

## 政治关联、审计师选择与审计师独立性\* ——基于中国A股民营上市公司的经验证据

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### 摘要

民营企业建立政治关联的动机与国有企业大相径庭，民营企业大多是主动寻求型的政治关联，而国有企业则是被动施加型的政治关联。Wang *et al.* (2008) 发现国有企业的审计师选择及审计师独立性具有显著的特征，如偏向于选择本地小所，并与本地小所合谋等。因为在当地辖区内，当地政府更易干预注册会计师审计意见，从而可能导致审计质量的下降。那么民营企业的政治关联如何影响审计师选择及审计师独立性？本文以2004至2009年A股民营上市公司作为样本，从民营上市公司参与政治关联的动机的角度进行研究，发现有政治关联的民营上市公司更不愿意选择大所，更偏好选择本地小所。政治关联还能降低会计师事务所的独立性，即减弱民营上市公司盈余管理水平与审计意见之间的正相关关系，在一定的盈余管理水平下，有政治关联的民营上市公司能够获得审计师更清洁的审计意见。进一步地，这种独立性的下降主要来源于小所或本地小所，大所独立性保持较高水平。本文的研究表明，国有企业对审计师选择及审计师独立性的影响通过政府干预进行，而民营企业则通过“关系”来影响审计行为，这丰富了目前已有政治关联对审计师行为影响的文献。

关键词：民营上市公司、政治关联、审计师选择、审计师独立性

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## 一、引言

政治关联普遍存在，并发挥着重要的作用 (Faccio, 2006)。国外关于政治关联的研究证据表明，政治关联对公司的好处可能来自于更容易获得债务融资、更低的税率、更多的市场份额及更多的政府救助 (Khwaja and Mian, 2005; Faccio, 2006)；公司价值也与政治关联密切相关，当政治关联消失或变弱以及政治关联的价值下降时，公司价值将会显著下降 (Fisman, 2001; Johnson and Mitton, 2003; Goldman *et al.*, 2009)。

近年来，中国民营企业的政治关联引起了学者们的关注，一系列的研究表明，政治关联象征着“特权与优惠”，为民营企业带来了诸多收益，如优惠的税率 (吴文锋等, 2009)、低息与更长期限的银行贷款 (余明桂、潘红波, 2008)、管制行业的“准入”资格 (罗党论、刘晓龙, 2009)、更多的补贴收入等 (陈冬华, 2003; 余明桂等, 2010)。由此可见，公司的政治关联对公司经营和企业行为产生了较大的影响。有研究还表明，在一定的制度环境和宏观经济环境下，政治关联会影响上市公司财务报告的可靠性和风险程度，并进而影响审计师的应对行为 (Gul, 2006)。

可以认为，在中国，政治关联对审计师的选择及审计师的行为都会产生很大的影响。首先，政府一直是注册会计师行业的管理者。自从我国注册会计师审计制度恢复以来，一直实行政府高度管制的行业管理体制。从注册会计师资格、事务所的设立审批到行政处罚、收费以及证券相关业务资格等各种业务资格的认定等事项，无不受到政府的严格监管。在这种行业管理体制下，政府掌握了会计师事务所和注册会计师的“生杀大权” (夏立军等, 2005)。此外，上市公司与政府之间存在息息相关的联系，我国大部分上市公司依然是由地方政府控制，在中国这一转型经济体制中，政府对社会经济生活依然有着相当重要的影响力。地方政府有动机干预审计师的报告决策，以便于从证券市场获取资源或维持形象。Wang *et al.* (2008) 研究发现，国有企业，尤其是地方国企的审计师选择及审计师独立性具有显著的特征，如偏向于选择本地小所，并与本地小所合谋等。因为在当地辖区内，当地政府更易干预注册会计师审计意见，从而可能导致审计质量的下降。夏立军等 (2009) 考察了上海社保案发生前后公司政治联系与审计行为的关系。研究发现，在案件发生后，相对其他公司而言，涉案公司及未涉案但有政治联系的公司被审计师出具了更多的非标准审计意见，并且被收取了更高的审计收费。此外，在案件发生前，相对其他公司而言，涉案公司及未涉案但有政治联系的公司更倾向于聘任上海本地的小规模事务所 (上海本地且非国内十大事务所) 为其审计，案件发生后这一审计师聘任模式未有显著变化。这些研究都丰富了政治关联对审计师选择及审计师独立性影响的文献。

但是，Wang *et al.* (2008) 的研究是以国有企业为例，夏立军等 (2009) 也并没有进一步把上市公司分国企和民企进行研究。Li *et al.* (2008) 将政治关联形成的动机归纳为两种，一种是主动寻求型的政治关联，这些经常发生在民营企业身上，另一种是被动施加型的政治关联，这些更多是发生在国有企业身上。他们认为前者更倾向于企业向政府或政客进行寻租，能够提高企业的业绩表现，而后者更符合政府或政客向企业寻租的模式，企业的政治关联是用于满足公共管理的目的而非提高企业的价值。可见，在研究政治关联的动因及影响时，是十分有必要把企业分成国企和民

企进行研究的。目前还没有相关文献研究政治关联如何影响民营企业的审计师选择及审计师行为。

我们以政治关联的形成动机作为切入点，以2004至2009年A股民营上市公司作为样本来进行研究，结果发现，有政治关联的民营上市公司在选择会计师事务所的时候更不愿意选择大所，更偏好选择本地小所。政治关联还能够减弱民营上市公司盈余管理与审计意见之间的正相关关系，在一定的盈余管理水平下，有政治关联的民营上市公司能够获得审计师更清洁的审计意见，即政治关联能够降低事务所的独立性。进一步区分事务所的类型，我们发现这种独立性的下降主要体现在小所或本地小所，大所的独立性较高。我们的研究表明，民营上市公司的政治关联影响了其对审计师的选择并降低了小所或本地小所的独立性。

我们的研究主要有以下两个方面的贡献：(1)一些研究发现，国有企业，尤其是地方国企的审计师选择及审计师独立性具有显著的特征(Wang *et al.*, 2008; Chan *et al.*, 2006)。我们则从民营企业对审计师的选择入手，发现民营企业的政治关联在一定程度上也影响了其对审计师的选择及审计师的独立性。尽管观察到的效果基本类似，但这产生的动因却不一样，这说明，国有企业对审计师选择及审计师独立性的影响通过政府干预进行，而民营企业则通过“关系”来影响审计行为，这丰富目前已有政治关联对审计师行为影响的文献。(2)已有研究发现盈余管理高的公司更容易被出具非标意见(Bartov *et al.*, 2000; Francis and Krishnan, 1999; 章永奎, 刘峰, 2002; 陈关亭, 2005; Chen *et al.*, 2001)。我们在考察民营企业盈余管理与审计意见之间的关系时引入了政治关联这个条件变量，发现政治关联还能够减弱民营上市公司盈余管理与审计意见之间的正相关关系，在一定的盈余管理水平下，有政治关联的民营上市公司能够获得审计师更清洁的审计意见。这有助于更好地了解审计产品的生产过程，有益于增加关于制度性因素与审计行为之间关系的文献积累。

本文以下部分安排如下：第二部分是制度背景和理论分析；第三部分是研究设计；第四部分是实证结果；第五部分是稳健性检验；最后是本文的结论。

## 二、制度背景与理论分析

中国审计实证研究自1999年以来，已经取得了长足的进展。已有文献主要关注审计收费、审计师选择、审计师变更以及审计的治理效应等方面(吴联生, 刘慧龙, 2008)。中国的审计研究是在西方国家已得到证据支持的理论背景下展开的，同时也考虑了我国不同于西方国家的特点，比如政府管制(朱红军等, 2004; 张奇峰, 2005)、国有股东一股独大(孙铮, 曹宇, 2004)及中国上市公司的配股动机和保牌动机等(夏立军, 杨海滨, 2002; 伍利娜, 2003)。我国审计需求的研究主要关注代理成本是否是高质量审计需求的动因。总体上看，我国上市公司对审计师的选择符合代理理论，即委托代理问题越严重的公司，越倾向于选择高质量的审计师(曾颖, 叶康涛, 2005; 孙铮, 于旭辉, 2007)。

近年来，一些研究考察了制度性因素如投资者法律保护程度、国有股权及地区市场化环境与审计行为的关系(Choi and Wong, 2007; Francis and Wang, 2008; Choi *et al.*, 2008; Wang *et al.*, 2008; Chan *et al.*, 2006; Gul, 2006)，但尚未直接考察政治关联与审计师选择及审计师独立性的关系。Wang *et al.* (2008)研究了我国上市公司股

权性质和审计师选择的关系，发现相对于民营企业，国有企业更倾向于选择本地小所；在不发达地区，中央国企也有这种倾向；但是当地区发展程度提高时，国企选择本地小所的可能性会降低。他们主要着眼于股权性质对审计需求的影响，一系列回归检验的结果基本支持他们提出的解释：国有企业不需要大所或非本地所；本地所更了解本地企业；当地政府干预本地小所，使之与当地国企合谋，出具更清洁的审计意见。Chan *et al.* (2006) 则研究了事务所对当地政府的政治和经济依赖是否会影响审计师的独立性。研究发现，相对于非本地所，本地所对政府的政治和经济依赖性较大，因此本地所更容易受到当地政府的干预，从而更倾向于给当地国企出具标准意见。而且，得到非标意见的国企倾向于将审计师更换为本地事务所，并且能实现审计意见购买。以上研究结果表明，股权的国有性质能够影响审计师选择以及审计师的独立性，并且主要通过政府干预来实现。

在中国目前转型经济的情况下，政府环境构成了民营企业外在环境的重要部分，对企业的生存和发展以及企业之间的竞争都发挥着很重要的作用。如何应对政府环境、处理与政府的关系也就构成了民营企业战略决策和经营行为的重要方面(张建君、张志学, 2005)。<sup>2</sup> 随着民营企业从无到有又到逐渐强大的发展过程，民营企业广泛的政治参与已成为必然趋势(陶庆, 2004)。<sup>3</sup> 有研究发现，中国的民营企业与国有企业在组织结构上已经存在趋同的现象，那些最成功的民营企业都模仿了国有企业的组织结构，普遍建立了党委、团委、工委、妇联等与政府部门对口的机构，企业的董事长一般也进入到市、省，甚至国家的人大与政协(陈凌、曹正汉, 2007)。Downs (1957) 认为人们通过比较投入与产出的关系来决定自己的参与范围和形式，政治参与在本质上是出于利益的考虑，而且首先是出于对物质利益的考虑，总是寻求以最小的代价获取最大的利益。参与政治的企业总是要提取部分由于政治关联带来的租金，公司价值只有当这种联系的边际效益超过其边际成本时才能得到增强(Shleifer and Vishny, 1994)。

民营企业的政治关联会给企业带来很多好处，如融资、政府补贴或优待、产业进入等，这些将会给企业价值或绩效带来帮助，但这些资源的获取可能是民营企业靠“潜规则”，也就是通过寻租、地下交易获取的。正因为这样，有这样的政治关联的民营企业可能不想太“透明”。有一句话说得很好：“阳光是最好的消毒剂，灯光是最有效的警察”。近年来，有很多民营企业家正是因为上了“胡润财富榜”而一下把自己及其企业暴露在公众面前，最终加速了其本身及其企业的衰落，如托普软件的宋如华、欧亚实业的杨斌、太平洋建设集团的严介和等等。<sup>4</sup> 正如Ball *et al.* (2003) 所认为，政治家自身要从政治关联中获取租金，为了掩饰其获取的政治租金，管理层具有较强的粉饰财务报表的动机，他们的研究在一定程度上表明政治关联会降低

<sup>2</sup> Xin and Pearce (1996) 的研究发现，与国有企业和集体企业相比，民营企业把关系放在更加重要的位置，同时也在建立关系上投入更多的资源，以期得到从法律和正式制度中得不到的支持和保护。

<sup>3</sup> 中共中央统战部、全国工商联、国家工商总局和中国民营经济研究会联合进行的一项调查显示，在接受调查的企业家中，将近三分之一的人希望当人大代表和政协委员。据统计，第十届全国人大代表的数量为3000名左右，全国政协委员为2238个左右，而其中就有133名人大代表、100名全国政协委员来自民营经济代表人士。而浙江省传化集团董事长徐冠巨当选浙江省政协副主席以及重庆市力帆实业集团董事长尹明善当选为市政协副主席，无疑标志着企业政治关系的一轮高峰。

<sup>4</sup> “富豪榜之追魂榜：严介和遭冷脸被当头一棒打懵”：  
http://finance.sina.com.cn/leadership/crz/20051102/13092087722.shtml。

会计信息质量，增加信息风险。Bushman *et al.* (2004) 认为，为了隐藏政治家的剥削行为，有政治关联的公司会减少公司信息的披露，他们发现政府持股比例较高的企业的财务透明度较低。Chaney *et al.* (2010) 认为有政治关联的公司的盈余质量较低的可能原因有两个：一、有政治关联的公司故意披露低质量的盈余质量，误导投资者，从而使内部人获得私利；二、政客为公司提供各种帮助或保护，从而有政治关联的公司没有动机关注信息质量。他们的实证研究证实了第二个原因，即他们发现信息质量的低下不会造成融资成本较高。根据西方资本市场的经验，事务所的规模与声誉相关，事务所规模来自于对其审计质量的认可，主要是市场选择的结果，国外大量经验证据也证明大规模会计师事务所具有较高的独立性，提供了较高的审计质量 (Palmrose, 1988; Francis and Krishnan, 1999; Ireland and Lennox, 2002)。国内方面也有相当的文献发现大规模会计师事务所特别是国际“四大”提供了较高的审计质量 (漆江娜等, 2004)。如果大所的审计质量相对较高，更可能发现并报告客户存在的风险，那么，高风险的公司为了自身存在的风险不被发现及披露，其选择高质量审计师的可能性较低 (Titman and Trueman, 1986)。由此可推断，政治关联较多的企业不愿意聘请大所，以保持其政治租金和盈余质量的隐蔽性。

