

Swimming against the tide?: Regulating the public sector audit space in Samoa

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Abstract

This study examines whether establishing domestic standards for public sector auditing instead of following international standards, may improve perceived audit quality. We also explore the improvements and challenges that are perceived to arise if public sector auditing standards are legally binding. This study is motivated by a proposal from Samoa's Controller and Auditor General to establish domestic public sector auditing standards, which is contrary to the global trend of adopting international standards. We employ a survey instrument to collect data from a sample of accountants and auditors working in various organisations and at different levels in both the public and private sectors. We find that an overwhelming number of participants support the establishment of domestic public sector auditing standards and the intention to make them legally binding. We also find that participants anticipate that domestic standards will result in consistent application and improved transparency of public sector audits with consequential improvements in audit quality. However, such benefits may be short-lived when perceived challenges are considered, particularly if the standards are legally binding.

Keywords: Accountability; Audit Quality; Auditing Standards; Samoa; SIDs; Transparency

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Introduction

Auditing has evolved over time, with significant influence from audit reforms, historical events and technological developments. The audit profession has expanded considerably throughout the world, given the growing need for transparency and accountability at all levels in both the public and private sectors (Wisdom & Oyebisi, 2017). In the private sector, auditors provide independent assurance to investors concerning the truth and fairness (or otherwise) of financial reports prepared by the entity's management. In the public sector, auditors provide assurance to parliament, the government and the public that government ministries and agencies are operating in accordance with relevant legislation, regulations and the public interest (Barret, 2001).

The audit profession is a crucial component of public sector governance and accountability because it assists public sector organisations in achieving accountability and integrity, improving operations, and instilling confidence among citizens (Assakaf et al., 2018). Public sector auditors are expected to provide independent and objective assessments of whether public resources have been managed responsibly and effectively in compliance with existing rules and regulations (Goodson et al., 2012). At the national level, public sector auditing is managed by Supreme Audit Institutions (SAIs) which are independent, non-political organisations (Odia, 2014; Cordery & Hay, 2016).

Our study focuses on the public sector auditing environment, using Samoa as a case study. Samoa's SAI, the Samoa Audit Office (SAO) audits national government accounts and highlights any irregularities in the use of public finances. As a member of the International Organisation for Supreme Audit Institutions (INTOSAI), SAO follows the International Standards for Supreme Audit Institutions (ISSAIs) and additionally adopts the International Standards on Auditing (ISAs) when conducting audits.

Over time, SAO has enhanced the domestic public sector auditing environment by implementing audit reforms through institutional strengthening, capacity building and knowledge sharing. Most notably, SAO began outsourcing public sector audits to private consultants or accounting firms in 2010. This strategy was successful in clearing the substantial backlog of audits (Afele, 2016 & 2021). While recognising the increased output in terms of audits completed, it is also critical to continuously improve and enhance the quality of all audits.

The Controller and Auditor-General (CAG) envision that improving audit quality in Samoa would require the establishment of domestic auditing standards that satisfy two important conditions i.e., 1) they must recognise international standards as well as local requirements and 2) they must also have the force of law. This approach seeks to improve public sector audits' quantity, quality, timeliness and transparency by outsourcing more audits to accounting firms in preparation for a growing and developed economy. In summary, the CAG foresees the SAO's role transitioning to focus on standard setting and supervision while assigning the conduct of all audits to accounting firms (Samoa Audit Office, 2015; Afele, 2021).

The Samoa CAG's vision motivates this study to examine whether developing domestic public sector auditing standards¹ may improve public sector audits and benefit the public overall. Specifically, we examine stakeholder views on whether domestic public sector auditing standards

¹ Throughout the paper, we use the following terms interchangeably: domestic public sector auditing standards and domestic standards.

should be established in Samoa and whether they should be legally binding. Moreover, we analyse the perceived benefits and challenges that may arise from establishing domestic standards, particularly when such standards are legally binding.

These questions are interesting for several reasons. First, the Samoan CAG's vision presents an unusual case of a Small Island Developing State (SIDS) diverging from the current global trend towards harmonisation. SIDS are generally limited by resource constraints and other challenges that have led neighbouring countries like Fiji to revert from locally developed Standards on Auditing to ISAs and ISSAIs. Whilst the CAG's vision provides an opportunity to display patriotism and leadership in the Pacific, it is important to evaluate its benefits, challenges and disadvantages

Second, auditing standards in more developed countries are backed by legislation such as the *Sarbanes-Oxley Act (SOX) 2002* in the USA, the *Auditor General Act 1997* in Australia and the *Public Audit Act 2001* in New Zealand. In all three countries, legislation required the establishment of an institution to set domestic auditing standards and provide oversight of the auditing process. On the other hand, Pacific Island Countries (PICs) have generally followed international standards without legislative backing and regulatory oversight. Even Samoa has adopted ISAs and ISSAIs without any oversight body to monitor their application. Developed countries may justify establishing their own standard-setting bodies to develop domestic standards given the complexity of domestic issues. However, this study examines the justification for a similar logic and/or approach in a SIDS like Samoa. We also consider that the CAG's vision may reflect unique characteristics of the Samoan context and experience such as a history of pioneering in the Pacific, coupled with an emphasis on cultural identity and pride. This could impact stakeholder perceptions regarding the value of establishing domestic auditing standards.

To examine our research questions, a survey questionnaire was issued online to individuals with accounting and/or auditing backgrounds residing in Samoa and a small number residing abroad. Our results indicate that participants generally support the development of domestic public sector auditing standards. The most common reasons for this are the perception that domestic standards will result in the consistent application of standards and improve the transparency of public sector audits. Interestingly, a large number of participants who support the establishment of domestic standards perceive several inherent challenges including limited funding and resources to establish the standards, lack of experts with appropriate experience to develop and maintain the standards, and the ongoing need to manage compatibility with international standards.

Participants were concerned that domestic public sector auditing standards would not be recognised or respected internationally, thus disadvantaging Samoa. Similarly, participants generally agreed that domestic standards require legal backing to ensure respect and effectiveness. The perceived benefits of legally binding standards include maintaining a uniform structure for auditing standards and improving auditor compliance with the standards. However, an overwhelming number of these participants agreed that establishing legally binding standards would face challenges.² One commonly perceived challenge was the time consumed in implementing and updating the standards according to due process. Another perceived challenge was that auditors may focus on documentation and compliance rather than increasing audit quality. Taken together, these findings suggest that while establishing domestic auditing standards may improve audit quality and transparency, those benefits may be short-lived if the perceived challenges overshadow them. Our

² Only 4% did not foresee any challenges in this regard.

findings also highlight the importance of stakeholder consultation in transforming public sector policies.

