

# **Factors impact on auditors' independence: Evidence from the auditors in Sri Lanka**

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## **Abstract**

The audit opinion in the financial statements is a vital element, as it provides assurance on the basis of the financial statements. The Auditors' Independence (AI) has been a contentious issue in a developing country like Sri Lanka. As a result, the AI factor is gradually increasing and this situation can lead to the collapse of companies in Sri Lanka. The aim of this study was to identify factors that have an impact on the independence of the auditors. There is limited research in this particular area in the local context. The research framework is based on factors that include, in particular, audit fees, the size of the audit firm, the tenure of the audit firm, the provision of NAS and the level of competition. This study collected data from 100 respondents working in audit firms in Sri Lanka using questionnaires and used the convenient sampling technique. Reliability analysis, descriptive analysis, correlation analysis and regression analysis were mainly used. The results of the regression analysis showed that there is a significant positive relationship between the audit fee, the size of the audit firm and the level of competition with the independence of the auditors. Focusing on these research auditors, relevant managers and owners can identify factors that affect the independence of the auditors in Sri Lanka. Finally, the researcher concluded that Auditors' Independence is affected by the audit fee, the size of the audit firm and the level of competition. This study focused on limited respondents due to limited availability of data. Future research should, therefore, extend the respondent groups to the other users of financial statements such as shareholders, regulators, members of the audit committee.

**Keywords:** *Audit fee, size of audit firm, tenure of audit firm, provision of NAS level of competition, auditors' independence.*