综上所述，我们可以提出本文的第一个假设：

**H1：在其他条件一定的情况下，有政治关联的民营上市公司更没有动机聘请大规模事务所，更倾向于选择本地小所。**

我国上市公司为了应付特殊的监管政策，如发行上市政策、配股政策、特别处理政策及暂停交易政策等，普遍进行盈余管理，并且绝大部分上市公司都是由于盈余管理而被出具非标意见的 (李树华, 1998)。<sup>5</sup> 一些国外学者发现盈余管理高的公司更容易被出具非标意见 (Bartov *et al.*, 2000; Francis and Krishnan, 1999)。审计师出具的审计意见不仅是会计信息使用者判断公司会计信息可信度的主要依据，而且还是监管者监管上市公司的重要指标，因此，审计意见会影响投资者对公司的判断，从而直接影响公司股价和筹资能力，所以上市公司会尽量避免非标审计意见，审计意见的影响力越大，上市公司规避非标审计意见的动机也就越大。

上市公司有三种方法来规避非标审计意见，一是接受审计师的建议进行调整；二是变更审计师；三是收买或威胁现任审计师。后面两种可以获得满意的审计意见的行为被称作“审计意见购买”。大量的文献都是关注了“审计意见购买”中的变更审计师 (Chow and Rice, 1982; DeFond and Subramanyam, 1998; Lennox, 2000; Chan *et al.*, 2006; 李爽、吴溪, 2002; 吴联生、谭力, 2005)。实际上，审计意见购买不一定通过较高的审计收费或者变更审计师来实现，也可以通过政治关联进行。民营企业通常花费了高昂的成本来建立政治关联，同时也会积极主动的利用政治关联为自

<sup>5</sup> 李树华 (1998) 对我国 1996、1997 年上市公司年报被出具非标意见的归类分析表明，由于盈余管理被出具非标意见的比例为 73.16%，如费用资本化；由于其它因素而被出具非标意见的比例为 5.26%，如对持续经营能力的疑虑，另外 21.58% 则可能包含盈余管理因素，也可能不包含，如审计范围受限。这表明盈余管理对我国上市公司是否被出具非标意见起着决定性的作用，审计师普遍关注盈余管理。总体上看，审计师对于各种类型的盈余管理，如避免亏损、“洗大澡”、操控应计、配股动机及保牌动机等盈余管理均做出了反应，出具非标意见的概率更高 (章永奎，刘峰, 2002; 陈关亭, 2005; Chen, Chen, and Su, 2001)。

身谋取利益。如果会计师事务所在审计过程中发现有政治关联的民营企业盈余管理水平较高,财务状况较差,出具非标意见的可能较高时,该民营企业能够通过政治关联积极主动地与会计师事务所进行沟通,从而争取更清洁的审计意见。相对于没有政治关联的民营企业,有政治关联的民营企业的人脉关系往往更广阔,更能通过关系来获得其想要的资源,从而更可能获得更好的审计意见。

同时,审计师之所以会揭示企业的盈余管理行为,保持其独立性,很重要的一个原因是事务所面临“许可证管理”制度,<sup>6</sup>该制度实际上在现阶段建立的一项对事务所最行之有效的惩罚机制,增加了事务所违规的机会成本。而当民营公司有政治关联时,即使该公司的盈余管理水平高,审计师也更可能出具标准意见,因为有政治关联的客户更有能力化解危机,避免监管,从而降低审计师的审计失败风险,正如 Faccio *et al.* (2006) 所发现的,政府更愿意帮助有政治关联的公司摆脱财务困境。在这种行业管理体制下,会计师事务所成为政府的“相关部门”之一。有政治关联的民营企业可以得到更宽松的审计程序、更宽容的审计结果。

综合上述因素,可以得到假说2:

**H2: 在一定的盈余管理水平下,有政治关联的民营上市公司获得非标意见的可能性更低。**

如果有政治关联的民营上市公司更倾向于选择小所或本地小所,那么小所或本地小所的独立性是否更易受影响呢?

首先,小所的客户数较少,本身的独立性较低,更有可能被有政治关联的民营企业成功“公关”,为盈余管理水平较高的有政治关联的民营企业出具标准意见。其次,上市公司的业绩对当地政府税收等有重要影响,如果上市公司收到非标意见,势必对企业的融资等造成不利影响,<sup>7</sup>从而影响公司业绩及当地政府的财政收入。在我国特殊的制度环境下,政府掌握了事务所及注册会计师的“生杀大权”,我国已发生的审计案例也表明,地方政府可以干预当地小规模事务所的审计过程及审计结果,为当地上市公司提供适度的审计,并为当地政府获取资源或维持形象。<sup>8</sup>同时,有政治关联的民营企业与政府的关系更为密切,既对政府财政收入做出贡献,也更有能力向政府及相关部门寻租。因此,当有政治关联的民营企业选择了小所或本地小所且有可能获得非标意见时,当地政府有动机也有能力帮助该企业降低获得非标意见的概率。

<sup>6</sup> 比如蜀都会计师事务所等都因一家客户而被暂停数月乃至数年证券从业资格(夏立军,杨海滨,2002)。

<sup>7</sup> 2001年3月28日发布的《上市公司新股发行管理办法》第十六条规定,如最近3年财务会计报告被注册会计师出具非标准无保留意见审计报告的,则所涉及的事项应当对公司无重大影响或影响已经消除,违反合法性、公允性和一贯性的事项应当已经纠正;公司应当在申请文件中提供最近3年经审计的财务会计报告及公司申请时由注册会计师就非标准无保留意见审计报告涉及的事项是否已消除或纠正所出具的补充意见。2006年5月6日发布的《上市公司证券发行管理办法》规定最近三年及一期财务报表未被注册会计师出具保留意见、否定意见或无法表示意见的审计报告的上市公司方可发行新股。

<sup>8</sup> 1998年“东方锅炉”就是典型的案例。1998年,“东锅案件”曝光,当时的“西南第一所”——四川会计师事务所涉案。据查,该事务所在5年前执行“东锅上市改造”过程中作弊。为争取上市资格,地方政府指示各方“密切配合”,该事务所对东锅公司验资和审计时,从与验资有关的56张银行进帐单到所有的审计工作底稿,都是在1994年造假出来的,并将年限改为1992年(易琮,2003)。

**H2.1**：在一定的盈余管理水平下，有政治关联的民营上市公司选择小所时获得非标意见的可能性更低。

**H2.2**：在一定的盈余管理水平下，有政治关联的民营上市公司选择本地小所时获得非标意见的可能性更低。

### 三、研究设计

#### (一) 样本选择

本文以2004至2009年中国A股市场上的民营企业作为样本，分为有政治关联的民营企业 and 无政治关联的民营企业两组。2004至2009年A股民营上市公司共有3588家，各年样本量分别为371、390、472、552、588和716家。我们根据以下标准剔除了一部分公司：(1)剔除了同时发行B股和H股的公司，因为B股和H股公司的财务特征以及所处的制度环境与A股公司有所不同；(2)剔除了金融业企业；(3)剔除了净资产为负的样本。本文最终样本为2964个，各年样本量分别为353、372、452、527、565和695个。具体研究中，由于部分财务数据的缺失以及样本的分组选择会导致样本数量有一定的差异，我们会详细报告每个检验所用到的样本数量。

#### (二) 变量设置

##### 1. 政治关联

本文采用董事长政治关联(*CHAIR*)衡量民营上市公司的政治关联，该变量为虚拟变量，当董事长有政府背景或人大政协背景时*CHAIR*取值为1，否则取值为0。本文的政治关联变量选择参考了目前已有文献的刻画方法，如Faccio(2006)定义是只要公司的控股股东或高管是国会议员、总理或跟某位高官以及政党有紧密联系都认为是政治关联的。我们还在后文采用内部董事政治关联(*IBM*)来进行稳健性检验，该变量也为虚拟变量，当内部董事(不包括董事长)中有一人或一人以上有政府背景或人大政协背景时取值为1，否则取值为0。本文对民营企业政治关联刻画的做法是找出董事会各个董事的资料，然后根据其个人资料查找其是否是人大、政协委员或者曾经在政府部门任职。

##### 2. 事务所类型及审计意见

国内文献对于大小所的分类没有统一的标准，比较常见的是直接利用事务所客户规模来分类(Wang *et al.*, 2008；张奇峰, 2005)，也有采用证监会事务所排名来区分大小所的(周中胜, 陈汉文, 2006；蔡春, 鲜文铎, 2007)，比如《谁审计中国证券市场》系列报告，以及《会计师事务所综合评价前百家信息》等。近年来，事务所经历了合并浪潮，事务所规模变化较大，《会计师事务所综合评价前百家信息》全面地反映事务所各年度的业务规模、内部治理和人才培养等综合实力。因此，本文采用2004至2009年度《会计师事务所综合评价前百家信息》的排名来区分大小所，年度排名前10位的为大所*BIG*，否则为小所。

本地小所(*SMALLLOCAL*)则是年报公布的事务所办公地址(省份)与客户注册地址(省份)一致的小所。*BIG*用来衡量审计质量，而*SMALLLOCAL*既可以刻画审计

质量，也可以替代审计师的政治依赖性，即本地小所的审计质量较低，且本地小所对客户所在地政府的政治依赖性较强。

审计师出具的审计意见不仅是会计信息使用者判断公司会计信息可信度的主要依据，而且还是监管者监管上市公司的重要指标，因此，审计意见会影响投资者对公司的判断，从而直接影响公司股价(李增泉，1999；Chen *et al.*, 2000)和筹资能力，所以上市公司会尽量避免非标审计意见。我们推断上市公司对非标意见的规避动机较强，上市公司有动机要求审计师变通审计意见，从而避免影响公司股价及筹资能力。因此，本文采用虚拟变量 $OP$ 来衡量审计意见类型，当审计意见为带说明段的标准无保留意见、保留意见、否定意见和无法发表意见时取1，否则取0。

### 3. 盈余质量衡量指标

我们采用非经常性损益( $EI$ )来衡量盈余管理水平。目前，采用Jones模型等估计可操控应计是主要的盈余管理平衡量方法。但是Chen and Yuan (2004)认为监管部门并不能很好地识别可操控应计，因此他们采用经过行业中值调整的非经常性损益来衡量盈余管理。事务所的独立性需要市场与监管部门的监督，如果市场与监管部门无法识别可操控应计，那么用可操控应计来衡量盈余管理以检验事务所的独立性就显得意义不大。Bradshaw *et al.* (2001)甚至认为审计师也无法识别应计利润，因此，选择识别度高的盈余管理衡量指标不失为一种更好的办法。另外，我国上市公司为了达到政策监管部门规定的保牌或配股要求，通常通过非经常性损益来进行盈余管理(Chen and Yuan, 2004)，审计师更易识别这类盈余管理，并对增加盈余的管理行为高度关注。考虑以上因素，本文采用经过各年度行业中值调整的非经常性损益( $EI$ )来衡量盈余管理。

### 4. 控制变量

参照已有研究(Wang *et al.*, 2008；陈关亭，2005)，我们在回归模型中加入了下列控制变量：客户总资产的自然对数( $LNASSETS$ )、资产负债率( $LEVERAGE$ )、流动比率( $CRATIO$ )、应收账款占总资产比例( $REC$ )、存货占总资产比例( $INV$ )、是否亏损( $LOSS$ )、上市年龄( $AGE$ )、各省份事务所数目( $NUMBER$ )、各省份大所比例( $%BIG$ )、产权保护水平指数( $LAWINDEX$ )、年度虚拟变量以及行业虚拟变量。前七个控制变量是公司特征变量，主要体现上市公司的规模、风险以及业务复杂程度等；后三个变量则为地区环境因素，对审计师选择及审计师独立性有一定影响。表1为所有变量及定义，其中政治关联、本地小所等变量手工收集，审计师、审计意见及其他变量从CSMAR数据库下载。



表1 变量及定义

政治关联	
<i>CHAIR</i>	虚拟变量，当董事长有政府背景或人大政协背景时为1，否则为0
<i>IBM</i>	虚拟变量，当内部董事(不包括董事长)中有1个或以上董事有政府背景或人大政协背景时为1，否则为0。用于稳健性检验
事务所类型及审计意见	
<i>BIG</i>	虚拟变量，事务所为十大时 $BIG = 1$ ，否则为0
<i>SMALLLOCAL</i>	虚拟变量，事务所为本地小所时 $SMALLLOCAL = 1$ ，否则为0
<i>OP</i>	当审计意见为带说明段的标准无保留意见、保留意见、否定意见和无法发表意见时取1，否则取0
盈余管理衡量指标	
<i>EI</i>	非经常性损益/总资产，经过各年度行业中值调整
控制变量	
<i>LNASSETS</i>	客户年末总资产的自然对数
<i>LEVERAGE</i>	年末总负债与净资产的比例
<i>CRATIO</i>	年末流动资产与流动负债的比例
<i>REC</i>	年末应收账款与总资产的比例
<i>INV</i>	年末存货与总资产的比例
<i>LOSS</i>	虚拟变量，如果净利润小于0，则 $LOSS = 1$ ，否则 $LOSS = 0$
<i>LAWINDEX</i>	产权保护水平指数，数值越大，表示地方法律制度越完善，产权保护越好
<i>NUMBER</i>	公司所在省份有证券期货从业资格事务所的数目
<i>%BIG</i>	公司所在省份有证券期货从业资格事务所中大所的比例
<i>AGE</i>	上市公司上市年龄
<i>YEAR</i>	年度虚拟变量，共5个
<i>INDUSTRY</i>	行业虚拟变量，共20个