Our study makes several contributions to both the literature and practice. First, it contributes to the literature on audit regulation in Samoa, the Pacific region and other SIDS, for which scant literature exists on public sector auditing standards. This is important given the different characteristics of SIDS compared to more developed countries. Second, it provides insights regarding the perceived consequences of a change in audit regulation on audit quality. Third, our study articulates the interplay between domestic and global considerations in relation to audit regulation. In this respect, it provides support for the harmonisation of standards and guidelines, particularly for developing countries. On the practical side, we provide valuable insights to inform the strategic planning, reforms and ongoing developments undertaken by SAO and other Pacific SIDs.

The remainder of our paper is organised as follows. The next section reviews the literature on public sector auditing and develops research questions. Section 3 then discusses the research design and sample. The results and analysis are presented and discussed in Section 4, and the paper concludes in Section 5.

Literature Review

Audit regulation

In recent decades, major corporate failures such as HIH Insurance in Australia and Enron in USA coupled with the collapse of Arthur Andersen, subjected the auditing profession to more intense scrutiny than before and highlighted the role of regulators in protecting the investing public (Francis, 2005; Clark et al., 2007; Lee & Ali, 2008). Unsurprisingly, governments responded to these failures with regulatory reforms that were expected to achieve improved corporate practices and higher quality audits (Cooper & Deo, 2005; Clark et al., 2007; Hecimovic, 2007). The most significant reforms affecting the auditing profession include SOX in the USA and the Corporate Law Economic Reform Program (Audit Reform and Corporate Disclosure) Act 2004 (CLERP 9) in Australia.

Significantly, the Australian government decided to shift from a self-regulatory regime to a government-controlled process for standard setting (Hecimovic, 2007). This decision followed considerable debate among key stakeholders including those who questioned the appropriateness of self-regulation, especially at a time when the profession had been criticized for lack of independence and conflicts of interest in relation to corporate collapses and business fraud (Gaffikin, 2005). Such criticism compelled the Australian government to intervene and protect the public by implementing major reforms, including legal enforcement of Australian Standards on Auditing (ASAs) through the Corporations Act 2001, effective from 2006. The intention of such reforms was to provide a clearer public interest focus with high quality auditing processes and standards (Hecimovic, 2007).

Similarly, the US Congress passed SOX in 2002 in response to preceding corporate scandals. This legislation was intended to enhance financial audit transparency and restore public confidence in the accounting profession and American firms (Zhang and Han, 2016). Many countries followed suit, incorporating the main provisions of SOX into their own laws for protection against financial scandals.

Regulating Public Sector Audits

Public sector auditing provides independent and objective assessments of how government entities have managed public resources for the benefit of citizens (Almquist et al., 2013; Brusca et al., 2015). Consequently, auditors assist public sector organisations to achieve accountability and integrity, improve operations, and instil confidence among citizens and stakeholders (Caruana & Kowalczyk, 2021; Goodson et al., 2012).

Public sector auditing is led by SAIs, which undertake various roles and functions relating to the public, legislature and government. They are independent non-political institutions responsible for providing quality audit and assurance services for government, government agencies and authorities, and other public sector entities (Clark et al. 2007) and for communicating results to stakeholders. Consequently, SAIs help strengthen accountability, enhance transparency and good governance in the public sector, thus promoting public trust (Baimyrzaeva & Kose, 2014; Salih & Hla, 2015).

When conducting audits, SAIs are guided by either ISSAIs or their own domestic auditing standards (Pearson, 2014). A survey conducted by INTOSAI in 2006 found that the majority of SAIs adopted ISSAIs which are now mainstreamed in government auditing. A minority of SAIs follow their own domestic standards, particularly for audit areas not covered in the ISSAIs. Although SAIs are not required to comply with ISSAIs (Azuma 2008), those who follow ISSAIs recognise the benefits of adopting them. Notably, following ISSAIs enhances the quality of audits conducted and the credibility of audit reports produced.

While most developing countries and SIDS follow ISSAIs, some developed countries, such as New Zealand and Australia, established their own domestic standards by adapting ISSAIs to suit their local environment. In these countries, legislation requires CAGs to develop and maintain public sector auditing standards. In New Zealand, this is covered by the *Public Audit Act 2001* and in Australia, it is covered by the *Audit Act 1901* and the *Auditor General Act 1997*. Both countries are adamant that domestic auditing standards resulted in greater transparency of public sector reporting. This prompts a question about the quality and credibility of ISSAIs.

It is also important to understand the factors that motivated domestic standards development in these countries. In New Zealand, domestic standards were precipitated by the decision to outsource the audit of public sector organisations to the private sector due to insufficient in-house resources. This created the need to formalise public sector auditing standards to ensure consistency in the conduct of public sector audits by both private sector auditors and the national audit office (OAGNZ, 2021). The Australian government was motivated by a similar desire for consistency and clarity in the conduct of public sector audits.

In contrast, Fiji has followed international auditing standards (ISAs) since 2008. The Fiji Institute of Accountants (FIA), which regulates the audit profession, struggled to keep up with changes in international standards due to resource constraints. Moreover, ISAs are internationally recognised. Since 2008, FIA immediately adopts any changes to the standards. Therefore, it is no longer required to expend resources on changing standards since it relies on the due process and research conducted by the international standard-setting body. This consideration is particularly important for SIDS with resource constraints around finance and specialised expertise.

Understandably, Samoa's CAG wishes to follow their more developed neighbours, New Zealand

and Australia in establishing domestic public sector auditing standards that recognize international standards and have the force of law. This is motivated by a similar logic of consistent application with improved audit quality in the context of outsourcing public sector audits to accounting firms. However, while New Zealand and Australia have successfully established and applied their domestic standards, it is unclear whether SIDS with very limited resources like Samoa can realize any benefits from it. Even well-resourced countries like New Zealand and Australia faced challenges in initial implementation and continue to face challenges such as auditing non-financial information and private sector auditors' reluctance to adhere to independence requirements. At the same time, Fiji, which is similar to Samoa in nature and economic status now enjoys the benefits of following international standards. It is in this context that this study explores the perceptions of stakeholders regarding the CAG's vision. Based on the prior discussion, our first research question is therefore as follows:

RQ1a: Should domestic public sector auditing standards be established in Samoa?

