when they operate in competitive yet transparent markets. Similar conclusions were drawn by Gul et al. (2013) and Chi et al. (2011), who emphasized that auditor expertise and industry specialization enhance audit outcomes only when accompanied by robust institutional monitoring. The findings of this study reaffirm that personal competence must be complemented by effective regulatory oversight to produce sustainable improvements in audit reliability.

Moreover, the study contributes to refining the conceptual boundary between competence and independence. Prior literature has often treated these dimensions as separate constructs (Carey & Simnett, 2006; Cameran et al., 2016), yet the present evidence suggests they are closely interwoven. The inverted U relationship between signing experience and audit quality indicates that excessive familiarity can erode independence even as technical competence improves. This pattern echoes the

“familiarity threat” described by Christensen et al. (2016) and Goodwin and Wu (2014), highlighting that auditor professionalism relies on balancing experiential depth with psychological distance. The behavioral explanation emerging from the qualitative data reinforces the need for continuous rotation, peer review, and reflective training to counteract cognitive complacency.

The results also enrich understanding of how cognitive diversity among partners contributes to audit performance. Bonner and Lewis (1990) argued that individual differences in problem solving ability shape audit judgments. Consistent with this view, the current study finds that partners with varied educational and professional backgrounds bring complementary perspectives that enhance collective audit reasoning. Such diversity mitigates groupthink and fosters constructive dissent, aligning with Zerni’s (2012) findings on partner heterogeneity and engagement quality. In the context of China’s large and hierarchical audit firms, encouraging diversity in partner expertise and professional trajectories may counterbalance conformity pressures and improve firm level governance.

From a broader institutional perspective, these findings underscore the interactive role of regulation, organizational culture, and personal ethics in shaping auditor conduct. Chen et al. (2020) emphasized that external monitoring alone cannot ensure audit integrity without the internalization of ethical norms. The present study’s interviews reveal that auditors’ self perception of professional identity and moral responsibility strongly mediate how they respond to regulatory expectations. When partners view ethical compliance not as external enforcement but as part of their professional identity, audit quality improves even under high workload and commercial pressure. This psychological

mechanism provides empirical support for the notion of “ethical embeddedness” within professional service firms proposed by Suddaby et al. (2009).

Looking forward, this research opens multiple avenues for further investigation. Future studies could adopt cross country comparative approaches to explore how cultural, institutional, and market differences condition the relationship between individual auditor attributes and audit quality. Longitudinal designs could further examine how partners’ cognitive and ethical orientations evolve over their professional life cycles. Moreover, as technological transformation reshapes the auditing profession through artificial intelligence, data analytics, and automation new questions arise about how human judgment interacts with algorithmic systems and whether the determinants of audit quality will shift in this hybrid environment.

In sum, this study contributes to a deeper and more human centered understanding of audit quality. By integrating behavioral, institutional, and methodological perspectives, it illustrates that audit quality is not merely an outcome of compliance but a reflection of professional values, cognitive diversity, and ethical responsibility. Recognizing and cultivating these dimensions at both individual and systemic levels will be essential to sustaining the integrity and social relevance of the auditing profession in the years to come.

Limitations

Despite its theoretical and empirical contributions, this study is subject to several limitations that should be acknowledged.

The study's generalizability is constrained by its national focus. While China provides a unique and compelling context due to regulatory requirements such as the mandatory disclosure of audit partner identities, the institutional, cultural, and economic environment in China may differ substantially from those in Western or other emerging markets. Consequently, findings derived from the Chinese audit setting may not seamlessly apply to other jurisdictions, especially those where partner level data is not publicly accessible or where audit regulatory frameworks differ significantly (Zerni, 2012; Francis, 2011).

Although the mixed methods approach enhances the comprehensiveness of the study, the qualitative component is limited by its relatively small sample size and the potential for subjective bias. Interview data rely heavily on participant self reporting, which may be influenced by personal motivations, recall limitations, or professional concerns. While thematic saturation was achieved, the perspectives gathered may not represent the full spectrum of auditor experiences across different firm types, regions, or career stages (Patton, 2015).