### (三) 回归模型

本文主要对民营上市公司的政治关联对审计师选择及审计意见类型的影响进行卡方单变量检验，并采取如下Probit回归模型检验有政治关联和无政治关联的两类公司审计师选择行为及获得非标意见的概率是否存在显著差异：

$$\begin{aligned}
 AUDITOR = & \alpha_0 + \alpha_1 CHAIR + \alpha_2 LNASSETS + \alpha_3 LOSS + \alpha_4 LEVERAGE \\
 & + \alpha_5 CRATIO + \alpha_6 REC + \alpha_7 INV + \alpha_8 NUMBER + \alpha_9 \%BIG \\
 & + \alpha_{10} AGE + \alpha_i YEAR + \alpha_j INDUSTRY + \varepsilon
 \end{aligned} \quad (1)$$

$$\begin{aligned}
 OP = & \beta_0 + \beta_1 CHAIR + \beta_2 EI + \beta_3 CHAIR*EI + \beta_4 LNASSETS \\
 & + \beta_5 LOSS + \beta_6 LEVERAGE + \beta_7 CRATIO + \beta_8 REC + \beta_9 INV \\
 & + \beta_{10} LAWINDEX + \beta_{11} AGE + \beta_i YEAR + \beta_j INDUSTRY + \varepsilon
 \end{aligned} \quad (2)$$

其中：*AUDITOR*分别取值*BIG*和*SMALLLOCAL*。模型(1)主要关注系数 $\alpha_1$ ，当*AUDITOR*为*BIG*时，预期符号为负；当*AUDITOR*为*SMALLLOCAL*时，预期符号为正。模型(2)主要关注系数 $\beta_3$ ，预期符号为负，即在一定的盈余管理水平下，客户的政治关联能够降低审计师对盈余管理的敏感性，即降低审计师的独立性。

## 四、实证结果

### (一) 政治关联与审计师选择

表2是审计师选择以及政治关联的描述性统计。从审计师选择数据来看，民营企业选择本地小所的比例较高，达到45%，选择大所的比例为18%，总体来说，民营企业偏向于选择本地小所，而大所的市场占有率不高。政治关联的数据则显示，27%的民营企业董事长具有政治关联，37%的民营企业有一名或一名以上内部董事(不包括董事长)有政治关联，政治关联在民营企业中较为普遍，民营企业广泛的政治参与已成为必然趋势。

表2 审计师选择与政治关联描述性统计

变量	样本量	均值	标准差	最小值	中位数	最大值
<i>BIG</i>	2964	0.1832	0.3869	0.0000	0.0000	1.0000
<i>SMALLLOCAL</i>	2964	0.4470	0.4973	0.0000	0.0000	1.0000
<i>CHAIR</i>	2964	0.2652	0.4415	0.0000	0.0000	1.0000
<i>IBM</i>	2964	0.3664	0.4819	0.0000	0.0000	1.0000

表3组A是审计师选择的卡方检验。有政治关联的民营上市公司选择本地小所的可能性较高，<sup>9</sup>与预期相符，且在1%的水平下显著。有政治关联的民营企业选择大所的可能性较低，且在10%的水平下显著，符合预期。组B的回归分析主要检验民营上市公司的政治关联对审计师选择的影响。回归结果表明，有政治关联的民营上市公司选择本地小所的可能性较高，选择大所的可能性较低，均在5%的水平下显著。表3的结果表明有政治关联的民营上市公司选择大所的概率较低，而选择本地小所的可能性较高，支持假设1。此外，当地有证券期货资格事务所的数目以及当地事务所中大所的比例对审计师选择有显著的影响，当地事务所越多，大所比例越高，选择大所的可能性越高，选择本地小所的可能性越低，而以往审计师选择的研究鲜有控制该变量的。

<sup>9</sup> 有政治关联的民营上市公司是否是为了更低的审计收费才选择本地小所呢？我们对审计收费进行了回归分析，在控制了客户规模等因素的情况下，政治关联与审计收费之间没有显著的相关性，这应该说明有政治关联的上市公司并不是为了更低的审计收费才选择本地小所。

表3 政治关联与审计师选择回归结果

组 A： 审计师选择卡方检验				
	无政治关联的企业	有政治关联的企业	p 值	
<i>BIG</i>	0.1905 (2178)	0.1628 (786)	0.085*	
<i>SMALLOCAL</i>	0.4288 (2178)	0.4975 (786)	0.001***	
组 B： Probit 回归结果				
	<i>BIG</i>		<i>SMALLOCAL</i>	
	系数	Z 值	系数	Z 值
<i>CHAIR</i>	-0.1882	-2.44**	0.1427	2.38**
<i>LNASSETS</i>	0.1195	3.20***	0.1160	3.75***
<i>LOSS</i>	-0.1177	-1.07	0.0147	0.17
<i>LEVERAGE</i>	0.0044	0.28	-0.0042	-0.33
<i>CRATIO</i>	0.1108	0.51	0.6640	3.57***
<i>REC</i>	0.0184	0.05	-0.5699	-1.71*
<i>INV</i>	0.0350	0.12	-0.1551	-0.61
<i>NUMBER</i>	0.0241	6.90***	-0.0648	-26.09***
<i>%BIG</i>	4.8926	21.44***	-1.9650	-13.27***
<i>AGE</i>	-0.0346	-4.15***	-0.0157	-2.23**
Intercept	-4.8979	-6.17***	-1.8881	-2.84***
<i>YEAR</i>	Yes		Yes	
<i>INDUSTRY</i>	Yes		Yes	
Pseudo R <sup>2</sup>	0.3230		0.2841	
Prob > $\chi^2$	0.0000		0.0000	
N	2963		2963	

注：组A括号内为样本量，组B括号内为Z值，\*\*\*表示在1%水平下显著，\*\*表示在5%水平下显著，\*表示在10%水平下显著。用winsorize处理连续变量上下1%的极值。各变量定义见表1。

## (二) 政治关联与审计意见

首先对本文样本公司的盈余管理水平做一个描述性统计(见表4)。在我们的样本中，非经常性损益的均值为0.0091，上市公司进行向上的盈余管理的程度更大。从表4还可以看出，本文样本中有12%的公司获得了非标意见。

表4 盈余管理水平及审计意见描述性统计

变量	样本量	均值	标准差	最小值	中位数	最大值
<i>EI</i>	2932	0.0091	0.0482	-0.1155	0.0000	0.2588
<i>OP</i>	2974	0.1235	0.3290	0.0000	0.0000	1.0000

表5组A报告了审计意见类型卡方检验的结果。有政治关联的公司获得的非标意见比例为8%，无政治关联的公司获得非标意见的概率为14%，相差约6%，差距较大且在1%的水平下显著。由于审计师是否出具非标意见还受很多因素，如公司盈余

管理情况、财务状况等影响，因此需要进一步进行多变量分析。

表5组B的回归分析检验了客户公司的政治关联会不会降低审计师的独立性，从而获得较清洁的审计意见。首先采用不包括交互项 $CHAIR*EI$ 的回归模型进行了检验，在该回归结果中， $CHAIR$ 的系数不显著为负，说明董事长有政治关联并不会显著降低非标意见的比例。我们认为，这可能是由于政治关联并不直接对非标准审计意见比例产生影响。李树华(1998)发现，绝大部分上市公司都是由于盈余管理而被出具非标意见的，因此我们在模型中加入交互项 $CHAIR*EI$ ，以检验在盈余管理水平一致的情况下，政治关联是否对非标意见比例产生影响。回归结果表明，该交互项的系数显著为负，即在一定的盈余管理水平下，客户的政治关联会使其获得更清洁的审计意见，与假说2相符。另外，从回归结果可以看出，盈余管理水平越高，获得非标意见的可能性越大，与已有的研究结论一致(章永奎，刘峰，2002；陈关亭，2005)。

### (三)对审计师独立性的进一步的分析

有政治关联的民营上市公司更倾向于选择小所或本地小所，那么小所或本地小所是否会与有政治关联的客户合谋呢？控制事务所的类型后对审计意见进行卡方检验则能回答这个问题(表6组A)。小所及本地小所在审计有政治关联的客户时，都在一定程度上丧失了独立性：本地小所和小所对有政治关联的企业出具的非标意见较少，仅约为无政治关联民营上市公司的一半，且均在1%的水平下显著。大所则保持了一定的独立性，有无政治关联对大所出具非标审计意见没有显著影响。

为了检验小所或本地小所与大所的独立性差异，我们分别用选择本地小所、小所以及大所的民营上市公司作为样本用模型(2)进行回归(表6组B)。回归结果发现，本地小所及小所的交互项系数分别在10%和5%的水平下统计显著为负，而大所的交互项系数在10%的水平下显著为正。由此，我们可以认为政治关联显著降低了本地小所和小所的独立性，支持假设2.1及假设2.2。但大所的独立性不受政治关联的影响，大所甚至对有政治关联的民营企业出具的非标意见比例更高，这有可能是由于大所对有政治关联的民营企业的潜在风险(如财务不透明、政治租金、政治关联消失等)较为关注。

## 五、稳健性检验

我们对前文的回归分析进行了以下一些稳健性检验。其一，采用另一个变量衡量民营上市公司的政治关联：内部董事政治关联变量( $IBM$ )，当内部董事(不包括董事长)中有一位或一位以上具有政府背景或人大政协背景时， $IBM$ 取值为1，否则取值为0。我们采用该变量替代 $CHAIR$ 加入模型(1)和模型(2)中进行回归，结果基本与前文一致；其二，由于政治关联的形成可能受到公司特征及制度环境的影响，因此可能存在较强的内生性。本文试图检验政治关联是否存在内生性。通过设计一个自选择模型并采用合适的计量方法进行回归，我们发现本文的样本可能没有严重的内生性。总体来说，稳健性检验与前文的回归结果相似，主要研究结论未发生实质性改变。

表5 政治关联与审计意见回归结果

组 A： 审计意见类型卡方检验				
	无政治关联的企业	有政治关联的企业	p 值	
<i>OP</i>	0.1410 (2178)	0.0751 (786)	0.000***	
组 B： Probit 回归结果				
	<i>OP</i>		<i>OP</i>	
	系数	Z 值	系数	Z 值
<i>CHAIR</i>	-0.1051	-0.81	-0.0817	-0.63
<i>EI</i>	5.2520	7.78***	5.6574	7.67***
<i>CHAIR*EI</i>			-3.0133	-2.03**
<i>LNASSETS</i>	-0.2994	-4.29***	-0.2984	-4.28***
<i>LOSS</i>	1.6171	15.39***	1.6079	15.37***
<i>LEVERAGE</i>	0.0019	0.10	0.0024	0.13
<i>CRATIO</i>	-0.6839	-2.13**	-0.7156	-2.21**
<i>REC</i>	1.7644	3.28***	1.8263	3.36***
<i>INV</i>	-1.2884	-2.36**	-1.2533	-2.29**
<i>LAWINDEX</i>	0.0066	0.36	0.0069	0.38
<i>AGE</i>	0.0599	3.70***	0.0600	3.72***
Intercept	4.4277	3.11***	4.4037	0.002***
<i>YEAR</i>	Yes		Yes	
<i>INDUSTRY</i>	Yes		Yes	
Pseudo R <sup>2</sup>	0.4434		0.4451	
Prob > $\chi^2$	0.0000		0.0000	
N	2797		2797	

注：组A括号内为样本量，组B括号内为Z值，\*\*\*表示在1%水平下显著，\*\*表示在5%水平下显著，\*表示在10%水平下显著。用winsorize处理连续变量上下1%的极值。各变量定义见表1。

### (一) 重新衡量民营企业政治关联

采用*IBM*衡量政治关联，分别进行审计师选择和审计意见类型的回归，结果见表7。组A为政治关联与审计师选择回归结果，以*BIG*为因变量时，*IBM*的系数显著为正；以*SMALLLOCAL*为因变量时，*IBM*的系数显著为负。因此，内部董事有政治关联的民营上市公司不愿意选择大所，更倾向于选择本地小所，支持假设1。组B为政治关联与审计师独立性的回归结果，交互项系数显著为负，表明内部董事有政治关联的民营上市公司更容易获得清洁的审计意见，支持假设2。以*IBM*作为政治关联的替代变量得出的研究结论与前文一致。