The second part of the CAG's vision, consistent with New Zealand and Australia, is to accord national auditing standards legal force. This is designed to ensure compliance, hence improving audit quality and public confidence in the SAO. However, prior research suggests that legally enforceable standards do not necessarily deliver these results. Examining the 2004 introduction of legally enforceable standards in Australia, Hecimovic et. al (2009) concludes that the additional compliance burden associated with legally enforceable ASAs negated any increase in perceived audit quality or public confidence after its first year of implementation. Similarly, several studies on the impact of SOX (e.g. Ribstein, 2002; Romano 2005; Gordon et al., 2006; Li et al., 2008) also lament the burden of compliance costs on audit quality. Zhang and Han (2016) observe that despite the various debates over the costs and benefits of SOX, knowledge about its effectiveness is lacking. Although several other countries (e.g. France, Japan, and Canada) issued similar laws to SOX to safeguard against financial scandals, scarce literature exists concerning the impact of such legislation in countries outside the USA. Given the absence of any such study in the Pacific region, it is difficult to gauge the benefit of legally binding standards in a SIDS that differs from New Zealand and Australia in many respects. Hence, this study garners stakeholder perceptions on whether any domestic auditing standards should be legally enforceable. To that end, our second research question is as follows:

RQ1b: Should domestic public sector auditing standards be legally binding in Samoa?

Audit quality in the public sector

Research on audit quality in the public sector is very limited, especially in relation to the work of SAIs. While a few studies have examined audit quality in the government audit sector (Gustavon, 2015; Masood & Afzal, 2016), only a recent study by Nahzat (2018) focuses specifically on audit quality in SAIs. Nahzat (2018) examines how several variables (legal mandates, powers of SAIs, types of SAIs, independence of SAIs, code of professional ethics, audit quality management system, and international audit standards) impact audit quality in the work of SAIs. The results suggest that all these variables influence audit quality to some extent. According to Knechel (2013), understanding the economic role of auditing standards is an essential step towards improving both audit effectiveness and efficiency. Knechel (2013) further observes that auditing standards are most important when auditors may have an incentive to under-audit. He concludes that auditing standards

play an important role in keeping the profession relevant, responsive to stakeholder needs, and enhancing the overall quality of the audit process.

From the perspective of regulators and standard-setting bodies, standards provide detailed guidance on how audits should be performed and reported. Therefore, compliance should fulfil audit objectives and result in high quality audits (Knechel et al., 2012; Nahzat, 2018). Krishnan and Schauer (2001) assert that professional literature defines audit quality in relation to meeting the requirements of auditing standards during the course of the audit. Nahzat (2018) argues that audit quality can be viewed in the work of SAIs in accordance with auditing standards.

One gap in preceding studies is the failure to consider any difference in quality between domestic standards and international standards. Fiji's experience indicates that international standards are perceived to have higher quality than domestic standards because they are developed through a more rigorous process, involving academic and professional expertise from around the world. While Australia and New Zealand have both developed their own domestic standards, they have also established a supporting framework that ensures transparency and accountability in the standard-setting process (Hecimovic, 2007). Thus, it appears that a SAI's accessibility to resources determines the standards that it follows and consequently the quality of its public sector audits. However, no prior study has examined this, and the Samoa CAG's intention provides an opportunity to do so. Our next research questions therefore explore how domestic public sector auditing standards may improve perceptions about the independence and quality of audits, and what perceived challenges are likely to be faced. The results should contribute to the scant literature on the quality of public sector audits. Our next two research questions are therefore as follows:

RQ2a: How may domestic public sector auditing standards improve perceived audit independence and audit quality in Samoa?

RQ2b: What are the perceived challenges and disadvantages of establishing domestic public sector auditing standards in Samoa?

As previously discussed, legally enforceable standards do not necessarily result in improved audit quality. Hecimovic et al. (2009) report that CLERP 9 burdened auditors with compliance costs, but failed to increase audit quality. Similarly, Ribstein (2002), Romano (2005) and Zhang (2007) report increased burdens of SOX compliance costs for auditors without any compensating improvements in audit quality. The literature on the impact of similar laws outside of USA is scarce, especially in developing countries. This is an important issue for a SIDS with limited resources, however no previous study has investigated this issue in the Pacific. This gap shapes our final research question:

RQ3: What improvements and challenges are perceived to arise if domestic public sector auditing standards are legally binding in Samoa?

Research Design and Methodology

Research method

This study employs an interpretivist paradigm because the research objectives and questions are specific to the economic, political, and social realities constructed by the Samoan people. We administered an online survey questionnaire to participants, that included close-ended questions as

well as a few probing open-ended questions³. Survey questionnaires enable researchers to study participants' perceptions and experiences (Bryman and Bell, 2011). Moreover, they allow researchers to generate data specific to their research and provide insights from participants that may otherwise be unavailable (O'Leary, 2014). Furthermore, they reach a large number of respondents, generate standardized, quantifiable, empirical data, and ensure the confidentiality or anonymity of participants.

Sample and Key Demographics

Sample Derivation

We utilize a non-random sample and a purposive sampling approach given that the study requires participants to be aware of the development and current context of public-sector auditing in Samoa (Ioane, 2014). To that end, we targeted an audience that has an auditing and/or accounting background. The sample is therefore derived from the following four local key stakeholder groups: employees of the SAO; individuals with accounting and/or auditing experience employed in the public sector; individuals with accounting and/or auditing experience employed in the private sector; and partners and employees of public accounting firms. In addition, surveys were distributed to some employees of the Office of the Controller and Auditor General New Zealand (OCAGNZ), the Australian National Audit Office (ANAO), the Fiji Auditor General Office (FAGO) and the PASAI Secretariat to gather further perspectives from external stakeholders. These participants were targeted with the intention to elicit both internal (government auditing) and external (all other stakeholders) perceptions on the establishment of national auditing standards. Australia and New Zealand have both implemented the approach that Samoa is currently considering, while participants from Fiji and PASAI are familiar with the Pacific SIDS context.

Table 1 presents the sample derivation. Panel A shows that a total of 130 survey questionnaires were issued with 96 completed surveys returned showing a response rate of approximately 74%. All returned surveys were sufficiently completed and therefore useful for analysis. Of the total sample, approximately 38% were SAO employees; 32% were other public servants; 6% were private sector employees; 11% work in accounting firms; and 13% were overseas participants. The sample distribution indicates that 70% of the sample are public sector employees, who are the stakeholders expected to be affected first-hand by the establishment of domestic standards. There is some potential for non-response bias since the private sector (40%) and public accounting firms (55%) recorded relatively high rates of non-participation.