While audit quality was assessed through triangulated proxies (audit fees, discretionary accruals, and modified audit opinions), each proxy has inherent shortcomings. For instance, discretionary accruals can be influenced by legitimate managerial discretion or measurement error (Ball & Shivakumar, 2006), audit fees may reflect audit complexity

rather than auditor effort alone (Simunic, 1980), and modified audit opinions may underreport nuanced judgment failures. Therefore, while multiple measures improve robustness, none can perfectly capture the true quality of audit performance.

The analysis of individual characteristics is limited to observable and quantifiable attributes—such as education level, industry specialization, and experience—while potentially important unobservable traits like cognitive style, ethical orientation, or interpersonal competence remain unaccounted for. Future studies might consider psychometric tools or experimental methods to capture these softer dimensions.

Potential misspecification of instruments or residual confounding factors could still bias causal inferences (Lennox & Wu, 2018). Thus, results should be interpreted as indicative rather than definitive.

Future research

Building upon this study's findings, several avenues for future research are suggested. Cross country comparative studies could provide a more comprehensive understanding of how institutional, legal, and cultural factors interact with individual auditor characteristics to shape audit quality. By analyzing similar datasets from jurisdictions with differing regulatory structures or disclosure rules, scholars can assess the external validity of current findings and uncover context specific or universal patterns.

Future research should consider incorporating longitudinal data at the individual level. Tracking audit partners over their career trajectories would allow for dynamic analyses of

how experience accumulation, regulatory changes, or professional training affect audit quality over time. This could also capture potential learning curves or behavioral shifts in response to market or institutional incentives.

While this study focused on four key characteristics, future research may explore a broader set of personal traits, including gender, age, political affiliation, or psychological dimensions such as risk tolerance, ethical judgment, or decision making heuristics. Experimental or behavioral audit research methods—such as vignette studies, simulations, or psychometric testing—may offer new ways to investigate how auditors process information and respond under uncertainty.

Firm level and team level interactions merit closer examination. While this study isolates individual characteristics, audit quality outcomes often emerge from collaborative dynamics and institutional frameworks within audit firms. Multi level modeling techniques or case based comparative methods could better account for these organizational influences.

Future studies could expand the qualitative dimension by including perspectives from audit committee members, regulators, or clients, thereby offering a more holistic view of how individual auditor characteristics are perceived and evaluated by stakeholders.

Advancements in machine learning and natural language processing offer promising tools for extracting deeper insights from unstructured data sources such as audit reports, partner bios, or interview transcripts. These technologies could enhance both the granularity and scale of future audit partner studies.

In sum, by addressing these directions, future research can build a more detailed, dynamic, and comprehensive picture of how individual auditors contribute to audit quality—thereby supporting more effective regulation, education, and audit firm governance in an increasingly complex financial reporting environment.

TITRE ET RéSUMé

substantiel DE LA thÈSE

EN FRANçAIS

Introduction générale

La qualité de l'audit constitue depuis plusieurs décennies un objet central de la recherche en comptabilité et en gouvernance d'entreprise. Elle conditionne directement la crédibilité des états financiers, la confiance des investisseurs et la stabilité des marchés. De nombreux scandales financiers, tels qu'Enron ou Parmalat, ont révélé que l'absence de mécanismes de contrôle efficaces peut entraîner des conséquences systémiques. Dans ce contexte, l'audit externe apparaît comme un garant essentiel de la transparence et de la discipline de marché.

Jusqu'à présent, la littérature s'est majoritairement concentrée sur les déterminants organisationnels de la qualité de l'audit, notamment la taille du cabinet, son appartenance aux Big Four, ou encore sa spécialisation sectorielle. Ces approches, bien qu'importantes, négligent un acteur clé du processus : l'associé signataire. En effet, c'est lui qui engage

sa responsabilité personnelle en signant le rapport d’audit et qui, par ses jugements et arbitrages, influence directement le résultat final.