表6 政治关联、事务所类型与审计意见回归结果

组A： 审计意见分组卡方检验			
样本范围	无政治关联的企业	有政治关联的企业	p 值
本地小所	0.1285 (934)	0.0716 (391)	0.003***
小所	0.1583 (1763)	0.0836 (658)	0.000***
大所	0.0675 (415)	0.0313 (128)	0.128
组B： Probit 回归结果			
	本地小所	小所	大所
<i>CHAIR</i>	-0.2205 (-1.29)	-0.0719 (-0.52)	-0.2607 (-0.61)
<i>EI</i>	3.4482 (2.97)***	5.7788 (7.79)***	3.8200 (1.32)
<i>CHAIR*EI</i>	-5.6066 (-1.77)*	-3.9458 (-2.17)**	7.7536 (1.65)*
<i>LNASSETS</i>	-0.3885 (-5.15)***	-0.3253 (-4.29)***	-0.0844 (-0.51)
<i>LOSS</i>	1.4622 (9.15)***	1.5589 (14.10)***	1.8239 (4.55)***
<i>LEVERAGE</i>	-0.0214 (-1.17)	0.0009 (0.05)	-0.0054 (-0.09)
<i>CRATIO</i>	-1.6393 (-3.43)***	-0.9170 (-2.56)***	1.0486 (1.09)
<i>REC</i>	2.5474 (3.31)***	2.2204 (3.81)***	0.1341 (0.09)
<i>INV</i>	-0.4456 (-0.63)	-1.0111 (-1.71)*	-3.8094 (-2.17)**
<i>LAWINDEX</i>	0.0161 (0.74)	0.0241 (1.29)	-0.0987 (-2.42)**
<i>AGE</i>	0.0737 (3.89)***	0.0592 (3.46)***	0.0908 (2.16)**
Intercept	6.5876 (4.10)***	4.9050 (3.13)***	-0.6883 (-0.19)
<i>YEAR</i>	Yes	Yes	Yes
<i>INDUSTRY</i>	Yes	Yes	Yes
Pseudo R <sup>2</sup>	0.4683	0.4429	0.5038
Prob > $\chi^2$	0.0000	0.0000	0.0000
N	1201	2267	403

注：组A括号内为样本量，组B括号内为Z值，\*\*\*表示在1%水平下显著，\*\*表示在5%水平下显著，\*表示在10%水平下显著。用winsorize处理连续变量上下1%的极值。各变量定义见表1。

表7 政治关联、审计师选择与审计意见稳健性检验回归结果

	<i>BIG</i>		<i>SMALLOCAL</i>	
	系数	Z值	系数	Z值
<i>IBM</i>	-0.2132	-2.96***	0.0962	1.72*
<i>LNASSETS</i>	0.1124	3.03***	0.1209	3.91***
<i>LOSS</i>	-0.1029	-0.93	0.0079	0.09
<i>LEVERAGE</i>	0.0057	0.36	-0.0037	-0.29
<i>CRATIO</i>	0.0770	0.35	0.6582	3.56***
<i>REC</i>	0.1404	0.34	-0.5934	-1.78*
<i>INV</i>	0.0344	0.11	-0.1419	-0.56
<i>NUMBER</i>	0.0235	6.72***	-0.0645	-25.99***
<i>%BIG</i>	4.9037	21.35***	-1.9622	-13.24***
<i>AGE</i>	-0.0323	-3.88***	-0.0177	-2.54**
Intercept	-4.6835	-5.94***	-1.9950	-3.00***
<i>YEAR</i>		Yes		Yes
<i>INDUSTRY</i>		Yes		Yes
Pseudo R <sup>2</sup>	0.3239		0.2836	
Prob > $\chi^2$	0.0000		0.0000	
N	2963		2963	

组B： 政治关联与审计意见

	<i>OP</i>	
	系数	Z值
<i>IBM</i>	0.0027	0.03
<i>EI</i>	5.9380	7.54***
<i>IBM*EI</i>	-1.6207	-1.65*
<i>LNASSETS</i>	-0.2991	-6.47***
<i>LOSS</i>	1.6221	16.32***
<i>LEVERAGE</i>	0.0002	0.01
<i>CRATIO</i>	-0.6636	-2.54**
<i>REC</i>	1.7887	4.06***
<i>INV</i>	-1.2953	-3.18***
<i>LAWINDEX</i>	0.0070	0.57
<i>AGE</i>	0.0612	5.40***
Intercept	4.3748	4.43***
<i>YEAR</i>		Yes
<i>INDUSTRY</i>		Yes
Pseudo R <sup>2</sup>	0.4439	
Prob > $\chi^2$	0.0000	
N	2797	

注：括号内为Z值，\*\*\*表示在1%水平下显著，\*\*表示在5%水平下显著，\*表示在10%水平下显著。用winsorize处理连续变量上下1%的极值。各变量定义见表1。

## (二) 自选择问题

政治关联的形成可能受到众多因素的影响，如公司规模、治理环境、制度环境等。罗党论，唐清泉(2009)以中国民营上市公司为例，通过对2002至2005年的民营上市公司的政治关联的刻画，考察了制度环境中的地区产权保护水平、政府干预水平、金融发展水平对所在地的民营上市公司政治参与的动机的影响。研究发现，当地方产权保护越差、政府干预越大以及金融发展水平越落后的时候，民营上市公司更有动机与政府形成政治关联。其原因在于这种政治关联对民营上市公司是一种在市场不完善下的替代保护机制，是转型期民营企业发展自发形成的机制。他们控制了民营上市公司的公司治理情况，包括：控股股东是否指定管理层(MANAGER)，这个指标说明了控股股东对公司的管理强度；终极控制人对公司的现金流与控制权的分离程度(SEPARATE)，这可以在一定程度上衡量终极控股人对公司的关注程度，两者差异越小，终极控制人越会把自身利益与上市公司捆绑；民营化方式(PATH)，因为IPO上市与买壳上市对民营上市公司控制人的意义是不一样的，比如，家族企业控制的IPO公司与政府打交道的时间较长，越会形成良好的政企关系；民营化的时间(TIME)，可以认为民营化时间越长，企业越有更多的机会跟政府形成政企关系。我们参考罗党论，唐清泉(2009)的研究，设计了一个Probit自选择模型，见模型(3)。他们发现市场环境的各指数之间存在着很强的相关性，故在回归中分别引入这些指数。因此我们选择地区产权保护水平指数(LAWINDEX)作为市场环境指数的代表，放入自选择模型中。此外还控制了公司基本面的情况，包括公司资产规模(LNASSETS)、负债比例(LEVERAGE)以及盈利情况(LOSS)、行业(INDUSTRY)及年度(YEAR)等相关因素。表8为自选择模型中的变量定义。

$$\begin{aligned}
 CHAIR = & \gamma_0 + \gamma_1 LAWINDEX + \gamma_2 PATH + \gamma_3 TIME + \gamma_4 LOSS \\
 & + \gamma_5 LEVERAGE + \gamma_6 LNASSETS + \gamma_7 MANAGER \\
 & + \gamma_8 SEPARATE + \gamma_i YEAR + \gamma_j INDUSTRY + \sigma
 \end{aligned} \quad (3)$$

表8 自选择模型变量

CHAIR	虚拟变量，当董事长有政府背景或人大政协背景时为1，否则为0
LAWINDEX	产权保护水平指数，数值越大，表示地方法律制度越完善，产权保护越好
PATH	民营化途径，如果企业IPO上市时即为民营企业则取值为1，否则为0
TIME	企业民营化的时间长短，以年为单位
MANAGER	控股股东是否指定管理层，如果控股指定了管理层，则为1，否则为0
SEPERATE	控股股东的现金流与控股股东的控制权的比例
LOSS	虚拟变量，如果净利润小于0，则LOSS = 1，否则LOSS = 0
LEVERAGE	年末总负债与净资产的比例
LNASSETS	客户年末总资产的自然对数
YEAR	年度虚拟变量，共5个
INDUSTRY	行业虚拟变量，共20个



表9 自选择模型回归结果

组A：第二阶段模型				
	BIG		SMALLLOCAL	
	系数	Z值	系数	Z值
<i>LNASSETS</i>	0.2796	2.14**	0.1572	1.51
<i>LOSS</i>	-0.0290	-0.07	-0.1677	-0.73
<i>LEVERAGE</i>	-0.0456	-0.73	-0.0321	-0.88
<i>CRATIO</i>	0.0301	0.05	1.1311	1.83*
<i>REC</i>	-0.2411	-0.24	1.2654	1.02
<i>INV</i>	0.2913	0.41	0.2637	0.28
<i>NUMBER</i>	0.0302	1.19	-0.0930	-9.08***
<i>%BIG</i>	4.2625	1.02	-2.7201	-4.87***
<i>AGE</i>	-0.0510	-1.45	-0.0082	-0.29
Intercept	-9.3297	-2.56***	-2.4595	-1.07
<i>YEAR</i>		Yes		Yes
<i>INDUSTRY</i>		Yes		Yes
组B：第一阶段模型				
	CHAIR		CHAIR	
	系数	Z值	系数	Z值
<i>LAWINDEX</i>	-0.0324	-1.50	-0.0367	-2.34**
<i>PATH</i>	0.2063	1.39	0.2373	2.05**
<i>TIME</i>	-0.0251	-1.33	-0.0214	-1.23
<i>LOSS</i>	-0.1336	-1.35	-0.1445	-1.47
<i>LEVERAGE</i>	0.0001	0.01	-0.0000	-0.00
<i>LASSETS</i>	0.1525	2.68***	0.1491	2.62***
<i>MANAGER</i>	0.2583	1.67*	0.2737	2.65***
<i>SEPARATE</i>	0.3247	1.47	0.2366	1.39
Intercept	-3.8892	-3.25***	-3.7724	-3.13***
<i>YEAR</i>		Yes		Yes
<i>INDUSTRY</i>		Yes		Yes
$\chi^2$		0.09		0.16
Prob > $\chi^2$		0.7639		0.6887
N		2962		2962

注：括号内为Z值，\*\*\*表示在1%水平下显著，\*\*表示在5%水平下显著，\*表示在10%水平下显著。用winsorize处理连续变量上下1%的极值。各变量定义见表1或表8。 $\chi^2$ 为第一及第二阶段残差是否相关的卡方值，Prob >  $\chi^2$ 为第一及第二阶段残差是否相关的p值。若p值足够小(小于预设水平)，则能够拒绝第一及第二阶段残差不相关的原假设，即存在内生性问题；反之，则无法拒绝原假设。

由于本文第一及第二阶段的模型都是 Probit 模型，因此我们在 Stata 中采用命令 Heckprob 来检验本文的政治关联变量是否存在自选择问题。<sup>10</sup>如表 9 所示，第二阶段为大所选择模型时，两阶段模型回归结果的  $\chi^2$  值为 0.09，p 值为 0.7639，无法拒绝外生性原假设，即无法拒绝第一阶段模型和第二阶段模型的残差的相关系数为 0 的原假设。第二阶段为本地小所选择模型时，自选择模型的 Wald test 的  $\chi^2$  值为 0.16，p 值为 0.6887，同样不能拒绝外生性原假设。综合以上结果，我们认为在本文的研究样本中，政治关联不存在严重的内生性问题。这一结果并不难理解，因为董事一般都是曾经担任而不是现任政府官员，公司当期业绩等无法影响此前这些董事是否担任过政府职务。第一阶段回归结果与罗党论，唐清泉 (2009) 的结果相似，即所在地法律保护水平越低，资产规模越大，控股股东的管理程度越高以及 IPO 的民营企业形成政治关联的可能性越高。

## 六、结论

本文以 2004 至 2009 年中国 A 股民营上市公司作为研究对象，考察民营企业的政治关联如何对审计师选择和审计师的独立性产生影响。本文发现，与无政治关联的民营企业相比，有政治关联的民营企业更没有动机选择大所，且更倾向于选择本地小所。在控制了盈余管理水平后，有政治关联的民营企业获得的审计意见更清洁。控制事务所类型后发现，小所和本地小所的有政治关联的客户获得的审计意见较为清洁，而无政治关联的客户更有可能获得非标审计意见，政治关联对本地小所和小所的独立性影响较强。我们的研究表明，民营企业的政治关联影响了其对审计师的选择并降低了小所的独立性。

本文的局限性在于民营企业政治关联的形成与企业特征息息相关，从而导致政治关联与审计师选择、审计意见类型等存在一定的内生性，我们虽然检验了本文样本的政治关联的内生性并无法拒绝外生性假设，但尚无法完全解决或透彻理解这个问题。民营上市公司政治关联对审计师选择及审计独立性的影响还有待进一步深入研究。

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<sup>10</sup> 在经济、金融和会计的相关文献中，最常使用 Heckman 模型来检验是否存在内生性问题 (如 Chaney *et al.*, 2004)，使用 Heckman 的前提是第一阶段模型的因变量为虚拟变量，第二阶段模型的因变量为连续变量。本文第一及第二阶段模型的因变量都是虚拟变量，因此，Heckman 显然不适用于本文。Heckprob 模型与 Heckman 模型相似，是在 Heckman 模型的基础上进行修正而得来的 (Van de Ven and Van Pragg, 1981)。Stata 的帮助文件中也标明，Heckprob 用于“Probit model with selection”，符合本文的情况。简单地说，Heckprob 是对第一阶段模型和第二阶段模型的残差的相关系数是否为零的 Wald test，回归结果会报告 Wald test 的  $\chi^2$  值和 p 值，如果 p 值足够小 (小于预设水平)，则能够拒绝残差的相关系数为零的原假设 (外生性假设)，即存在内生性；反之，则无法拒绝外生性假设。

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## Political Connections, Auditor Choice, and Auditor Independence: Evidence from Private A-Share Listed Firms in China\*

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### Abstract

The motives for political connections differ between private and state-owned listed firms. In general, the political connections of state-owned enterprises (SOEs) are usually passive, while those of private firms are much more voluntary. Wang et al. (2008) find that the auditor choice and auditor independence of local SOEs have prominent characteristics; for example, local SOEs are more likely to hire small local auditors and have incentives to collude with them. Their argument is that local governments can use political pressure to affect the opinions and independence of auditors. The purpose of this paper is to investigate how political connections influence the auditor choice of private firms and auditor independence. Using a sample of A-share private listed firms from 2004 to 2009 in China, and analysing the motives for political connections in private listed firms, we find that politically connected private firms lack sufficient incentives to choose big auditors, preferring to employ small local auditors instead. The empirical results also show that political connections can lower auditor independence, that is, weaken the positive relation between audit opinions and earnings management. This means that politically connected private firms are more likely to receive clean opinions under the same level of earnings management. We further show that lower auditor independence is observed mainly among small auditors and small local auditors, while big auditors are much more independent. Our tests suggest that although the choice of auditor by SOEs and auditor independence are affected by government intervention, auditor behaviour is influenced by *guanxi* in private firms. Our paper thus enriches the literature on political connections and auditor behaviour.