Table 1. Sample Derivation by Stakeholder Group

Sample Derivation by Stakeholder Group				
Place of Employment	Target Population	Sample Population	Response Rate	Percentage of Sample
1. SAO	45	36	80%	38%
2. Government Ministries & SOEs	40	31	78%	32%
3. Private Sector	10	6	60%	6%
4. Public Accounting Firms	20	11	55%	11%
5. Expatriate Advisors/ Consultants	15	12	80%	13%
<i>Total</i>	<i>130</i>	<i>96</i>	<i>74%</i>	<i>100%</i>

This table provides a summary of how the sample is derived. The sample is classified into five stakeholder groups that are likely to be affected by any change to the nature of auditing standards or has an interest in the development of national auditing standards. The total sample comprises 96 participants.

³ A copy of the online questionnaire is available from the authors on request.

Key demographics

This study required participants to have an auditing or accounting background. Additionally, participants were required to have at least a bachelor's degree with one to five years of working experience in the accounting/auditing profession. This was to ensure that they had the relevant knowledge and experience to provide valid insight for the study.

Table 2. Key Demographics

Key Demographics		
Panel A: Sample by Residence		
	Frequency	Percentage
Samoa	85	89%
New Zealand	7	7%
Australia	2	2%
Other	2	2%
<i>Total</i>	96	100%
Panel B: Sample by Gender		
	Frequency	Percentage
Male	39	41%
Female	54	56%
Preferred not to be identified	3	3%
<i>Total</i>	96	100%
Panel C: Sample by Age Group		
	Frequency	Percentage
21 - 30 years	40	41%
31 - 40 years	26	27%
41 - 50 years	18	19%
51 and above	12	13%
<i>Total</i>	96	100%
Panel D: Sample by Employment Level		
Employment Level	Frequency	Percentage
Officer	11	11%
Senior Officer	17	18%
Principal Officer	21	22%
Manager	14	15%
Assistant CEO/Partner/Director	17	18%
CEO/Partner/Director	13	14%
Other	3	3%
<i>Total</i>	96	100%
Panel E: Sample by Years of Experience in Accounting/Auditing		
No. of Years	Frequency	Percentage
1-5 years	29	30%
6-10 years	23	24%
11-15 years	16	17%
16-20 years	12	13%
21-25 years	10	10%
26+ years	6	6%
<i>Total</i>	96	100%
This table provides the breakdown of the sample by demographic variables. Panel A presents the sample breakdown by country of residence, followed by Panel B showing the breakdown by gender. Panel C presents the breakdown by age group, Panel D by level of current employment. Finally, Panel E shows the number of years of participants' working experience in the accounting/auditing profession. The total sample comprises 96 participants.		

Table 2 summarises the key demographic variables of the sample. Panel A shows that the majority of participants (89%) were from Samoa while the remainder were from New Zealand, Australia and Fiji. The professionals from Australia and New Zealand provided insights into the vision of Samoa's CAG from the perspective of countries that already follow domestic standards. In contrast, professionals from Fiji provide insight from a SIDS which has elected to adopt the ISSAIs. In terms of gender, (Panel B), 56% were female, while 41% were male, with 3% preferring not to identify their gender. This indicates a fair gender balance in the sample.

In terms of age (Panel C), the participants were categorised into four groups: 21-30 years (41%); 31-40 years (27%); 41-50 years (19%); and the 51+ age group (13%). Age is synonymous with experience where older workers generally possess greater experience and understanding of issues compared to younger ones. Therefore, the fact that more than half of the sample are above 30 years old (27% + 19% + 13%) may indicate the depth of their working experience. This is supported by the data on the number of years of work experience in accounting and/or auditing positions (Panel E), where 46% (17% + 13% + 10% + 6%) of participants have more than a decade of work experience. On the other hand, younger participants and those with less working experience may have less entrenched views and be more open to change.

Finally, the level of employment, in addition to the years of working experience indicates the participants' level of expertise and knowledge in the field of study. This could influence participants' perceptions of whether domestic standards are beneficial to Samoa. Panel D of Table 2 shows that 49% (72%) of participants are employed at the manager level (principal officer level) or higher, consistent with 46% (70%) of the participants with above 10 (5) years of working experience. In summary, the majority of participants had a considerable working experience while a significant proportion (30%) were relatively new to the profession. Both of these groups contribute valuable yet potentially divergent insights, as acknowledged in the previous paragraph.

Results and Analysis

RQ1a: Should domestic public sector auditing standards be established in Samoa?

The first research question explored whether domestic public sector auditing standards should be established in Samoa. Table 3 shows that an overwhelming majority (77%) of participants agree with this approach, while only 23% disagree.

Table 3. Domestic Public Sector Auditing Standards should be Established in Samoa

Domestic Public Sector Auditing Standards should be Established in Samoa		
	Frequency	Percentage
Agree	74	77%
Disagree	22	23%
<i>Total</i>	96	100%
This table reports the results for Research Question 1a (RQ1a) on whether national/domestic public sector standards should be established in Samoa. The sample comprises 96 participants.		

The survey solicited participants' views on how domestic auditing standards could potentially improve audit quality, regardless of whether they supported the establishment of domestic standards or not. Their responses reveal three common themes: (1) relevance and applicability to the Samoan context; (2) improvement in transparency and accountability of the audit profession in Samoa, and (3) consistency of standards applied. Reasons (2) and (3) are consistent with the motivations that led

New Zealand and Australia to establish domestic standards. Moreover, they corroborate Krishnan and Schauer's (2001) view that audit quality is defined in relation to meeting the requirements of auditing standards during the course of the audit. However, it is important to note that participants support domestic standards on the condition that they are guided by international standards but simultaneously contextualised to be more applicable and suitable for the domestic public sector audit environment. The following excerpt from one participant captures these sentiments:

“Whilst International Auditing standards should remain as the foundational basis and principles on which standards are formulated the idea of establishing national auditing standards is perhaps long overdue. National standards will help align the realities of the environment that the Samoan government operates in, bringing in other areas that may not be normally covered under the international standards such as culture, small economies of scale, etc. ... Having said that, the formulation of national auditing standards must be done with care, to ensure that the process is credible and independent so as not to compromise the quality of the standards.” (R27)

The survey also solicited all participants' views on potential challenges that could arise from establishing domestic auditing standards, irrespective of their overall opinion on establishing such standards. Their most common concern was the time and expertise involved which could threaten the long-term sustainability of the standards given Samoa's limited resources. Some of them also contended that domestic standards were unnecessary because Samoa already follows ISSAIs and that approach is working well (22%). These concerns are consistent with Fiji's decision to follow international standards as a resource-constrained SIDS. The following views reflect such concerns:

“We do not have the capacity, resources and technical expertise to formulate national audit standards. ... The system we have now still works - the Audit Office is part of INTOSAI and various internationally recognised International Standard Setters.” (R53)

“It's not necessary. ... Why reinvent the wheel when we can easily adopt INTOSAI'S ISSAI's for public sector audits? ... There are a lot of considerations than just desiring to have national audit standards for the public sector, such as the regulatory board set up, a lot of funding and continuous resources ... to regulate, maintain and uphold the national standards.” (R22)

“SAO already follows the international public sector standards. ... Is it because we are not legally adopting them? Or are they too difficult to implement?” (R23)

RQ1a analysed by demographic factors

To further comprehend the results for *RQ1a*, we provide further analysis of participants' views by selected demographic factors – gender, age, place of employment, level of employment and years of work experience. These results are presented in Table 4.