Cette thèse propose de déplacer l’analyse du niveau du cabinet vers celui de l’individu. En mobilisant la théorie des échelons supérieurs (Upper Echelons Theory, Hambrick & Mason, 1984), elle postule que les caractéristiques personnelles des associés signataires façonnent leurs décisions professionnelles et, par conséquent, la qualité des audits réalisés.

Problématique et questions de recherche

Malgré l’importance reconnue des associés signataires dans le processus d’audit, leur rôle demeure relativement sous étudié. La majorité des recherches antérieures se sont focalisées sur le niveau du cabinet, considérant que la réputation institutionnelle, les ressources disponibles et la structure organisationnelle expliquaient principalement la qualité des audits. Cependant, ces approches négligent que, dans la pratique, les décisions stratégiques et techniques sont prises par des individus qui signent les rapports et engagent leur responsabilité professionnelle.

Le cas de la Chine offre un terrain d’étude particulièrement pertinent. Depuis 2001, la réglementation impose la divulgation du nom des associés signataires dans les rapports d’audit. Cette spécificité institutionnelle rend possible l’observation empirique des effets liés aux caractéristiques personnelles des auditeurs responsables. Elle fournit ainsi une opportunité unique pour tester l’hypothèse centrale selon laquelle les traits individuels influencent la qualité de l’audit.

À partir de cette perspective, la problématique peut être formulée comme suit :

Les caractéristiques individuelles des associés signataires (spécialisation sectorielle, niveau d'éducation, expérience de signature, parcours professionnel) ont-elles respectivement un impact positif ou négatif sur la qualité de l'audit ?

Revue de la littérature

La littérature académique sur la qualité de l'audit s'est d'abord développée au niveau organisationnel, en considérant le cabinet comme l'unité d'analyse principale. Plusieurs déterminants ont été identifiés. La taille du cabinet est souvent associée à une meilleure qualité d'audit, les grands cabinets disposant de ressources plus importantes, d'une expertise technique approfondie et d'une réputation à protéger. L'appartenance aux Big Four est particulièrement étudiée : leurs réseaux internationaux et leurs méthodes standardisées sont perçus comme des gages de fiabilité.

Un autre facteur étudié est la spécialisation sectorielle du cabinet, qui permet de développer une connaissance approfondie des spécificités industrielles et des risques associés. Des recherches montrent que les cabinets spécialisés sont plus aptes à détecter les anomalies comptables et à délivrer des opinions indépendantes. De plus, la structure organisationnelle et les contrôles internes de qualité mis en place influencent également la rigueur des travaux.

Toutefois, ces approches restent limitées : elles considèrent le cabinet comme une entité homogène et supposent que les standards internes sont appliqués uniformément par tous les associés. En réalité, les décisions finales sont prises par des individus dont les préférences, l'expérience et la tolérance au risque peuvent diverger. Cette limite a

ouvert la voie à une seconde génération de recherches centrées sur les caractéristiques individuelles des auditeurs.

À partir des limites des approches organisationnelles, une partie croissante de la littérature a recentré l'analyse sur les caractéristiques individuelles des associés signataires. Ces recherches s'inscrivent dans la lignée de l'Upper Echelons Theory, selon laquelle les traits personnels des dirigeants influencent leurs décisions stratégiques. Transposée à l'audit, cette perspective suggère que les choix et jugements des associés dépendent de leur formation, de leur expérience et de leur trajectoire professionnelle.

Plusieurs dimensions ont été étudiées. L'âge et le genre ont fait l'objet de travaux, certains suggérant que les associés plus jeunes adoptent des comportements plus conservateurs afin de construire leur réputation, tandis que les femmes auditrices manifesteraient une aversion accrue au risque. Le niveau d'éducation constitue également une variable d'intérêt : une formation académique avancée pourrait renforcer la capacité analytique et l'ouverture intellectuelle, mais les résultats empiriques restent contrastés.