**Keywords:** Private Listed Firms, Political Connections, Auditor Choice, Auditor Independence

**CLC codes:** F239.0, F234.4, F239.22

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## I. Introduction

Political connections have been proved to exist universally and to be of great significance for numerous activities (Faccio, 2006). Western studies on this topic show that (1) the advantages political connections bring to companies may include better chances of financing debt, lower tax rates, more market shares, and more government aid (Khwaja and Mian, 2005; Faccio, 2006), and (2) company value is closely related to political connections and apparently decreases when those connections disappear or weaken (Fisman, 2001; Johnson and Mitton, 2001; Goldman *et al.*, 2009).

In recent years, the political connections of private enterprises in China have drawn scholarly attention. A series of studies has shown that political connections mean “privileges and benefits” and bring many gains to private enterprises, such as favourable tax rates (Wu *et al.*, 2009), lower interest rates and longer-term bank loans (Yu and Pan, 2008), the “permit for entry” in regulatory industries (Luo and Liu, 2009), and more income subsidies (Chen, 2003; Yu *et al.*, 2010). It can thus be inferred that a company’s political connections have great influence upon its operation and behaviour. Studies also indicate that political connections affect the reliability and risk degree of the financial reports of a listed company and further affect the measures auditors will take (Gul, 2006).

It is reasonable, therefore, to consider that political connections will significantly influence choice of auditor and auditor behaviour in China. First, the government is always the administrator of certified public accountants (CPAs). Since the restoration of the contemporary auditing system in China, the central and local governments have been implementing intense and concentrated governance over the CPA industry. Such governance includes examination and approval of CPA qualifications and establishment of CPA firms, regulations on administrative penalties and charges, and recognition of various professional qualifications related to the securities business. With such industrial management, the government exerts absolute control over CPA firms and CPAs themselves (Xia *et al.*, 2005). In addition, listed companies in China are closely linked with the government, and most are under the control of local governments. In a transitional economy, the government still has great influence on the social and economic lives of its citizens. Local governments have incentives to interfere in the reporting decisions of auditors so as to obtain resources from or maintain a good image in the securities market. Wang *et al.* (2008) show that choice of auditor and auditor independence in state-owned enterprises (SOEs), especially local SOEs, have unique features. For example, SOEs are inclined to choose and collude with small local firms. It is easy for the local government to interfere in the auditing opinions of CPAs, leading to the degrading of auditing quality. Xia *et al.* (2009) investigate the interrelation between political relations and auditing behaviour before and after the case of the Shanghai Social Security Fund; they show that after the case occurred, auditors, when compared with other companies, provided more modified audit opinions (MAOs) and charged more

expenses to the companies involved and those not involved but linked to the government. Furthermore, before the case occurred, both sorts of companies tended to employ auditors from local minor firms (local and not among the top 10 firms in China). This employment mode has changed little since the case occurred. These studies thus enrich the literature on the influence of political connections on choice of auditor and auditor independence.

The sample of Wang *et al.* (2008), however, comprises SOEs only, while Xia *et al.* (2009) do not further study listed companies by dividing the sample into SOEs and private enterprises. Li *et al.* (2008) sum up the motivations of political connections as two types: proactive and passive. The former type is often found in private enterprises, while the latter type is found in SOEs. They believe that with the former motivation, enterprises tend to seek help from the government or politicians to enhance their achievements, while with the latter, the government or politicians tend to seek rent from enterprises, whose political connections are used to meet the purposes of public management but not to increase firm value. Therefore, it is necessary to distinguish between SOEs and private enterprises when examining the motivation and influence of political connections. At present, there is no literature on how political connections affect choice of auditor and auditor behaviour in private enterprises.

We begin the study by considering the motivation of political connections, taking A-share listed private enterprises between 2004 and 2009 as the sample. The results indicate that listed private companies having political connections tend to choose local CPA firms instead of big ones. Political connections can also weaken the positive relation between earnings management and audit opinions in listed private companies. When a certain level of earnings management exists, listed private enterprises with political connections will receive cleaner audit opinions; that is, political connections degrade auditor independence. After distinguishing firm types among auditors, we find that the decrease in independence is found mainly among small or local firms, while the larger CPA firms have higher independence. Our study also shows that the political connections of listed private enterprises affect auditor choice and reduce the independence of small or local CPA firms.

The contribution of our study covers two main aspects. First, some studies find that choice of auditor and auditor independence with respect to SOEs, especially local SOEs, have unique features (Wang *et al.*, 2008; Chan *et al.*, 2006). We begin our study by looking at auditor choice in private enterprises and find that their political connections also influence choice of auditor and auditor independence to a certain degree. Although the results are similar, the motivations are different – SOEs influence choice of auditor and auditor independence through government intervention, while private enterprises affect auditor behaviour through relationships (so-called *guanxi*). The above findings enrich the existing literature on how political connections influence auditor behaviour. Second, studies find that companies with higher levels of earnings management are more likely to receive MAOs (Bartov *et al.*, 2000; Francis and Krishnan, 1999; Zhang and Liu, 2002; Chen, 2005; Chen *et al.*, 2001). We introduce political connections as a



conditional variable when investigating the relation between earnings management and audit opinions in private enterprises. When a certain level of earnings management exists, listed private enterprises with political connections will receive cleaner audit opinions. This helps us to understand the production procedures of audit products and contributes to the literature on relationships between institutional factors and audit behaviour.

The remainder of this paper is as follows: Section II describes the institutional background and theoretical analysis, Section III explains the research design, Section IV presents the empirical results, Section V documents the robustness test, and Section VI concludes the paper.

## II. Institutional Background and Theoretical Analysis

Since 1999, empirical studies on auditing have made remarkable progress in China. There is now a great deal of literature focusing on audit fees, auditor choice, auditor switching, and governance effect (Wu and Liu, 2008). Audit research in China is carried out under a theoretical background supported by evidence found in Western countries. The Chinese market, however, has features that differ from Western countries, such as government supervision (Zhu *et al.*, 2004; Zhang, 2005), SOEs with only one large shareholder (Sun and Cao, 2004), and the motivation of Chinese listed companies to make rights offerings and avoid the risk of delisting (Xia and Yang, 2002; Wu, 2003). Studies on audit demand in China have focused mainly on whether agency cost is the motive for the demand for higher quality audits. In general, the actions of Chinese listed companies in choosing auditors comply with the agency theory. In other words, enterprises with serious agency problems tend to choose high-quality auditors (Zeng and Ye, 2005; Sun and Yu, 2007).

In recent years, some studies have examined institutional factors, such as legal protection for investors and the relations between state-owned shareholding, the market environment, and auditor behaviour (Choi and Wong, 2007; Francis and Wang, 2008; Choi *et al.*, 2008; Wang *et al.*, 2008; Chan *et al.*, 2006; Gul, 2006). They have not, however, directly investigated the relation between political connections and choice of auditor and auditor independence. Wang *et al.* (2008) study the relation between the nature of shareholdings in listed companies and auditor choice and find that SOEs tend to choose local and small firms when compared with private enterprises. In undeveloped areas, the central SOEs also tend to choose small local firms, but this tendency decreases as the level of development increases. The authors are concerned with the influence of shareholding nature on audit demand; their results support their arguments that SOEs do not need big or non-local CPA firms, that local CPA firms understand more about local enterprises, and that the local government interferes in local CPA firms to cause them to collude with local SOEs in order to provide cleaner audit opinions. Chan *et al.* (2006) study whether a firm's political and economic dependence on the local government influences auditor independence. Their study finds that local CPA firms

are more politically and economically dependent on the government, and so are more likely to be interfered with by the local government and to tend to provide standard opinions for SOEs. Moreover, those SOEs receiving MAOs tend to change toward hiring local auditors in order to engage in opinion shopping. The above studies thus show that state-owned shareholding has the ability to influence choice of auditor and auditor independence, mainly through government intervention.

Under a transitional economy, the government is an important part of the external environment in which private enterprises operate and plays a significant role in the survival and development of enterprises and in the competition between them. How to respond to the government environment and handle relations with the government constitutes an important aspect of the strategic decision and operational behaviour of private enterprises (Zhang and Zhang, 2005).<sup>2</sup> As private enterprises grow and develop into strong firms, it becomes an inexorable trend that more of them will participate in political affairs (Tao, 2004).<sup>3</sup> Studies have found a convergence in organisational structure between private enterprises and SOEs. The most successful private enterprises imitate the structure of SOEs, setting up institutions corresponding to government agencies, such as the Party Committee, Youth League Committee, Working Committee, and Women's Federation; additionally, the chairmen of the enterprises are also members of the municipal National People's Congress (NPC), the provincial NPC, the state NPC, and the Chinese People's Political Consultative Congress (CPPCC) (Chen and Cao, 2007). Downs (1957) suggests that people decide their scope and mode of participation by considering the relation between input and output. They first consider their interest when participating in political affairs and search for the greatest interest with the lowest cost. Enterprises participating in political affairs will withdraw some rents brought by their political relations. Company value will be strengthened when the marginal benefits exceed the marginal costs (Shleifer and Vishny, 1994).

The political connections of private enterprises bring many benefits to those enterprises, as with respect to financing, government subsidies, preferential treatment, and industry entry; these in turn contribute to enterprise value or performance. But because private enterprises may also obtain these benefits through rent-seeking and covert transactions, those that have such political relations may not want to be so "transparent".

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<sup>2</sup> The study by Xin and Pearce (1996) shows that when compared with SOEs and collective enterprises, private enterprises consider relations, or *guanxi*, fairly important and put more resources into building them up in the hope of obtaining support and protection they cannot get from the legal and formal systems.

<sup>3</sup> The research conducted by the United Front Work Department of the CPC Central Committee, the National Association of Industry and Commerce, the State Administration for Industry and Commerce, and the National Private Enterprise Economy Seminar indicates that one-third of respondents hoped to become members of the National People's Congress (NPC) and the Chinese People's Political Consultative Conference (CPPCC). According to statistics, the number of members in the 10th NPC is about 3,000, and the number of CPPCC members is about 2,238, of which 100 NPC members and 100 CPPCC members are representatives of private enterprises. Guanju Xu, Chairman of Zhejiang Transfar Group, was chosen as Vice-President of the Zhejiang Committee of CPPCC, and Mingshan Yin, Chairman of Lifan Industry (Group) Co. Ltd., was chosen as Vice-President of the Chongqing Committee of the CPPCC, symbolising a peak in the relations between enterprises and politics.

In recent years, many private entrepreneurs have exposed themselves and their enterprises in public because their enterprises have appeared on the Hurun Rich List; such exposure has eventually speeded up the decline of these entrepreneurs and their enterprises, such as Ruhua Song from Top Software, Bin Yang from Ouyad Industry, and Jiehe Yan from Pacific Construction Group.<sup>4</sup> As Ball *et al.* (2003) argue, politicians obtain rents from their political relations, while management has strong motivation to varnish financial statements in order to conceal this rent. To some extent this study shows that political connections decrease the quality of accounting information while increasing information risk. Bushman *et al.* (2004) suggest that a company with political connections will decrease its information disclosure to conceal exploitation by politicians. They discover that those enterprises whose shares are held mostly by the government maintain lower financial transparency. Chaney *et al.* (2010) argue that companies with political connections have low earnings quality for two reasons: first, such companies purposely disclose low earnings quality to mislead investors and enable insiders to acquire personal gains; second, because politicians provide various sorts of help or protection to such companies, the latter have no motivation to closely observe information quality. Their empirical study proves the second reason; in other words, low information quality does not lead to higher financial cost. As shown in Western capital markets, the scale of CPA firms is related to their reputation, which depends on recognition of their audit quality, and is the result mainly of market selection. A lot of evidence also proves that large-scale CPA firms have higher independence and provide better audit quality (Palmrose, 1988; Francis and Krishnan, 1999; Ireland and Lennox, 2002). A great deal of literature in China also shows that large-scale CPA firms, especially the international Big Four, provide better audit quality (Qi *et al.*, 2004). Because these large-scale firms provide higher audit quality and are more likely to find out and report the existing risks of their customers, companies with higher risks are less likely to choose such firms in order to conceal their existing risks (Titman and Trueman, 1986). Therefore, it can be concluded that enterprises with more political connections will not be willing to employ large-scale CPA firms so as to conceal their political rents and earnings quality.

On the basis of the above, we put forward the first hypothesis as follows:

**H1: Under given conditions, listed private enterprises with political connections will tend to choose small local CPA firms instead of large-scale ones.**

To deal with special regulatory policies in respect of listing, rights offerings, special treatment, and trading suspension, listed companies commonly engage in earnings

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<sup>4</sup> “Losers on the Rich List: Yan Jiehe is frustrated and completely muddled”, from <http://finance.sina.com.cn/leadership/crz/20051102/13092087722.shtml>.

management, and most therefore receive MAOs (Li, 1998).<sup>5</sup> Some studies find that companies with higher levels of earnings management are more likely to receive MAOs (Bartov *et al.*, 2000; Francis and Krishnan, 1999). The audit opinions provided by auditors are not only the main basis on which users judge the reliability of accounting information, but are also an important index for supervisors to regulate listed companies. Therefore, audit opinions will affect investor judgment of the company and directly influence its share value and financing ability. Listed companies will thus try their best to evade MAOs. The greater the influence an audit opinion has, the stronger the motivation a listed company will have to avoid an MAO.

