

The Influence of Non-audit Services on the DE professionalization in Public Accounting

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Abstract: The rapid development of market economy brings about the marketing expanding of non-audit services, which leads to a heated discussion inside and outside about the profession on the non-audit services as one of the causes to the deprofessionalization of public accounting. Based on the opinions of T.J. Fogarty's *The Bloom Is Off the Rose: Deprofessionalization in Public Accounting*, how the non-audit services leads to the deprofessionalization in public accounting can be explained from four dimensions: specialized knowledge, industrial community, self-regulation, practitioner autonomy, four of which refer to T.J. Fogarty's five dimensions [1]. The deprofessionalization in public accounting will further influence the social interests. The paper will also provide a guess about the future trend of deprofessionalization in public accounting.

1. Introduction

Before the introduction of SOX, due to target management, commercialization and maximization of benefits, the public accounting industry experienced more serious deprofessionalization than other industries [2]. Public accounting companies began to quarrel over "audit or consulting", and the society questioned the accounting activity of public accounting companies' active tax avoidance in marketing and sales [3]. The boom in non-audit services has led to discussions about the deprofessionalization of public accounting. Under the impact of economic interests and customer orientation in the capital market, public accounting has shifted from being responsible for public interests to being responsible for relevant stakeholders. Gradually the interest judgment leads to professional judgment, which runs counter to the original function of certified public accountant.

2. The Influence of Non-audit Services on the Deprofessionalization in Public Accounting

Based on the professional identification of auditing by profession and society, professional competence and independence are two important points that reflect specialization. This section will use four dimensions to analyze the influence of non-audit services on the deprofessionalization in public accounting from the aspects of professionalism and independence.

2.1 Specialized Knowledge

In terms of bookkeeping services and tax services, the development of two businesses from both audit and non-audit perspective leads professional knowledge and skills to be applied from opposite perspectives, thereby eliminating audits' recognition of auditing specialized knowledge. The economic interest orientation may enable audits to use professional knowledge and skills to obtain the maximum under the framework of unsound regulations and standards. In addition, the development of non-audit services will cause an interesting phenomenon, that is, the practitioners of the firm will audit whether the business they provide to their clients is legal and compliant, which will also make it difficult for the audits to maintain objective and independent. The above points are contrary to the original intention and principle of mastering professional knowledge, and then it is difficult to apply professional knowledge from a non-audit perspective to an objective and independent perspective of review and supervision, which ultimately affects practitioners' understanding and mastery of professional knowledge in a subtle way.

With regard to consulting and management service, it requires public accounting practitioners to have an understanding of systems, businesses, and management of companies they serve, which do not overlap with the specialized knowledge required by traditional auditing. The “knowledge spillover” effect brought by the in-depth understanding of the actual operating methods and business processes of auditing customers by will cause a greater burden on audits [4]. The constant changes and updates of accounting standards further expand and improve the practitioners' high mastery requirements of the original professional knowledge. More requirements in other fields will distract their energy to master auditing knowledge, and finally cause a negative impact of the application.

2.2 Industrial Community

On the one hand, if the practitioners are too engaged in non-audit services under the influence of the market economy, the breadth and intensity of business demand for professional skills may decrease, which means that practitioners will be far away from professional industrial community. The distance and break may cause public questions to practitioners; conversely, industry standards, discussed about and formulated by practitioners of the community will also be questioned. Naturally, professional practitioners' mastery of authority will be weakened. In addition, compared to traditional auditing, the threshold for entry into auditing services has been lowered by accounting firms. Non-audit services may lead to a decrease in the license rate of accounting firm, resulting in the decline of specialized knowledge in auditing community.

On the other hand, independence is also one of the criteria for evaluating the professionalism of the industrial community. Audit institutions must not be affiliated financially and administratively with any unit and auditing clients can only infer the quality of their audit services based on the reputation of an accounting firm [5]. It reflects the professional requirements of society for the industrial community. However, the business connection of the unit or company and the benefit game between professional associations and business communities during the formulation of non-audit service rules will reduce the financial and administrative independence of audit institutions. When society begins to question the independence of accounting firms, it may naturally produce a negative evaluation of the professional quality of practitioners during audit services, and thereby it will reduce their advantages in mastering the knowledge authority and professional information of public opinions.