L'expérience professionnelle et la spécialisation sectorielle apparaissent comme des facteurs majeurs. Les auditeurs spécialisés dans un secteur particulier détectent mieux les anomalies spécifiques et délivrent des opinions plus rigoureuses. Enfin, le parcours professionnel (mobilité entre cabinets, expérience internationale) façonne la tolérance au risque et la culture professionnelle des associés.

Cependant, les résultats demeurent hétérogènes et dépendent largement du contexte institutionnel. Peu d'études se sont intéressées à la Chine, où la divulgation obligatoire des noms des associés offre pourtant un terrain empirique unique.

Cadre théorique

La théorie des échelons supérieurs (Upper Echelons Theory), développée par Hambrick et Mason (1984), soutient que les caractéristiques démographiques et cognitives des dirigeants influencent leurs choix stratégiques et, par extension, la performance organisationnelle. Cette théorie a été largement mobilisée dans les domaines du management et de la stratégie, mais son application au champ de l'audit reste encore limitée.

Dans le contexte de l'audit, l'associé signataire peut être considéré comme l'équivalent du dirigeant stratégique : il exerce une influence directe sur le processus de vérification, oriente l'allocation des ressources et prend les décisions finales relatives à la formulation de l'opinion. Ses traits personnels, tels que son niveau de tolérance au risque, son expérience ou sa formation, agissent comme des filtres cognitifs qui façonnent ses jugements professionnels.

Appliquer cette théorie à l'audit permet d'éclairer les différences observées entre associés, malgré l'existence de normes professionnelles communes et de procédures de contrôle interne. Elle offre également un cadre explicatif pour comprendre pourquoi, dans des contextes similaires, certains associés privilégient des positions conservatrices tandis que d'autres se montrent plus permissifs.

Ainsi, l'Upper Echelons Theory constitue la base conceptuelle de cette thèse : elle justifie l'analyse des caractéristiques individuelles des associés signataires comme déterminants potentiels de la qualité de l'audit.

Hypothèses de recherche et justification

Conformément à la littérature et au cadre théorique des échelons supérieurs, la recherche formule quatre hypothèses principales portant sur l'effet des caractéristiques individuelles des associés signataires.

Hypothèse 1 (H1) : La spécialisation sectorielle des associés signataires améliore la qualité de l'audit. Les auditeurs spécialisés disposent d'une expertise sectorielle accrue qui leur permet de mieux identifier les risques et d'ajuster leurs procédures de contrôle.

Hypothèse 2 (H2) : Le niveau d'éducation des associés signataires a un impact positif sur la qualité de l'audit. Un diplôme plus élevé est considéré comme un indicateur de compétences analytiques et cognitives renforcées, susceptibles de favoriser la rigueur professionnelle.

Hypothèse 3 (H3) : L'expérience de signature a un effet positif sur la qualité de l'audit. Une pratique plus longue du rôle de signataire devrait améliorer la capacité de jugement et réduire la probabilité d'erreurs ou de complaisance.

Hypothèse 4 (H4) : Le parcours professionnel exerce une influence positive sur la qualité de l'audit. Les expériences diversifiées dans les domaines de la comptabilité, de la finance ou de la fiscalité enrichissent la vision professionnelle et accroissent la compétence des associés.

Ces hypothèses structurent l'analyse empirique menée dans cette thèse et sont testées à l'aide d'un dispositif quantitatif et qualitatif combiné.

Méthodologie

La recherche adopte une approche mixte, combinant des méthodes quantitatives et qualitatives, afin de mieux comprendre l'influence des caractéristiques individuelles des associés signataires sur la qualité de l'audit. Ce choix méthodologique repose sur une posture pragmatique, reconnaissant que ni les analyses statistiques seules ni les enquêtes qualitatives isolées ne suffisent à saisir la complexité du phénomène étudié.

Sur le plan épistémologique, l'étude s'inscrit dans une perspective interprétativiste et positiviste complémentaire : le volet quantitatif vise à tester les hypothèses formulées à partir d'un large échantillon de données, tandis que le volet qualitatif cherche à enrichir l'interprétation des résultats par l'analyse des pratiques et représentations des professionnels. Cette combinaison permet de renforcer la validité externe et interne de la recherche.