Table 4. Domestic Public Sector Auditing Standards Should be Established - by Demographics

Domestic Public Sector Auditing Standards Should be Established - by Demographics				
Panel A: Gender				
	Agree	Disagree	% Agree	% Disagree
Male	30	9	77%	23%
Female	41	13	76%	24%
Preferred not to be identified	3	0	100%	0%
<i>Total</i>	<i>74</i>	<i>22</i>	<i>77%</i>	<i>23%</i>
Panel B: Age Group				
	Agree	Disagree	% Agree	% Disagree
21-30	35	5	88%	13%
31-40	19	7	73%	27%
41-50	12	6	67%	33%
51+	8	4	67%	33%
<i>Total</i>	<i>74</i>	<i>22</i>	<i>77%</i>	<i>23%</i>
Panel C: Place of Employment				
	Agree	Disagree	% Agree	% Disagree
SAI	29	7	81%	19%
Government Ministries/SOEs	23	8	74%	26%
Private Sector	5	1	83%	17%
Accounting Firm	8	3	73%	27%
Other/Expatriates	9	3	75%	25%
<i>Total</i>	<i>74</i>	<i>22</i>	<i>77%</i>	<i>23%</i>
Panel D: Employment Level				
	Agree	Disagree	% Agree	% Disagree
Officer	11	0	100%	0%
Senior Officer	15	2	88%	12%
Principal Officer	16	5	76%	24%
Manager	11	3	79%	21%
Assistant CEO/Partner/Director	11	6	65%	35%
CEO/Partner/Director	8	5	62%	38%
Other	2	1	67%	33%
<i>Total</i>	<i>74</i>	<i>22</i>	<i>77%</i>	<i>23%</i>
Panel E: Years of Experience in Accounting/Auditing				
	Agree	Disagree	% Agree	% Disagree
1-5 years	24	5	83%	17%
6-10 years	19	4	83%	17%
11-15 years	13	3	81%	19%
16-20 years	6	6	50%	50%
21-25 years	10	0	100%	0%
26+ years	2	4	33%	67%
<i>Total</i>	<i>74</i>	<i>22</i>	<i>77%</i>	<i>23%</i>
This table presents the results in response to the first research question by sample characteristics indicating each demographic group's perceptions on whether national public sector auditing standards should be developed by the Samoa Audit Office or the Supreme Audit Institution. Panel A reports results by Age; Panel B reports results by Gender followed by Panel C showing results by Place of Employment. Panel D shows results by Employment Level while Panel E reports results by Years of Experience in the Accounting/Auditing profession. The total sample for each panel is 96.				

Panel A of Table 4 indicates that both males (77%) and females (76%) overwhelmingly agree with the establishment of domestic standards. Panel B shows that for each age group, the majority agree with the initiative, however, the percentage of agreement (disagreement) reduces (increases) with age. For instance, 73% of those aged 31-40 support domestic standards while only 67% of those aged 41-50 and 51 and above, agree with this vision. This may indicate that individuals develop a greater awareness of potential challenges through life experience. Alternatively, it could indicate

entrenched views and resistance to change. Panels D and E provide further information that could support these conclusions. Panel D shows that similar to Panel B, the level of agreement with establishing domestic standards reduces as the level of employment rises to Assistant Chief Executive Officer (65%) and Chief Executive Officer (62%). These individuals possess the joint benefits of work experience and holistic comprehension of strategic considerations. However, they may also have vested interests in the current system and be more resistant to change than younger colleagues. Panel E indicates that participants with over 25 years of working experience in the accounting/auditing profession are more likely to disagree with establishing domestic standards, again highlighting awareness of the challenges involved in such an undertaking.⁴

In summary, the results generally support the establishment of domestic standards. Nevertheless, it may be useful to further analyse how age, years of work experience and level of employment influence perceptions since the current data set is unequally distributed with regard to these demographics. For example, over 40% of participants are aged 21-30 while the remaining 60% is spread among the other four age categories.

RQ1b: Should domestic public sector auditing standards be legally binding in Samoa?

The second research question (RQ1b) explored whether the domestic standards proposed for Samoa should be legally binding. This would convey a similar status to auditing standards in New Zealand, Australia and USA which are created and amended by law. The results are reported in Table 5 showing that participants overwhelmingly agree (78%) that domestic auditing standards in Samoa should have the force of law.

Table 5. Domestic Public Sector Auditing Standards Should be Legally Binding

Domestic Public Sector Auditing Standards Should be Legally Binding		
	Frequency	Percentage
Agree	74	78%
Disagree	21	22%
<i>Total</i>	95	100%
This table reports the results for RQ1b on whether national/domestic public sector auditing standards that may be established by the SAO should be legally binding. The sample comprises 95 participants with one neutral participant eliminated.		

The survey solicited participants' views on the perceived benefits and challenges of legally binding auditing standards, regardless of whether they supported this approach or not. The most prevalent reason provided in support of legally binding standards is the authority conveyed, which is perceived to enforce compliance. Some participants perceive that legal backing would increase respect and recognition of domestic standards among stakeholders. The following comments highlight these views:

“To ensure enforcement and compliance. Having the force of law will motivate auditors to comply with relevant standards knowing that there will be some penalty or legal consequences if they don't”. (R52)

“It will strongly enforce all government and private auditors to comply with these standards

⁴ Based on answers to open-ended questions by Respondents R22, R23 and R53 who all have more than 25 years of working experience.

in performing their audits". (R75)

Consistent with the literature (Ribstein, 2002; Solomon & Bryan-Low, 2004; Gordon et al., 2006; Hecimovic et. al., 2009), those who oppose legally binding standards argue that it does not necessarily lead to improved audit quality. Some participants argue that it may actually reduce audit quality if the auditor focuses on compliance rather than the substance of the audit, as captured in these responses.