2.3 Self-regulation

Audit and non-audit services, that is, the identity exchange and self-doubt of market monitors and market supervisors will greatly shake the determination of practitioner's self-regulation and then affect the maintenance of professional judgment and independence in auditing.

The self-regulation of public accounting practitioners can be regarded as the supervision of professional self-requirements, so while engaging in audit services, the mastery of professional knowledge and skills and the protection of independence are the basic requirements for their professional level. Once engaged both in auditing and non-auditing business, practitioners of the accounting firm have to work as market monitors for a period of time and work as market supervisors for another period of time. The two identities are opposite, separated and interchanged, which may cause to self-doubt and confusion. Once non-audit service customers are willing to hire public accounting practitioners or purchase their non-audit services with high remuneration or other benefits, the identity of market monitors and professional supervision over practitioners themselves will be abandoned, and they will follow the concept of earning the maximum benefits during judgment instead. When practitioners need to switch back to market supervisors, the self-regulation will be weakened after that period, resulting in situations where auditing is not objective and professional judgments are not sane.

2.4 Practitioner Autonomy

The target of non-audit services is usually the previously-audited unit. The change of identity from the supervisor to the employed person enables practitioners to lift the limit range of the contact

with customers which is strictly controlled by the audit profession. With excessive understanding even obedience, they may use laws and rules to provide protection for the interests of clients. Therefore, it does not matter to reduce the independent judgment that reflects the practitioners' professional knowledge and ability in the application, which makes their professional self-requirements less important and ultimately affect job quality, job satisfaction, and positioning of career goals and motivation.

3. The Further Impact of Deprofessionalization in Public Accounting on Social Interests

Independent auditing is “public or social”, and the requirement of laws make CPA to establish statutory accountability relationships with shareholders, creditors and other potential reporting needs, which means CPA need to provide them with the obligation of “social supervision” and “high attention” [6]. The deprofessionalization trend leads to the consideration of the public interest, which requires the concept of independence and professionalism to be separated from the interests of individuals, firms, and service units. In the end, deprofessionalization has negatively affected the public interest in terms of specialized knowledge, expertise and audit independence.

From the perspective of supervisors in market economic activities, public accounting practitioners should work professionally with the mission of maintaining the market order and social interests. Public interest requires audits to act in strict accordance with laws and standards, so that the public stakeholders, such as traders in stock exchange market, can get the most authentic, accurate, and effective information that protect their economic security. However, due to the impact of deprofessionalization, once audits leave the professional and objective perspective and start to work in non-audit services in which they begin to balance economic and social interests. The conflict between corporate and social interests may cause violations of public interests.

Public accounting practitioners face non-audit services while providing professional services such as audit services and tax services, and their service targets, service content, service goals, service requirements, and etc, will change to varying degrees. When the working content and intensity of non-audit services embezzle professional audit services, it is likely to cause destructive economic events that may endanger social interests, such as the incidents of Enron and Andersen. Internal audit consult with external audits about the accounting treatment methods or opinions on the treatment of the audited content. It is the deprofessionalization caused by the lack of independence that will form a major loophole in the company's accounting treatment and economic activities. This will further undermine the original professional positioning of auditing, and affect the interests of third parties, including social interests, that market monitors insist on maintaining. Severe damage eventually will be caused and lead to a trust crisis in the entire public opinions on the accounting firm and the practitioners working in it.

4. Conclusion and Discussion

The rapid development of non-audit services has strongly invaded the professional fields of audit practitioners. The work contents, service objects, service requirements and goals may deviate to some extent from the benchmarks and requirements that professional auditing works originally follow, or even opposed them. This makes non-audit services have a deprofessional orientation for practitioners in four areas: specialized knowledge, connection with the industrial community, self-regulation, and autonomy, and finally may form a negative impact on the public interests.

With the development of science and technology, as big data and the application of computer auditing in auditing professional services become more and more mature, the manpower requirements for audit supervision and professional services may form a downward trend. At the same time, the CICPA for the Promotion of non-audit services is actively implementing, which means that the demand and supply of non-audit service practitioners may increase. Further market demand and the encouragement of industry associations, the proportion of non-audit services or the overlap of audit services and non-audit services may further increase. So, it requires the legislature and industrial associations to cooperate as soon as possible in order to introduce more scientific,

complete, and strict auditing laws, regulations and standards, and to strengthen follow-up educations of practitioners to improve the professional requirements of audit practitioners, and finally to make the public accounting more professional.

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