La stratégie de recherche suit un design séquentiel explicatif : les analyses quantitatives constituent la première étape et servent de base à l'identification des tendances générales. Ensuite, les entretiens qualitatifs sont mobilisés pour éclairer et nuancer ces résultats, en mettant en évidence les mécanismes sous-jacents et les logiques d'action propres aux associés signataires.

Ainsi, le recours à une méthodologie mixte contribue à la robustesse de l'étude et permet d'articuler résultats empiriques et compréhension contextuelle.

Le volet quantitatif repose sur un large panel de données concernant les sociétés cotées chinoises entre 2012 et 2021, totalisant 8 341 observations entreprise année. Cette

base permet d'examiner de manière systématique l'impact des caractéristiques individuelles des associés signataires sur divers indicateurs de qualité de l'audit.

Les variables dépendantes sont trois proxys largement utilisés :

Les honoraires d'audit, considérés comme une mesure de l'effort et de la complexité du travail fourni. Les accruals discrétionnaires, qui reflètent le degré de manipulation comptable détecté. Les opinions d'audit modifiées, indicateur direct du jugement porté sur la fiabilité des états financiers.

Les variables indépendantes correspondent aux quatre caractéristiques clés identifiées dans le cadre théorique : Spécialisation sectorielle ; Niveau d'éducation ; Expérience de signature ; Parcours professionnel.

Des variables de contrôle sont également intégrées (taille et rentabilité de l'entreprise, structure financière, secteur d'activité, année), afin d'isoler l'effet propre des caractéristiques individuelles.

Ce dispositif empirique vise à tester les hypothèses H1–H4 de façon rigoureuse et à établir un lien statistique entre traits personnels et qualité d'audit.

Pour tester les hypothèses H1 – H4, la recherche mobilise plusieurs modèles économétriques adaptés à la structure en panel des données. Les régressions sont estimées en utilisant des effets fixes entreprise et année, afin de neutraliser les biais liés aux caractéristiques inobservées spécifiques aux sociétés et aux évolutions macroéconomiques annuelles. Cette approche permet de mieux isoler l'effet propre des caractéristiques individuelles des associés signataires.

Les modèles incluent également des variables de contrôle relatives à la taille de l'entreprise, son levier financier, sa rentabilité et son secteur d'activité. Des méthodes robustes d'estimation des erreurs standards sont appliquées afin de garantir la validité statistique des coefficients.

Par ailleurs, des tests de robustesse sont menés pour confirmer la solidité des résultats. Ils incluent l'utilisation de proxys alternatifs de la qualité de l'audit, la modification de la fenêtre temporelle, ainsi que l'exclusion de certaines observations extrêmes susceptibles de biaiser les estimations.

Ces dispositifs méthodologiques assurent la fiabilité des conclusions quantitatives et renforcent la crédibilité des liens identifiés entre caractéristiques individuelles et qualité de l'audit, avant leur confrontation aux résultats qualitatifs.

Afin de compléter les résultats quantitatifs et d'explorer les mécanismes sous-jacents, la recherche intègre un volet qualitatif basé sur des entretiens semi-directifs réalisés auprès d'associés signataires expérimentés. Cette approche vise à recueillir des perceptions, des expériences vécues et des jugements professionnels qui ne peuvent être captés par les seules données chiffrées.

Les entretiens portent sur plusieurs dimensions : l'importance perçue de la spécialisation sectorielle, le rôle de l'éducation académique et de la formation continue, l'influence de l'expérience de signature sur la confiance professionnelle, ainsi que l'impact des parcours diversifiés sur l'indépendance et l'ouverture d'esprit. Les participants ont été sélectionnés de manière à représenter différents types de cabinets et divers secteurs d'activité.

L'analyse a été conduite selon une méthodologie thématique, combinant codage manuel et utilisation d'outils logiciels d'analyse qualitative. Les propos recueillis ont été comparés aux résultats quantitatifs afin de mettre en évidence convergences et divergences. Cette triangulation permet d'apporter des éclairages complémentaires et de renforcer la validité des conclusions.