"Making the standards legally binding is not the best way to approach this vision given the nature and background of our auditors. Standards are more so guidelines and having the force of law may be too harsh. There are better ways of encouraging compliance - to make auditors and the public aware of the auditing standards we are using in carrying out our audit work but not necessarily to "enforce" such standards". (R80)

"... Quality of audit will be questionable as auditors will focus on compliance to national auditing standards but not on the conducting of the audit". (R61)

RQ1b analysed by demographic factors

To further understand the results in Table 5, we provide a supplementary analysis of the results by demographics. These are reported in Table 6. Panel A shows significant support for legally binding standards among both males and females. Within each age group, Panel B shows that the majority support legally binding standards, except for those aged 51 and above who are evenly split on the issue. The analysis of other demographic factors does not reveal any apparent differences. For instance, Panels C and D report support among participants, irrespective of their place and level of employment, respectively.

Table 6. Domestic Public Sector Auditing Standards Should be Legally Binding - by Demographics

Domestic Public Sector Auditing Standards Should be Legally Binding - by Demographics				
Panel A: Gender				
	Agree	Disagree	% Agree	% Disagree
Male	32	6	84%	16%
Female	39	15	72%	28%
Preferred not to be identified	3	0	100%	0%
<i>Total</i>	74	21	78%	22%
Panel B: Age Group				
	Agree	Disagree	% Agree	% Disagree
21-30	33	7	83%	18%
31-40	19	6	76%	24%
41-50	16	2	89%	11%
51+	6	6	50%	50%
<i>Total</i>	74	21	78%	22%
Panel C: Place of Employment				
	Agree	Disagree	% Agree	% Disagree
1. SAI	28	7	80%	20%
2. Govt. Ministries & SOEs	23	8	74%	26%
3. Private Sector	5	1	83%	17%
4. Public Accounting Firms	8	3	73%	27%
5. Expatriate Advisors/Consultants	10	2	83%	17%
<i>Total</i>	74	21	78%	22%
Panel D: Level of Employment				
	Agree	Disagree	% Agree	% Disagree

Officer	12	0	100%	0%
Senior Officer	17	0	100%	0%
Principal Officer	13	8	62%	38%
Manager	7	7	50%	50%
Assistant CEO/Partner/Director	13	3	81%	19%
CEO/Partner/Director	10	3	77%	23%
Other	2	0	100%	0%
<i>Total</i>	74	21	78%	22%
Panel E: Years of Working Experience in Accounting/Auditing				
	Agree	Disagree	% Agree	% Disagree
1-5 years	26	3	90%	10%
6-10 years	15	8	65%	35%
11-15 years	13	3	81%	17%
16-20 years	10	1	91%	9%
21-25 years	8	2	80%	20%
26+ years	2	4	33%	67%
<i>Total</i>	74	21	78%	22%
This reports results for RQ1b by demographic factors, on whether national/domestic public sector auditing standards that would be established by the Samoa Audit Office should be legally binding. Panel A shows results by gender, Panel B by age group and Panel C by place of employment. Panel D shows results by level of employment. Finally, Panel E shows years of working experience in accounting and/or auditing. The total sample in each category is 95, which excludes the one participant who claimed a neutral stand on the issue.				

In summary, the results support the establishment of legally binding domestic standards, which is somewhat unexpected since the current literature from developed countries indicates that the costs associated with this approach may outweigh any benefits (Hecimovic, et al., 2009). Interestingly, the disaggregated results indicate an important difference related to the extent of participants' work experience in accounting/auditing. For instance, although the results in Panel E are consistent with the rest of the Table, those with substantial work experience (above 25 years) are less likely to support establishing legally binding standards. This is consistent with the results for *RQ1a*, where this same demographic category expressed lower than average support for establishing domestic standards. It is also consistent with results pertaining to age where 50% of participants aged 51 and above oppose legally binding standards. Some participants expressed concerns that legal processes could negatively impact auditing standards. They questioned whether politicians might capture and influence auditing standards and suggested that the legislative processes might cause unnecessary delays in setting or amending standards.

RQ2a: How may domestic public sector auditing standards improve audit independence and audit quality in Samoa?

Research question 2a (*RQ2a*) aimed to ascertain participants' perceptions on whether domestic standards will improve audit independence and audit quality, irrespective of whether they support the establishment of domestic standards or not. As reported in Table 7, the two most frequently cited benefits of establishing domestic standards are the resulting consistency in the application of standards (18%), and improved transparency of public sector audits (17%). This is consistent with the motivation for establishing domestic standards in Australia and New Zealand.

Table 7. Improvements to Perceived Audit Independence and Audit Quality

Improvements to Perceived Audit Independence and Audit Quality		
<i>Improvements</i>	<i>Frequency</i>	<i>Percentage</i>
Global compatibility with international standards but applied to the local context	39	10%
More relevant to the scope and nature of public sector audits in Samoa	38	10%
Consistency of standards applied yearly	69	18%
Improve quality control and quality assurance procedures for public sector audits	32	8%
Improve overall quality of public sector audits	31	8%
Improve timeliness of audit reports	14	4%
Improve monitoring and evaluation of public sector audits	28	7%
Strengthen independence of auditors in conducting public sector audits	30	8%
Will encourage public sector auditors to be more vigilant in matters of integrity and ethics	28	7%
Improve transparency of public sector audits	67	17%
None	7	2%
Other	2	1%
<i>Total</i>	<i>385</i>	<i>100%</i>
This table reports results of RQ2a, on whether the establishment of national public sector auditing standards may improve perceived audit independence and audit quality.		

Other notable benefits included the relevance of domestic standards to the scope and nature of public sector audits in Samoa and global compatibility with international standards applied to the local context. In other words, domestic standards will mirror international standards but also reflect the local environment and requirements. Taken together, these responses indicate that there is an expectation that domestic standards will improve audit independence and consequently audit quality, consistent with Krishnan and Schauer (2001).

RQ2b: What are the perceived challenges and disadvantages of establishing domestic public sector auditing standards in Samoa?

This research question identified the challenges and disadvantages of establishing domestic standards. While most participants supported the implementation of domestic standards (see Table 7), a large proportion also recognised that such a task would face various challenges and disadvantages as reported in Table 8. Panel A reports the perceived challenges while Panel B reports the disadvantages.