There are three methods by which listed companies may avoid MAOs. The first is to accept the auditors' suggestion, the second is to change auditors, and the third is to buy off or threaten the current auditors. The last two methods have the ability to achieve satisfactory audit opinions, also known as "opinion shopping". A great deal of literature focuses on changing auditors when opinion shopping (Chow and Rice, 1982; DeFond and Subramanyam, 1998; Lennox, 2000; Chan *et al.*, 2006; Li and Wu, 2002; Wu and Tan, 2005). In fact, opinion shopping can be realised not only by higher audit charges or a change in auditors, but also by political connections. Usually, private enterprises will pay a higher cost to set up political connections and then make use of these connections to work for their own interest. If a private enterprise with political connections is found to have a higher level of earnings management, poorer financial condition, and a higher probability of receiving an MAO, it will be able to actively communicate with the CPA firm through its political connections in order to strive for a cleaner audit opinion. Compared with private enterprises without political connections, those with political connections have a wider network of human relationships and can thus obtain resources through such connections to obtain better audit opinions.

Meanwhile, auditors will strive to reveal the earnings management of enterprises and maintain their independence because they are under the regulation of the license management system,<sup>6</sup> which at present is the most effective correctional system for CPA firms and has increased the opportunity cost for violating the rules. But if a private enterprise has political connections, auditors may provide a standard opinion even though the enterprise is found to have a higher level of earnings management, because a client with political connections is able to defuse a crisis and avoid supervision, and thus the

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<sup>5</sup> Li (1998) classifies and analyses the listed companies with MAOs in 1996 and 1997, and finds that the proportion of companies receiving MAOs because of earnings management (e.g. expense capitalisation) is 73.16 per cent, while the proportion of companies receiving non-standard opinions because of other factors (e.g. doubt about the ability to continue as a going concern) is 5.26 per cent. This indicates that earnings management has a decisive effect on whether listed companies will receive non-standard opinions, because auditors commonly focus on earnings management. In general, auditors respond to all kinds of earnings management, such as loss avoidance, a big bath, discretionary accruals, and motivations for making rights offerings and maintaining listing status, and are thus more likely to provide non-standard opinions. (Zhang and Liu, 2002; Chen, 2005; Chen, Chen, and Su, 2001).

<sup>6</sup> For instance, Shudu CPA Firm and other CPA firms had their securities professional qualification suspended for several months and even several years because of one client (Xia and Yang, 2002).

auditors' failure risk decreases. As found by Faccio *et al.* (2006), the government is willing to help those companies with political connections get out of financial trouble. Under this kind of industry-management system, the CPA firms become one of the "relevant departments" of the government. Private enterprises with political connections are treated with relaxed audit procedures, and can thus receive less qualified audit results.

To sum up the above, we put forward Hypothesis 2 as follows:

**H2: Under a certain level of earnings management, private enterprises with political connections will be less likely to receive MAOs.**

If listed private enterprises with political connections tend to choose small or local CPA firms, will this influence the independence of these small or local firms?

Firstly, small CPA firms have fewer customers and less independence, and are more likely to be bribed by private enterprises with a higher level of earnings management and political connections to provide standard opinions. Secondly, the performance of listed companies has great influence on local tax revenue. Because MAOs have a negative effect on a company's financing,<sup>7</sup> this in turn will affect company performance and the financial revenue of the government. Under the special system in China, the government exerts absolute control over both CPA firms and CPAs. As shown by existing audit cases, the local government can interfere in the audit procedures and results of small firms so as to provide proper audits for local listed companies, while obtaining resources and maintaining a good image for the local government.<sup>8</sup> Meanwhile, private enterprises with political connections are closely linked with the government. They not only contribute to the government's financial revenue, but also are able to seek rents from the government and relevant departments. Therefore, when such private enterprises choose small or local firms and are likely to receive an MAO, the local government will be willing, and have the ability, to help them decrease the probability of receiving an MAO. Thus, we put forward the following:

<sup>7</sup> In *The Administration Regulations on Issuing New Shares of a Listed Company*, published on 28 March 2001, Article 16 stipulates that for those companies given non-standard opinions on their financial reports by the CPA for the latest three years, either the matters concerned should not affect the company or the influence must have been eliminated, and illegal, unfair, and inconsistent matters should be corrected; the company should provide audited financial reports for the latest 3 years and supplementary opinions of the CPA stating whether the matters concerned in the non-standard audit report have been eliminated or corrected. *The Administration Regulations on Issuing Securities of a Listed Company* published on 6 May 2006 stipulate that those listed companies who are not given a qualified opinion, an adverse opinion, or a disclaimer of opinion for the latest 3 years and the latest period by the CPA may issue new shares.

<sup>8</sup> The case of Dongfang Boiler Group in 1998 is a typical example. This case was disclosed in 1998 and involved Sichuan CPA Firm, the top firm in southwestern China. According to the investigation, the firm cheated in the listing process of Dongfang Boiler Group five years earlier. To obtain the listing qualification, the local government instructed all parties concerned to cooperate closely. It was discovered that 56 receipt bills and all audit manuscripts relating to the verification and auditing of Dongfang Boiler Group were forged in 1994, and the year was then changed to 1992 (Yi, 2003).

**H2.1: Under a certain level of earnings management, listed private enterprises with political connections will be less likely to receive MAOs when choosing small CPA firms.**

**H2.2: Under a certain level of earnings management, private enterprises with political connections will be less likely to receive MAOs when choosing small local CPA firms.**

### III. Research Design

#### 1. Sample Description

We use the A-share private listed firms from 2004 to 2009 in China as our sample, and divide the sample into two groups: one with political connections, and the other without. There are 3588 firm-year observations between 2004 and 2009, with the number of private firms increasing steadily from 371 in 2004 to 716 in 2009. We then exclude the following companies: (1) firms that issue B shares or H shares because their financial characteristics and regulatory environments differ from those firms that issue only domestic A shares, (2) financial institutions, and (3) firms with negative equity. The final sample includes 2964 firm-year observations, with 353, 372, 452, 527, 565, and 695 private firms in each year, respectively. The observations will differ in each analysis because of missing financial data and different sub-samples. We will report the observations in each test in detail.

#### 2. Variables Description

##### (1) Political Connections

We use the political connections of the chairman (*CHAIR*) to proxy for the political connections of the listed company. *CHAIR* is a dummy variable that takes the value of 1 if the chairman of a firm is an ex-government official or a deputy of the NPC or the CPPCC, and otherwise 0. We choose the proxy variable by reference to the literature; for example, Faccio (2006) defines a company as connected with a politician if at least one of its large shareholders or top directors is a member of the parliament, a minister, or is closely related to a top politician or party. We use the alternative proxy *IBM* in the robustness test. *IBM* takes the value of 1 if at least one internal director of the board (excluding the chairman) is an ex-government official or a deputy of the NPC or CPPCC, and otherwise 0. We first obtain the information for the directors manually, and then find out if the director is a deputy of the NPC or CPPCC or an ex-government official.

##### (2) Auditor Types and Opinions

There is no convention in Chinese literature about how to distinguish between big and small auditors. Prior studies have usually distinguished auditors by client size (Wang *et al.*, 2008; Zhang, 2005), while some have used the ranking published by the China Securities Regulatory Commission (CSRC) in a series of reports such as *Who Audits the Chinese Securities Market?* and *The Top 100 Chinese Accounting Firms* to classify auditors (Zhou and Chen, 2006; Cai and Xian, 2007). Recently, many mergers

have occurred among auditors so that the size of audit firms has changed a lot. Because *The Top 100 Chinese Accounting Firms* comprehensively reflects the operation, internal governance, and personnel training of CPA firms in each year, we use this source for 2004–2009 to classify auditors. If an auditor is among the top 10, then it is classified as a big auditor (*BIG*), and otherwise a small auditor.

Small local auditors (*SMALLLOCAL*) are the small auditors that run their business in the same province or provincial-level region where their clients are registered. The variable *BIG* is a proxy for audit quality. The variable *SMALLLOCAL* is not only a proxy for audit quality but also a measure of auditor political dependence; that is, the quality of small local auditors is lower, and they are more politically dependent on the government.

Since the audit opinion is not only a principal basis upon which financial report users judge the credibility of accounting information, but also an important benchmark used by regulators to supervise listed companies, it will affect investors' judgment about a company and furthermore have a direct impact on stock prices (Li, 1999; Chen *et al.*, 2000) and financing ability. Therefore, listed companies will try to avoid MAOs as much as possible. We infer that listed companies have a strong incentive to evade modified opinions by demanding that their auditors issue cleaner opinions so as not to affect their stock prices and the ability to raise capital. We thus use a dummy variable *OP* to proxy for the type of audit opinion, with *OP* taking the value of 1 if the auditor gives an unqualified opinion with an explanatory paragraph, a qualified opinion, an adverse opinion, or a disclaimer of opinion, and otherwise 0.

### **(3) Measurement of Earnings Quality**

We use extraordinary items (*EI*) to proxy for earnings management. Currently, the Jones model is often used to estimate discretionary accruals as a proxy for this. Chen and Yuan (2004), however, consider that regulators are limited in their ability to recognise discretionary accruals, and so they focus on an alternative measure for earnings management, namely, the income from non-operating activities adjusted by the industry median. Although it is necessary that auditor independence be monitored by both the market and regulators, it is meaningless to examine auditor independence through discretionary accruals if the market and regulators cannot recognise them. Bradshaw *et al.* (2001) find that even auditors themselves are unable to recognise discretionary accruals; therefore, it is better to choose a measurement which is easier to recognise in order to proxy for earnings management. Moreover, listed companies in China are required to meet certain criteria before they can apply for permission to issue additional shares to existing shareholders or maintain their listing status. Hence, listed companies usually manage earnings through income from non-operating activities (Chen and Yuan, 2004). But auditors are able to recognise this kind of earnings management and will pay close attention to upward earnings management. Considering the above factors, we thus adopt the extraordinary items adjusted by industry median each year to proxy for earnings management.

#### (4) Control Variables

Consistent with previous studies (Wang *et al.*, 2008; Chen, 2005), we add the following control variables in our regression model: the natural logarithm of the client's total assets (*LNASSETS*), debt-to-equity ratio (*LEVERAGE*), current ratio (*CRATIO*), ratios of inventory to total assets (*REC*), ratios of accounts receivable to total assets (*INV*), whether net income is below zero or not (*LOSS*), number of days a company has been listed over 365 (*AGE*), the number of CPA firms in each province or provincial-level region (*NUMBER*), the percentage of big auditors in each province or provincial-level region (*%BIG*), the legal environment index (*LAWINDEX*), and year and industry dummies. The first seven control variables represent the characteristics of listed companies, such as the size, risk, and operation complexity of their clients. The other three variables control for the development of the environment of each province, which partly affects auditor choice and independence. Table 1 lists all variables and their definitions. The data for political connections and small local auditors are obtained manually, whereas the data for auditors, audit opinions, and other variables are obtained from the CSMAR database.

### 3. Regression Models

This paper examines the effect of the political connections of private listed companies on choice of auditor and auditor independence mainly by univariate chi-square analyses; it uses the following probit regression model to test whether there is a significant difference in auditor choice and the probability of receiving modified opinions between politically connected firms and those not connected:

$$\begin{aligned} AUDITOR = & \alpha_0 + \alpha_1 CHAIR + \alpha_2 LNASSETS + \alpha_3 LOSS + \alpha_4 LEVERAGE \\ & + \alpha_5 CRATIO + \alpha_6 REC + \alpha_7 INV + \alpha_8 NUMBER + \alpha_9 \%BIG \\ & + \alpha_{10} AGE + \alpha_{11} YEAR + \alpha_{12} INDUSTRY + \varepsilon \end{aligned} \quad (1)$$

$$\begin{aligned} OP = & \beta_0 + \beta_1 CHAIR + \beta_2 EI + \beta_3 CHAIR*EI + \beta_4 LNASSETS \\ & + \beta_5 LOSS + \beta_6 LEVERAGE + \beta_7 CRATIO + \beta_8 REC + \beta_9 INV \\ & + \beta_{10} LAWINDEX + \beta_{11} AGE + \beta_{12} YEAR + \beta_{13} INDUSTRY + \varepsilon \end{aligned} \quad (2)$$

In Model (1), we replace *AUDITOR* with *BIG* or *SMALLLOCAL*. The coefficient  $\alpha_1$  is the focus in Model (1). We expect  $\alpha_1$  to be negative when the dependence variable is *BIG*, and positive when the dependence variable is *SMALLLOCAL*. We pay attention to coefficient  $\beta_3$  in Model (2) and expect it to be negative, meaning that a client's political connections can reduce the auditor's sensitiveness to earnings management; in other words, auditor independence is compromised.