Ainsi, le volet qualitatif joue un rôle essentiel en donnant une profondeur contextuelle aux résultats statistiques et en mettant en avant la dimension humaine du processus d'audit.

Résultats quantitatifs principaux

Les résultats des analyses quantitatives fournissent plusieurs enseignements significatifs concernant l'impact des caractéristiques individuelles des associés signataires sur la qualité de l'audit.

Premièrement, la spécialisation sectorielle est positivement et significativement corrélée avec la qualité de l'audit. Les associés disposant d'une expertise sectorielle délivrent des opinions plus rigoureuses et perçoivent généralement des honoraires plus élevés, traduisant une reconnaissance de leur compétence.

Deuxièmement, le parcours professionnel montre également une relation positive avec la qualité. Les auditeurs ayant une expérience diversifiée dans les domaines de la comptabilité, de la finance ou de la fiscalité semblent plus à même de détecter les anomalies et de résister aux pressions exercées par les clients.

En revanche, le niveau d'éducation présente des effets contrastés. Il est négativement associé aux honoraires d'audit, mais positivement corrélé avec la probabilité d'émettre une opinion modifiée, traduisant une influence ambivalente de la formation académique.

Enfin, l'expérience de signature apparaît globalement non significative. Contrairement aux attentes, la durée d'exercice en tant que signataire ne conduit pas nécessairement à une amélioration mesurable de la qualité de l'audit.

Dans l'ensemble, ces résultats confirment partiellement les hypothèses H1 à H4 et révèlent que toutes les caractéristiques individuelles n'ont pas le même poids sur la qualité des audits.

Résultats qualitatifs principaux

Les entretiens qualitatifs menés auprès d'associés signataires expérimentés permettent d'apporter un éclairage complémentaire aux résultats statistiques. Ils révèlent plusieurs points saillants.

Tout d'abord, les associés interrogés insistent sur l'importance de la spécialisation sectorielle, qu'ils considèrent comme un facteur déterminant pour comprendre les spécificités des clients et anticiper les zones de risque. Cette observation converge avec les résultats quantitatifs.

Ensuite, la majorité souligne que le parcours professionnel diversifié — notamment les expériences internationales ou la mobilité entre cabinets — favorise une meilleure ouverture d'esprit et une indépendance accrue face aux pressions économiques.

En revanche, l'expérience de signature est perçue de manière nuancée. Si certains estiment qu'elle confère une confiance accrue et une meilleure efficacité, d'autres soulignent le risque d'une routine excessive qui peut réduire la vigilance professionnelle.

Concernant le niveau d'éducation, les avis sont partagés : la formation académique est jugée importante pour poser les bases techniques, mais les compétences réellement décisives sont liées à l'apprentissage continu et au développement de soft skills (communication, leadership, prudence).

La triangulation des données met ainsi en évidence une forte convergence entre les résultats qualitatifs et quantitatifs, tout en apportant des nuances précieuses sur les mécanismes à l'œuvre.

Contributions

Cette recherche apporte plusieurs contributions à la littérature académique, à la méthodologie et à la pratique professionnelle.

Sur le plan académique, elle étend la portée de l'Upper Echelons Theory au domaine de l'audit, en démontrant que les caractéristiques individuelles des associés signataires influencent de manière tangible la qualité de l'audit. Elle enrichit ainsi une littérature dominée jusqu'ici par des approches centrées sur les cabinets et fournit des preuves inédites dans le contexte institutionnel chinois.

Au niveau méthodologique, la thèse illustre la valeur d'une approche mixte, combinant analyses quantitatives et entretiens qualitatifs. Ce dispositif permet de trianguler les résultats, d'en confirmer la robustesse et d'offrir une compréhension plus fine des

mécanismes. Il met également en évidence la complémentarité entre rigueur statistique et richesse interprétative.