Table 8. Perceived Challenges and Disadvantages

Perceived Challenges and Disadvantages		
<i>Panel A: Challenges in Establishing Domestic Public Sector Audit Standards</i>		
<i>Challenges</i>	<i>Frequency</i>	<i>Percentage</i>
Limited funding or financial resources to establish the standards	79	18%
Implementation costs for public institutions in adhering to new audit regime	62	14%
Time-consuming to implement and keep up to date with international standards	57	13%
Maintaining compatibility with the quality of international standards	70	16%
Having the right expertise available to establish and maintain the standards	70	16%
Auditors having to meet expectations of the new standards	60	14%
Resistance from private sector auditors to take part in public sector audits	44	10%
None	1	0%
Other	1	0%
<i>Total</i>	<i>444</i>	<i>100%</i>
<i>Panel B: Disadvantages in Establishing Domestic Public Sector Audit Standards</i>		
<i>Disadvantages</i>	<i>Frequency</i>	<i>Percentage</i>
Lack of international recognition or respect for local public sector audit standards	72	53%

Lack of national recognition or respect for local public sector audit standards	52	38%
None	6	4%
Other	7	5%
<i>Total</i>	<i>137</i>	<i>100%</i>
This table reports results for RQ2b on the perceived challenges and disadvantages of establishing national/domestic public sector auditing standards in Samoa. Panel A reports the challenges while Panel B reports the disadvantages as perceived by participants.		

The results in Panel A indicate that 79 out of 96 (18%) participants perceive limited funding and resources as the biggest challenge to developing domestic standards, followed by concerns for maintaining compatibility with the quality of international standards (16%), and the absence of experts with the appropriate skills to develop and update the standards (16%). Other challenges included the implementation costs to public institutions, challenges in meeting the expectations of new standards, and the time consumed in developing, implementing and updating domestic standards to align with amendments in international standards. These reasons reflect the resource constraints faced by SIDS and are consistent with Fiji's motivation for moving away from domestic standards.

The disadvantages reported in Panel B corroborate the challenges reported in Panel A. 72 (53%) participants cite lack of international recognition as a disadvantage for developing domestic standards while 52 (38%) participants perceive that domestic standards will struggle to achieve recognition and respect within Samoa. These results mirror the global trend to adopt international standards given their greater credibility and global recognition.

In summary, although most participants supported establishing domestic standards in principle, they also recognised the real challenges associated with this initiative. Their support for domestic standards may be grounded in national pride or the fact that they work for the SAO and share the CAG's vision. However, from a practical perspective, it would be imprudent to implement standards that are not respected and recognized as credible by the international and/or local community, as highlighted by the following participants:

"Lack of uniformity with international standards if Samoa establishes local standards. Furthermore, if we develop such standards the global community of investors and businesses may not perceive our standards as being up to par with that of international auditing standards." (R28)

"Lack of international recognition/respect of audit reports." (R51)

Perceived benefits versus perceived challenges of establishing domestic public sector auditing standards

Comparing the perceived benefits (Table 7) and challenges (Table 8) of establishing domestic standards reveals that participants collectively cited 581 challenges and disadvantages compared to only 385 benefits. They are genuinely concerned about the challenges and disadvantages involved in implementing domestic standards, which could overshadow any accompanying improvements in audit independence and audit quality. For example, the most frequently cited benefit is the consistency of standards but the most common challenge is limited funding and financial resources to establish the standards in the first place. The joint second most prevalent challenge is the lack of appropriate expertise to develop and maintain the standards, which again questions the practicality

of establishing the standards to begin with.

The next most frequently cited benefit of domestic standards is improved transparency of public sector audits. Such transparency depends on the consistency of standards applied (the most common benefit) and the relevance of standards to the scope and nature of local public sector audits while maintaining compatibility with international standards (the next two most common benefits). However, a major challenge to establishing national standards is maintaining compatibility with the quality of international standards. Moreover, the biggest perceived disadvantage is the lack of international recognition and respect for domestic standards. Evidently, domestic standards cannot be compatible with international standards if they are not recognized and respected internationally and struggle to keep up with frequent changes to international standards. This raises concerns over the credibility of domestic standards and thus the transparency, independence and quality of any audit conducted in accordance with them.

RQ3: What are the perceived improvements and challenges from legally binding domestic public sector auditing standards

The final research question explored the perceived benefits and challenges that could arise if domestic standards are legally binding. As shown in Table 9, Panel A, most participants agree that legally binding status will improve auditor compliance (71/95) and ensure a uniform structure of standards (72/95). Moreover, 65 participants suggest that legally binding standards will increase confidence in the SAO among the public and users, while 60 participants perceive that legally enforceable penalties will motivate compliance.

Table 9. Perceived Benefits and Challenges of Legally Binding Domestic Public Sector Auditing Standards

Perceived Benefits and Challenges of Legally Binding Domestic Public Sector Auditing Standards		
Panel A: Benefits of Legally Binding Standards	Frequency	Percentage
Force of national law will improve auditor compliance with standards	71	21%
Legally enforceable consequences should there be non-compliance	60	18%
Increase public/user confidence in the national audit office	65	19%
Formalised and uniform structure of auditing standards	72	21%
Public becomes more aware of the auditing profession and auditing standards	55	16%
None	13	4%
Other - aligning with international standards attracts investors to Samoa	1	0%
<i>Total</i>	<i>337</i>	<i>100%</i>
Panel B: Challenges of Legally Binding Standards		
Focus on form and documentation compliance rather than increasing audit quality	49	19%
Increased training relating to compliance with legal standards but not on the conduct of actual audits	40	16%
Time-consuming to implement and update as it will go through a due process	59	23%
Loss of motivation for private accounting firms to provide audits for the public sector due to the possibility of litigation	47	18%
Standards may lack integrity due to poor monitoring and regulation procedures in Samoa	48	19%
None	11	4%
Other - problems arise when standards are too prescriptive and hence difficult to follow	1	0%
other - timely provision by client of information required for the audit - auditor blamed unnecessarily for failure	1	0%
other - contradiction with other laws	1	0%
other - impairment to auditor independence as government can instigate law change when unhappy with the CAG	1	0%

<i>Total</i>	258	100%
This table reports the perceived benefits and challenges of having legally binding national/domestic public sector auditing standards. Panel A reports the benefits as perceived by participants, while Panel B reports the challenges.		

Panel B of Table 9 summarises the perceived challenges of legally binding standards. Topping the list is the time-consuming nature of implementing and frequently updating domestic standards to reflect changes to international standards (59/95 or 62.1%). Such changes occur regularly and must follow due process but SAO often lacks the resources to make changes in a timely manner. Moreover, if the standards are written into law, any change would involve another arduous process of obtaining approval from the cabinet and parliament.