**Table 1** Definitions of Variables

<b>Political Connections</b>	
<i>CHAIR</i>	Dummy variable which equals 1 if the chairman of a firm is an ex-government official or a deputy of the NPC or CPPCC, and otherwise 0.
<i>IBM</i>	Dummy variable which equals 1 if at least one internal director of the board (excluding the chairman) is an ex-government official or a deputy of the NPC or CPPCC, and otherwise 0. This variable is used in the robustness test.
<b>Auditor Types and Opinions</b>	
<i>BIG</i>	Dummy variable which takes the value of 1 if the CPA firm is among the top 10, and otherwise 0.
<i>SMALLOCAL</i>	Dummy variable which takes the value of 1 if the client registers in the same province or provincial-level region where its auditor runs its business and the auditor is not a big auditor, and otherwise 0.
<i>OP</i>	Dummy variable which takes the value of 1 if the auditor gives an unqualified opinion with an explanatory paragraph, a qualified opinion, an adverse opinion, or a disclaimer of opinion, and otherwise 0.
<b>Measurement of Earnings Management</b>	
<i>EI</i>	Extraordinary items divided by year-end total assets and adjusted by industry median
<b>Control Variables</b>	
<i>LNASSETS</i>	The natural logarithm of year-end total assets (renminbi).
<i>LEVERAGE</i>	Debt-to-equity ratio at the end of the year.
<i>CRATIO</i>	Year-end total current assets divided by year-end total current liabilities.
<i>REC</i>	Year-end total receivables divided by year-end total assets.
<i>INV</i>	Year-end inventory divided by year-end total assets.
<i>LOSS</i>	Dummy variable which equals 1 if a firm's net income is below zero, and otherwise 0.
<i>LAWINDEX</i>	The degree of development in the legal environment. A higher index suggests a better local legal system and better protection of property rights.
<i>NUMBER</i>	The number of CPA firms in each province or provincial-level region.
<i>%BIG</i>	The percentage of big auditors in each province or provincial-level region.
<i>AGE</i>	Number of days a company has been listed over 365.
<i>YEAR</i>	Dummy variables for five years.
<i>INDUSTRY</i>	Dummy variables for 20 industries.

## IV. Empirical Results

### 1. Political Connections and Auditor Choice

Table 2 reports the descriptive statistics of auditor characteristics and political connections. The auditor data show that up to 45 per cent of private listed firms hire small local auditors, while only 18 per cent hire the top 10 auditors. Thus, in general, private listed companies prefer to employ small local auditors, and the market share of the top 10 auditors is low. In terms of political connections, the statistics show that 27 per cent of chairmen have political connections, and 37 per cent of private listed firms have at least one director (excluding the chairman) with political connections. Political connections are thus commonly found in private listed companies, and it is a trend that private enterprises are widely taking part in politics.

Panel A of Table 3 is a chi-square test of auditor choice. The results show that politically connected private listed firms are more likely to choose small local auditors,<sup>9</sup> which is consistent with our expectation and significant at the 1 per cent level. Private firms with political connections are not willing to employ big auditors, which is significant at the 10 per cent level and consistent with the expectation. Panel B is the probit regression analysis, which principally examines the impact of political connections on auditor choice. The results show that private listed companies with political connections tend to hire small local auditors instead of big auditors, and these are significant at the 5 per cent level. The results in Table 3 thus demonstrate that politically connected private listed companies are less likely to employ big auditors, but prefer to hire small local auditors instead, which supports H1. Moreover, the number of CPA firms and the percentage of big auditors in each province or provincial-level region have a significant effect on auditor choice. The likelihood of shunning big auditors in favour of small local ones increases with the increase in CPA firms and the percentage of big auditors. These variables have rarely been controlled for in prior studies.

### 2. Political Connections and Audit Opinions

First, we present the descriptive statistics of earnings management of the full sample (see Table 4). The magnitude of extraordinary items averages around 0.0091 for the full sample, meaning that listed companies manage earnings upwards more than downwards. Table 4 also shows that 12 per cent of the firm-year observations receive modified opinions.

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<sup>9</sup> Do politically connected private listed firms choose small local auditors for lower audit fees? We regress an audit fee model to test it and find no significant correlation between political connections and audit fees after controlling for other factors such as client size. This should mean that listed companies do not choose small local auditors for lower audit fees.

**Table 2** Descriptive Statistics for Auditor Choice and Political Connections

Variables	N	Mean	S.D.	Min.	Median	Max.
<i>BIG</i>	2964	0.1832	0.3869	0.0000	0.0000	1.0000
<i>SMALLLOCAL</i>	2964	0.4470	0.4973	0.0000	0.0000	1.0000
<i>CHAIR</i>	2964	0.2652	0.4415	0.0000	0.0000	1.0000
<i>IBM</i>	2964	0.3664	0.4819	0.0000	0.0000	1.0000

**Table 3** Probit Regression of Political Connections and Auditor Choice**Panel A:** Chi-Square Test of Auditor Choice

	Politically connected	Non-connected	p-value
<i>BIG</i>	0.1905 (2178)	0.1628 (786)	0.085*
<i>SMALLLOCAL</i>	0.4288 (2178)	0.4975 (786)	0.001***

**Panel B:** Probit Regression Results

	<i>BIG</i>		<i>SMALLLOCAL</i>	
	Coeff.	Z-stat.	Coeff.	Z-stat.
<i>CHAIR</i>	-0.1882	-2.44**	0.1427	2.38**
<i>LNASSETS</i>	0.1195	3.20***	0.1160	3.75***
<i>LOSS</i>	-0.1177	-1.07	0.0147	0.17
<i>LEVERAGE</i>	0.0044	0.28	-0.0042	-0.33
<i>CRATIO</i>	0.1108	0.51	0.6640	3.57***
<i>REC</i>	0.0184	0.05	-0.5699	-1.71*
<i>INV</i>	0.0350	0.12	-0.1551	-0.61
<i>NUMBER</i>	0.0241	6.90***	-0.0648	-26.09***
<i>%BIG</i>	4.8926	21.44***	-1.9650	-13.27***
<i>AGE</i>	-0.0346	-4.15***	-0.0157	-2.23**
Intercept	-4.8979	-6.17***	-1.8881	-2.84***
<i>YEAR</i>	Yes		Yes	
<i>INDUSTRY</i>	Yes		Yes	
Pseudo R <sup>2</sup>	0.3230		0.2841	
Prob > $\chi^2$	0.0000		0.0000	
N	2963		2963	

Note: Numbers in brackets are the sample size in Panel A, and Z-statistics in Panel B. \*\*\*, \*\*, and \* represent statistical significance at the 1%, 5%, and 10% levels for the two-tailed test, respectively. The top and bottom 1% data are winsorised. The variables are as defined in Table 1.

**Table 4** Descriptive Statistics for Earnings Management and Audit Opinions

Variables	N	Mean	S.D.	Min.	Median	Max.
<i>EI</i>	2932	0.0091	0.0482	-0.1155	0.0000	0.2588
<i>OP</i>	2974	0.1235	0.3290	0.0000	0.0000	1.0000

Panel A of Table 5 reports the chi-square test results of audit opinion types. Among politically connected firms, 8 per cent receive modified opinions, whereas 14 per cent do among non-connected firms. The difference in the percentage of modified opinions between connected and non-connected firms is thus 6 per cent, which is a large gap and significant at the 1 per cent level. Multivariate analyses are needed considering the complexity of determinants of audit opinions, including earnings management and financial position.

The probit regressions in Panel B of Table 5 test whether a client's political connections will impair auditor independence so that the client with political connections receives a cleaner audit opinion. We first run a probit regression without the interaction term *CHAIR\*EI*. The result shows that the coefficient of *CHAIR* is negative but insignificant, indicating that the chairman's political connections do not lower the percentage of modified opinions significantly. We argue that the reason may be that political connections do not affect the probability of modified opinions directly. Li (1998) finds that auditors issue modified opinions for listed firms mostly because the client engages in earnings management. Thus, we introduce the interaction term *CHAIR\*EI* into the model to test whether political connections have an impact on the probability of a modified opinion under the same level of earnings management. The regression results show that the coefficient of the interaction term is significantly negative, indicating that the client's political connections can make its auditor issue cleaner opinions under the same level of earnings management, and this supports H2. Moreover, the results also demonstrate that the higher the level of earnings management, the higher the probability of receiving a modified opinion, consistent with prior studies (Zhang and Liu, 2002; Chen, 2005).

### 3. Further Analyses of Auditor Independence

Since private listed companies with political connections are more likely to employ small or small local auditors, will small or small local auditors collude with politically connected companies? We can answer this question by the chi-square test of audit opinions after controlling for auditor type (see Panel A of Table 6). The results show that small and small local auditors both lose independence to some degree when they audit politically connected clients: both types of auditor issue fewer modified opinions to such companies than to non-connected companies, as the percentage of modified opinions of politically connected firms is only about half that of the non-connected firms, and is significant at the 1 per cent level. But big auditors are more independent; for them, political connections have no impact on the probability of a modified opinion.

To examine the difference in independence between small (small local) auditors and big ones, we run regression Model (2) using the sub-samples of private listed companies employing small local, local, or big auditors, respectively (see Panel B of Table 6). The regression results show that the coefficients of the interaction term of the sub-samples of small and small local auditors are statistically and significantly negative at the 10

per cent and 5 per cent levels, respectively, while the interaction term coefficient of the sub-sample of big auditors is significantly positive at the 10 per cent level. Therefore, we can infer that political connections compromise the independence of small and small local auditors significantly, thus supporting H2.1 and H2.2. The independence of big auditors, however, is not affected by political connections, and they even issue more modified opinions to politically connected firms. The reason may be that big auditors pay more attention to the potential risks (such as financial opacity, political rents, and the disappearance of political connections) of politically connected firms.

**Table 5** Probit Regression of Political Connections and Audit Opinions

**Panel A:** Chi-Square Test of Audit Opinions

	Politically connected	Non-connected	p-value
<i>OP</i>	0.1410 (2178)	0.0751 (786)	0.000***

**Panel B:** Probit Regression Results

	<i>OP</i>		<i>OP</i>	
	Coeff.	Z-stat.	Coeff.	Z-stat.
<i>CHAIR</i>	-0.1051	-0.81	-0.0817	-0.63
<i>EI</i>	5.2520	7.78***	5.6574	7.67***
<i>CHAIR*EI</i>			-3.0133	-2.03**
<i>LNASSETS</i>	-0.2994	-4.29***	-0.2984	-4.28***
<i>LOSS</i>	1.6171	15.39***	1.6079	15.37***
<i>LEVERAGE</i>	0.0019	0.10	0.0024	0.13
<i>CRATIO</i>	-0.6839	-2.13**	-0.7156	-2.21**
<i>REC</i>	1.7644	3.28***	1.8263	3.36***
<i>INV</i>	-1.2884	-2.36**	-1.2533	-2.29**
<i>LAWINDEX</i>	0.0066	0.36	0.0069	0.38
<i>AGE</i>	0.0599	3.70***	0.0600	3.72***
<i>Intercept</i>	4.4277	3.11***	4.4037	0.002***
<i>YEAR</i>		Yes		Yes
<i>INDUSTRY</i>		Yes		Yes
Pseudo R <sup>2</sup>	0.4434		0.4451	
Prob > $\chi^2$	0.0000		0.0000	
N	2797		2797	

Note: Numbers in brackets are the sample size in Panel A, and Z-statistics in Panel B. \*\*\*, \*\*, and \* represent statistical significance at the 1%, 5%, and 10% levels for the two-tailed test, respectively. The top and bottom 1% data are winsorised. The variables are as defined in Table 1.

## V. Robustness Tests

We conduct the following robustness tests to complement the regression analysis in previous sections. Firstly, we use an alternative variable to proxy for the political connections of private listed companies, namely, the variable of the internal directors' political connections (*IBM*), which takes the value of 1 if at least one internal director of the board (excluding the chairman) is an ex-government official or a deputy of the NPC or CPPCC, and otherwise 0. We replace the variable *CHAIR* in Models (1) and (2) with the variable *IBM* and run the regressions. The results remain the same as the original results in previous sections. Secondly, since political connections may be determined by company characteristics and the institutional environment, they are probably subject to the endogeneity problem. We therefore try to test whether political connections are endogenous or not. After designing a self-selection model and running it with the appropriate econometric approach, we find that political connections may not be subject to serious endogeneity problems in our sample. In a word, the results are similar to those of previous sections, and there is no real change for the conclusions.

### 1. Re-defining Political Connections

We conduct regression analyses on auditor choice and audit opinions separately by using *IBM* to proxy for political connections (see the results in Table 7). Panel A of Table 7 contains the results of political connections and auditor choice. The coefficient of *IBM* is significantly positive when the dependent variable is *BIG*, but significantly negative when the dependent variable is *SMALLLOCAL*. Thus, private listed companies with politically connected internal director(s) shun big auditors and high-quality audits in favour of small local auditors, thus supporting H1. Panel B of Table 7 presents the regression results of political connections and auditor independence. The coefficient of the interaction term is significantly negative, indicating that private firms with politically connected internal director(s) are more likely to receive clean opinions, which supports H2. The conclusions deduced by using *IBM* as the measurement of political connections are thus the same as in previous sections.

### 2. Self-Selection Problem

The formation of political connections may be affected by numerous factors, such as company size, company governance, and the institutional environment. Using the legal environment index, government decentralisation index, and credit market index, Luo and Tang (2009) study the impact of institutional environment on the incentives of local private firms to establish political connections with reference to the political connection data in China between 2002 and 2005. They find that in regions where the institutional environment is less developed, such as a lower level of protection of property rights, more government involvement, and a less developed financial market, private listed firms have more incentives to develop connections with the local government.