Enfin, sur le plan pratique, les résultats offrent des implications directes pour les cabinets d'audit : la sélection et la formation des associés devraient tenir compte de leurs compétences techniques, mais aussi de leur parcours professionnel et de leur capacité d'apprentissage continu. Pour les régulateurs, l'étude suggère que l'évaluation de la qualité de l'audit gagnerait à intégrer la dimension humaine et les spécificités individuelles des signataires.

Limites

Comme toute recherche empirique, cette étude comporte plusieurs limites qui doivent être reconnues.

Premièrement, elle s'inscrit dans le contexte institutionnel spécifique de la Chine, où la réglementation impose la divulgation du nom des associés signataires. Cette spécificité facilite l'analyse empirique, mais limite la généralisation des résultats à d'autres pays où les pratiques et règles de gouvernance diffèrent.

Deuxièmement, la mesure de la qualité de l'audit repose sur des proxys indirects : honoraires, accruals discrétionnaires et opinions modifiées. Bien que ces indicateurs soient largement utilisés dans la littérature, ils ne capturent pas l'ensemble des dimensions qualitatives de l'audit, telles que la rigueur du processus interne ou la communication entre auditeur et client.

Troisièmement, l'échantillon qualitatif reste relativement restreint. Les entretiens apportent une richesse interprétative, mais les conclusions doivent être considérées comme exploratoires et complémentaires aux résultats quantitatifs.

Enfin, des biais potentiels peuvent résulter de la disponibilité des données, de la sélection des répondants et de l'interprétation des entretiens.

Ces limites ouvrent toutefois des pistes de recherche futures, visant à valider et approfondir les résultats dans d'autres contextes et avec d'autres méthodologies.

Conclusion

Cette thèse met en évidence le rôle significatif, mais différencié, des caractéristiques individuelles des associés signataires dans la qualité de l'audit. En s'appuyant sur un large échantillon de données et sur des entretiens qualitatifs, elle montre que la spécialisation sectorielle et le parcours professionnel constituent des atouts déterminants, tandis que le niveau d'éducation produit des effets ambivalents et que l'expérience de signature reste globalement non significative. Ces résultats soulignent l'importance de dépasser les approches centrées uniquement sur les cabinets pour intégrer la dimension humaine de l'audit.

Les implications sont multiples. Pour les cabinets, il s'agit de repenser les critères de sélection et de formation des associés, en valorisant l'expertise sectorielle et les parcours diversifiés. Pour les régulateurs, la reconnaissance du rôle individuel des signataires pourrait contribuer à l'élaboration de politiques favorisant la transparence et la confiance.

Les perspectives de recherche futures incluent des comparaisons internationales, afin de vérifier la transférabilité des résultats hors du contexte chinois, ainsi que des analyses

longitudinales pour observer l'évolution des comportements individuels au fil du temps. L'intégration de dimensions supplémentaires, telles que les traits psychologiques, le leadership ou les compétences communicationnelles, apparaît également prometteuse.

En conclusion, cette étude contribue à une meilleure compréhension de la dimension humaine de l'audit et ouvre la voie à de nouvelles investigations sur l'articulation entre caractéristiques individuelles et qualité de l'audit.

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Appendix

Interview questions

1. Can you explain the concept of audit quality and its importance in the auditing process?
2. What are the individual characteristics of audit partners that can potentially influence audit quality?
3. How does industry specialization of an audit partner impact audit quality? Can you provide examples or evidence to support your answer?
4. In your opinion, how does the education level of an audit partner contribute to audit quality? Are there any specific qualifications or certifications that are particularly relevant?
5. Could you explain the concept of signature experience and its relevance to audit quality? How does an audit partner's signature experience impact their ability to conduct high quality audits?
6. How does the professional background of an audit partner influence audit quality? Are there specific professional experiences or skills that are more beneficial in ensuring high quality audits?
7. Are there any studies or research that have examined the relationship between individual characteristics of audit partners and audit quality? If so, what were the key findings?