Other notable challenges include the propensity to focus on compliance and documentation, thus neglecting the actual audit, lack of integrity due to poor monitoring, and loss of motivation for accounting firms to perform public sector audits due to possible litigation costs. These challenges may eliminate the benefits identified above. For instance, focusing on compliance while neglecting the actual conduct of the audit, may reduce audit quality and undermine confidence in the SAO among users and the public. The public may also lose confidence in the SAO if domestic standards lack integrity due to poor monitoring. The benefit of adopting standards with a uniform structure could be undermined by the lengthy process required to change legislation. Finally, legal backing could generate perverse results by undermining the independence of the CAG and SAO, further diminishing audit quality and public confidence in the national audit office. This concern is captured in the following expressions from some participants:

“I don't think the standards should be legally binding for audit independence reasons. ... For standards to become legally binding they will have to be approved (directly or indirectly) by Parliament which is influenced by the government of the day. Legal binding might give the government the opportunity to amend the standards if they became unhappy with the Auditor-General (because they were doing their job too well). In other words, the government could undermine the Auditor-General's independence” (R12)

“If the standards as proposed are subject to approval from the cabinet there may be impairments to the Auditor-General's independence from the Samoan Executive government.” (R55)

Overall, the results show that participants perceive various benefits from establishing legally binding auditing standards, including improved auditor compliance, uniform standards, and increased public and user confidence in SAO. These corroborate the benefits of having legally binding standards noted by OAGNZ and ANAO (Hecimovic, 2007). Despite these benefits, participants acknowledge that legally binding domestic standards will encounter challenges which may eliminate the benefits. These challenges and disadvantages are consistent with current literature (Hecimovic, 2007) that legally binding standards do not necessarily enhance audit quality. This indicates that a thorough assessment, cost-benefit analysis and stakeholder consultation must be completed before this vision is implemented.

Additional analysis

Our main results for *RQ1a* and *RQ1b* included participants from SAO comprising 38% of our sample. Given that our research questions were motivated by the CAG's vision, it is not unreasonable to expect SAO employees to feel compelled to agree with it when responding to the

survey questions. To eliminate this potential bias we performed additional analysis on data that excluded SAO participants, reducing the sample to 60. The results (not tabulated) are similar to those of the full sample in Tables 3 and 5, indicating that any bias among SAO participants does not drive the results.

We also performed additional analysis by demographic factors on data without SAO participants. The results (not tabulated) are consistent with those of the full sample in Tables 4 and 6 in the sense that a large percentage of participants support the CAG's vision to establish domestic standards with legal backing. Only those who have worked in the profession for more than 25 years consistently disagree with the vision of implementing domestic standards and the prospect of legal backing.

Conclusion

Our study evaluated the Samoan CAG's vision to establish domestic public sector auditing standards, which diverges from the global trend of regulatory harmonisation in accounting and auditing. We surveyed a sample of accounting and auditing professionals employed in various sectors and organisations to gather their perceptions on whether domestic public sector standards should be established. Our results showed an overwhelming support for this initiative. Next, we examined perceptions on whether such standards should be legally binding. Again, our results showed overwhelming support for this approach. Then we reviewed participants' perceptions to determine how such standards may improve audit independence and audit quality. Our results showed that domestic standards are perceived to result in consistent standards and improved transparency of public sector audits with consequent improvements in audit independence and quality.

On the other hand, our findings indicate that all participants perceive significant challenges and disadvantages relating to the implementation of domestic standards, irrespective of their opinion on whether such standards should be established. Our results on the perceived improvements and challenges from legally binding domestic standards display a similar tension. While participants express significant support for legal backing, they are also concerned about various challenges that could arise. In particular, the independence of the CAG and SAO maybe impaired if opportunistic politicians decide to amend auditing standards through law. These issues could ultimately eliminate any benefits, with a consequent reduction in audit quality. Therefore, it seems imperative to address these specific concerns through more robust analysis and dialogue with the profession before implementing the CAG's initiative.

Our study contributes to literature and practice. First, despite considerable research on the broader issue of audit regulations (particularly in developed countries), relatively few papers have studied public sector auditing standards and audit regulations specific to SIDS. Our study will add to this small body of literature. Second, our study provides insights into the perceived consequences of audit regulation on audit quality from the perspective of Pacific SIDS. Regulations are established to improve audit quality. However, our results show that such benefits may be short-lived if associated disadvantages and challenges outweigh those improvements. Third, our study provides further support for the international harmonisation of standards, particularly in the context of developing countries, since one of the main concerns with establishing domestic standards is maintaining their compatibility with international auditing standards. This means that international standards are still considered the most credible guidelines to use, at least for small states, including

SIDS.

In addition, our study articulates the interplay between domestic and global considerations in relation to audit regulation. While there is support to establish domestic auditing standards for relevance to the local environment, this initiative may be hindered by local considerations around cost and expertise together with the importance of global recognition and acceptance.

On the practical side, our results provide valuable insights to inform strategic planning, reforms and ongoing developments by SAO and SAIs in other Pacific nations and SIDS. They suggest that more assessment, cost-benefit analysis and consultation must be undertaken to enable appropriate decision-making.

Our study is subject to a few limitations, primarily our small sample size, which may not represent the stakeholders' population. In particular, 26% of the population did not respond to the survey, with significantly higher non-response rates among the private sector and public accounting firms. Consequently, 70% of the sample is made up of employees from SAO and other government organisations so the results may be biased towards issues and experiences within the public sector. They may not adequately reflect perceptions among private sector stakeholders, including accounting firms to whom the SAO potentially outsources audits.

These limitations indicate the need for further research as outlined next. First, this study could be replicated with a larger sample to facilitate regression analysis which could yield more robust results regarding the perceived effect of domestic standards on audit independence and quality. Second, future studies could adopt a qualitative approach involving in-depth interviews of key stakeholders including former CAGs, senior government employees, current and former office bearers of SIA and senior partners in public accounting firms. Such an approach would facilitate deeper exploration of the responses to better comprehend the underlying rationale. It will also address interesting tensions among certain demographics which are under-represented in the current sample. For instance, interviews could tease out the reasons why older participants and those with over 25 years of working experience tend to express less support for the establishment of domestic auditing standards. Third, the two reasons most cited in support of domestic standards are consistency in application and improved transparency of public sector audits. This indicates that auditors may be struggling to understand the ISSAIs currently used. Therefore, it is worth examining the application of current standards to identify content that is inapplicable to the local context as well as specific issues that auditors struggle with.

Finally, future studies could investigate the interplay between national culture and auditor independence, which is often difficult to determine. Although this is an area of contention in traditional societies like the Pacific, there is virtually no research on it or the challenges presented by culture in establishing domestic auditing standards.

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