**Table 6** Probit Regression of Political Connections, Auditor Types, and Audit Opinions  
**Panel A:** Chi-Square Test of Audit Opinions in Sub-samples

Sub-sample	Politically connected	Non-connected	p-value
<i>SMALLLOCAL</i>	0.1285 (934)	0.0716 (391)	0.003***
<i>NON-BIG</i>	0.1583 (1763)	0.0836 (658)	0.000***
<i>BIG</i>	0.0675 (415)	0.0313 (128)	0.128

**Panel B:** Probit Regression Results

	<i>SMALLLOCAL</i>	<i>NON-BIG</i>	<i>BIG</i>
<i>CHAIR</i>	-0.2205 (-1.29)	-0.0719 (-0.52)	-0.2607 (-0.61)
<i>EI</i>	3.4482 (2.97)***	5.7788 (7.79)***	3.8200 (1.32)
<i>CHAIR*EI</i>	-5.6066 (-1.77)*	-3.9458 (-2.17)**	7.7536 (1.65)*
<i>LNASSETS</i>	-0.3885 (-5.15)***	-0.3253 (-4.29)***	-0.0844 (-0.51)
<i>LOSS</i>	1.4622 (9.15)***	1.5589 (14.10)***	1.8239 (4.55)***
<i>LEVERAGE</i>	-0.0214 (-1.17)	0.0009 (0.05)	-0.0054 (-0.09)
<i>CRATIO</i>	-1.6393 (-3.43)***	-0.9170 (-2.56)***	1.0486 (1.09)
<i>REC</i>	2.5474 (3.31)***	2.2204 (3.81)***	0.1341 (0.09)
<i>INV</i>	-0.4456 (-0.63)	-1.0111 (-1.71)*	-3.8094 (-2.17)**
<i>LAWINDEX</i>	0.0161 (0.74)	0.0241 (1.29)	-0.0987 (-2.42)**
<i>AGE</i>	0.0737 (3.89)***	0.0592 (3.46)***	0.0908 (2.16)**
Intercept	6.5876 (4.10)***	4.9050 (3.13)***	-0.6883 (-0.19)
<i>YEAR</i>	Yes	Yes	Yes
<i>INDUSTRY</i>	Yes	Yes	Yes
Pseudo R <sup>2</sup>	0.4683	0.4429	0.5038
Prob > $\chi^2$	0.0000	0.0000	0.0000
N	1201	2267	403

Note: Numbers in brackets are the sample size in Panel A, and Z-statistics in Panel B. \*\*\*, \*\*, and \* represent statistical significance at the 1%, 5%, and 10% levels for the two-tailed test, respectively. The top and bottom 1% data are winsorised. The variables are as defined in Table 1.

**Table 7** Robustness Probit Regression of Political Connections, Auditor Choice, and Audit Opinions**Panel A: Political Connections and Auditor Choice**

	<i>BIG</i>		<i>SMALLLOCAL</i>	
	Coeff.	Z-stat.	Coeff.	Z-stat.
<i>IBM</i>	-0.2132	-2.96***	0.0962	1.72*
<i>LNASSETS</i>	0.1124	3.03***	0.1209	3.91***
<i>LOSS</i>	-0.1029	-0.93	0.0079	0.09
<i>LEVERAGE</i>	0.0057	0.36	-0.0037	-0.29
<i>CRATIO</i>	0.0770	0.35	0.6582	3.56***
<i>REC</i>	0.1404	0.34	-0.5934	-1.78*
<i>INV</i>	0.0344	0.11	-0.1419	-0.56
<i>NUMBER</i>	0.0235	6.72***	-0.0645	-25.99***
<i>%BIG</i>	4.9037	21.35***	-1.9622	-13.24***
<i>AGE</i>	-0.0323	-3.88***	-0.0177	-2.54**
Intercept	-4.6835	-5.94***	-1.9950	-3.00***
<i>YEAR</i>		Yes		Yes
<i>INDUSTRY</i>		Yes		Yes
Pseudo R <sup>2</sup>	0.3239		0.2836	
Prob > $\chi^2$	0.0000		0.0000	
N	2963		2963	

**Panel B: Political Connections and Audit Opinions**

	<i>OP</i>	
	Coeff.	Z-stat.
<i>IBM</i>	0.0027	0.03
<i>EI</i>	5.9380	7.54***
<i>IBM*EI</i>	-1.6207	-1.65*
<i>LNASSETS</i>	-0.2991	-6.47***
<i>LOSS</i>	1.6221	16.32***
<i>LEVERAGE</i>	0.0002	0.01
<i>CRATIO</i>	-0.6636	-2.54**
<i>REC</i>	1.7887	4.06***
<i>INV</i>	-1.2953	-3.18***
<i>LAWINDEX</i>	0.0070	0.57
<i>AGE</i>	0.0612	5.40***
Intercept	4.3748	4.43***
<i>YEAR</i>		Yes
<i>INDUSTRY</i>		Yes
Pseudo R <sup>2</sup>	0.4439	
Prob > $\chi^2$	0.0000	
N	2797	

Note: Numbers in brackets are Z-statistics. \*\*\*, \*\*, and \* represent statistical significance at the 1%, 5%, and 10% levels for the two-tailed test, respectively. The top and bottom 1% data are winsorised. The variables are as defined in Table 1.



The reason is that political connections are a substitute for formal institutional support for private listed companies when the market is still under development during the period of a transition economy. The authors control for company governance using (1) the index of whether managers are appointed by the controlling shareholder or not (*MANAGER*), which indicates the controlling power of the shareholder over the company, and (2) the index showing the divergence in ownership-control rights of the ultimate controlling shareholder (*SEPARATE*), which measures the attention the ultimate controlling shareholder pays to the company. The smaller the divergence, the higher the probability that the ultimate controlling shareholder will connect its interests with the listed company. The authors also use the following indicators to control for company governance: the pattern of a company is to privatise (*PATH*), because going public through initial public offerings (IPOs) or back-door listings is different for the ultimate controlling shareholder. For example, IPO-listed companies controlled by family firms are more likely to build a good relationship with the government because they have established contacts with the government for a longer time than back-door listed firms; the age of privatisation (*TIME*), because there are more chances to develop political connections for older private listed firms. We follow Luo and Tang (2009) to design a probit self-selection model (see Model (3)). They find that the indices are strongly correlated with one another, and so they enter them in the model separately. We use only the legal environment index (*LAWINDEX*) to proxy for the institutional environment and enter it into the self-selection model. We also control for other basic company information, including client size (*LNASSETS*), ratio of liabilities (*LEVERAGE*), whether net income is negative or not (*LOSS*), the client's industry (*INDUSTRY*), and the fiscal year of the statement (*YEAR*). Table 8 presents the definitions of the variables in the self-selection model.

$$\begin{aligned}
 CHAIR = & \gamma_0 + \gamma_1 LAWINDEX + \gamma_2 PATH + \gamma_3 TIME + \gamma_4 LOSS \\
 & + \gamma_5 LEVERAGE + \gamma_6 LNASSETS + \gamma_7 MANAGER \\
 & + \gamma_8 SEPARATE + \gamma_i YEAR + \gamma_j INDUSTRY + \sigma
 \end{aligned} \tag{3}$$

Since the models used in our first-and second-stage studies are both probit models, we use the command Heckprob in Stata to test whether political connections are subject to the self-selection problem in our sample.<sup>10</sup> As Table 9 presents, the  $\chi^2$  is 0.09 and the p

<sup>10</sup> In the literature of economics, finance, and accounting, it is usual to use the command Heckman model to test the endogeneity problem (e.g. Chaney *et al.*, 2004). The prerequisite for using Heckman is that the dependent variables of the first-stage model be dummies, while those in the second-stage model be continuous. Because the dependent variables in this paper are both dummies, Heckman is not suitable for it. Heckprob is a corrective method for sample selectivity, analogous to Heckman's method (Van de Ven and Van Pragg, 1981). The help file in Stata also demonstrates that Heckprob is for a Probit model with selection, corresponding to the situation of this paper. In other words, Heckprob is a Wald test for whether the error terms of the two stage models are correlated. The results will report the  $\chi^2$  and p values of the Wald test. If a p-value is small enough (smaller than one minus the confidence level), then we can reject the null hypothesis that the correlation coefficient is equal to 0 (exogeneity hypothesis), that is, political connections are endogenous; otherwise, the null hypothesis cannot be rejected.

value is 0.7639 when the dependent variable of the second-stage model is *BIG*, indicating that we cannot reject the null hypothesis of exogeneity; in other words, the error terms of the two stage models are not correlated. Moreover, the  $\chi^2$  is 0.16 and the p value is 0.6887 when the dependent variable of the second-stage model is *SMALLLOCAL*, indicating that the null hypothesis cannot be rejected. In conclusion, we consider that political connections are not subject to serious endogeneity problems in our sample. These results do make sense because directors are generally ex-government officials, which cannot be affected by current performance. The findings of the first stage are thus similar to those of Luo and Tang (2009). It is more likely that political connections will be built by private IPO firms and by companies running in a less developed legal environment, who are larger in size, and where the controlling shareholder has higher controlling power.

**Table 8** Definitions of Variables in the Self-Selection Model

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<i>CHAIR</i>	Dummy variable which equals 1 if the chairman of a firm is an ex-government official or a deputy of the NPC or CPPCC, and otherwise 0.
<i>LAWINDEX</i>	The degree of development in the legal environment. A higher index suggests a better local legal environment and better protection of property rights.
<i>PATH</i>	Dummy variable, which equals 1 if a firm is private when it is listed through an IPO, and otherwise 0.
<i>TIME</i>	Number of days a company has been privatised over 365.
<i>MANAGER</i>	Dummy variable which equals 1 if managers are appointed by the controlling shareholder, and otherwise 0.
<i>SEPARATE</i>	Cash flow rights divided by voting rights of the ultimate controlling shareholder.
<i>LOSS</i>	Dummy variable which equals 1 if a firm's net income is below zero, and otherwise 0.
<i>LEVERAGE</i>	Debt-to-equity ratio at the end of the year.
<i>LNASSETS</i>	The natural logarithm of year-end total assets (renminbi).
<i>YEAR</i>	Dummy variables for five years.
<i>INDUSTRY</i>	Dummy variables for 20 industries.

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**Table 9** Probit Regression of the Self-Selection Model

<b>Pane A: Second-Stage Model</b>				
	<i>BIG</i>		<i>SMALLLOCAL</i>	
	Coeff.	Z-stat.	Coeff.	Z-stat.
<i>LNASSETS</i>	0.2796	2.14**	0.1572	1.51
<i>LOSS</i>	-0.0290	-0.07	-0.1677	-0.73
<i>LEVERAGE</i>	-0.0456	-0.73	-0.0321	-0.88
<i>CRATIO</i>	0.0301	0.05	1.1311	1.83*
<i>REC</i>	-0.2411	-0.24	1.2654	1.02
<i>INV</i>	0.2913	0.41	0.2637	0.28
<i>NUMBER</i>	0.0302	1.19	-0.0930	-9.08***
<i>%BIG</i>	4.2625	1.02	-2.7201	-4.87***
<i>AGE</i>	-0.0510	-1.45	-0.0082	-0.29
Intercept	-9.3297	-2.56***	-2.4595	-1.07
<i>YEAR</i>		Yes		Yes
<i>INDUSTRY</i>		Yes		Yes
<b>Panel B: First-Stage Model</b>				
	<i>CHAIR</i>		<i>CHAIR</i>	
	Coeff.	Z-stat.	Coeff.	Z-stat.
<i>LAWINDEX</i>	-0.0324	-1.50	-0.0367	-2.34**
<i>PATH</i>	0.2063	1.39	0.2373	2.05**
<i>TIME</i>	-0.0251	-1.33	-0.0214	-1.23
<i>LOSS</i>	-0.1336	-1.35	-0.1445	-1.47
<i>LEVERAGE</i>	0.0001	0.01	-0.0000	-0.00
<i>LASSETS</i>	0.1525	2.68***	0.1491	2.62***
<i>MANAGER</i>	0.2583	1.67*	0.2737	2.65***
<i>SEPARATE</i>	0.3247	1.47	0.2366	1.39
Intercept	-3.8892	-3.25***	-3.7724	-3.13***
<i>YEAR</i>		Yes		Yes
<i>INDUSTRY</i>		Yes		Yes
$\chi^2$		0.09		0.16
Prob > $\chi^2$		0.7639		0.6887
N		2962		2962

Note: Numbers in brackets are Z-statistics. \*\*\*, \*\*, and \* represent statistical significance at the 1%, 5%, and 10% levels for the two-tailed test, respectively. The top and bottom 1% data are winsorised. The variables are as defined in Table 1 or Table 8.  $\chi^2$  is the chi-square value of whether the correlation coefficient of the residual of the first-and second-stage regressions is equal to 0 or not. Prob >  $\chi^2$  is the p-value of whether the correlation coefficient equals 0 or not. If the p-value is small enough (smaller than one minus the confidence level), then we can reject the null hypothesis that the correlation coefficient is equal to 0, that is, political connections are endogenous; otherwise, the null hypothesis cannot be rejected.

## VI. Conclusion

Using a sample of A-share private listed firms between 2004 and 2009 in China, we investigate how political connections affect auditor choice and audit opinions. This paper finds that, compared with non-connected private firms, politically connected firms have no incentive to engage big auditors and prefer instead to hire small local auditors. Private firms with political connections are more likely to receive cleaner opinions than non-connected firms under the same level of earnings management. After controlling for auditor type, we find that small and small local auditors tend to issue cleaner opinions to politically connected clients than to non-connected ones under the same situation. This means that political connections have more impact on the independence of small and small local auditors. Our findings suggest that the political connections of private firms affect auditor choice and impair the independence of small and small local auditors.

The limitation of this paper is that the formation of political connections is closely related to company characteristics, resulting in the possibility that political connections, auditor choice, and audit opinions may be endogenously determined. Although we examined the endogeneity problem and were unable to reject the exogeneity hypothesis, we still cannot figure out this problem completely. Thus, it is necessary to conduct further analyses on the effect of the political connections of private listed firms on auditor choice and audit opinions.

## References

Please refer to pp. 18-21.