8. How do audit firms typically assess and evaluate the individual characteristics of their audit partners in relation to audit quality? Are there any established methodologies or frameworks used for this purpose?
9. Do you believe that certain individual characteristics of audit partners have a stronger impact on audit quality than others? If so, which characteristics are considered more influential, and why?
10. What measures or strategies can audit firms implement to ensure that audit partners possess the necessary individual characteristics for delivering high quality audits? Are there any best practices in this regard?

TITRE ET RéSUMé DE LA

tHèSE EN FRANçAIS

Cette thèse analyse l'impact des caractéristiques individuelles des associés signataires sur la qualité de l'audit, à partir de dix années de données empiriques concernant les sociétés cotées chinoises (2012–2021). Alors que la plupart des travaux antérieurs se concentrent sur le niveau du cabinet, cette recherche met l'accent sur le rôle de l'associé, considéré comme le décideur ultime dont les traits personnels peuvent influencer significativement les résultats de l'audit. En mobilisant la théorie des échelons supérieurs (Upper Echelons Theory), quatre dimensions sont étudiées : la spécialisation sectorielle, le niveau d'éducation, l'expérience de signature et le parcours professionnel.

L'approche méthodologique combine analyses quantitatives et qualitatives. Le volet quantitatif repose sur 8 341 observations entreprise année et mobilise trois indicateurs de qualité d'audit : les honoraires, les accruals discrétionnaires et les opinions modifiées. Les régressions montrent que la spécialisation sectorielle et le parcours professionnel sont positivement associés à une meilleure qualité. Le niveau d'éducation présente des effets contrastés — négativement lié aux honoraires mais positivement aux opinions modifiées — tandis que l'expérience de signature apparaît non significative. Les tests de robustesse confirment ces résultats. En parallèle, les entretiens avec des associés expérimentés soulignent l'importance de l'expertise sectorielle, de l'apprentissage continu et des compétences interpersonnelles, tout en relativisant le rôle de la formation académique.

Cette recherche contribue à la littérature en étendant la théorie des échelons supérieurs au domaine de l'audit et en apportant des preuves issues du contexte institutionnel chinois. Elle illustre la valeur d'une approche mixte et propose des implications pratiques pour la sélection et la formation des associés, ainsi que pour les régulateurs.

Mots clés : associé signataire, qualité de l'audit, caractéristiques individuelles, éducation, spécialisation sectorielle, expérience de signature, parcours professionnel.

Thesis TITLE AND

Abstract in English

This dissertation investigates the impact of audit partners' individual characteristics on audit quality, using ten years of empirical evidence from Chinese listed firms (2012–2021). While prior studies have largely examined audit quality at the firm level, this research shifts focus to the partner level, recognizing audit partners as ultimate decision makers whose personal traits may significantly shape audit outcomes. Drawing on Upper Echelons Theory, the study examines four key characteristics: industry specialization, education level, signature experience, and professional background.

A mixed methods design was adopted. The quantitative analysis employs a large panel dataset of 8,341 firm year observations and uses three widely accepted proxies for audit quality: audit fees, discretionary accruals, and modified audit opinions. Regression results reveal that industry specialization and professional background are consistently and positively associated with higher audit quality. Education level shows mixed effects—negatively related to audit fees but positively linked to modified opinions — while signature experience generally proves insignificant. Robustness checks, including firm and year fixed effects and alternative measures, confirm the consistency of these findings. Complementing this, qualitative interviews with experienced partners highlight the importance of industry expertise, continuous learning, and soft skills, while downplaying the role of formal education.

The study makes several contributions. Academically, it extends Upper Echelons Theory into auditing and enriches the literature with evidence from China's unique institutional context. Methodologically, it demonstrates the value of combining quantitative rigor with qualitative insights. Practically, the findings offer implications for audit firms in partner selection and training, and for regulators designing policies to enhance audit quality. Limitations relate to the China specific setting and reliance on proxies, but the research opens promising avenues for cross national and longitudinal studies.

Keywords: audit partner, audit quality, individual characteristics, education, industry specialization, signature experience, professional background.