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SIGNIFICANCE OF AGE AND GENDER DIVERSITY IN AUDITORS AND CLIENTS DECISIONS - CASE STUDY OF SERBIA

Abstract

Purpose: *This paper highlights that the age and gender of the client board matters when deciding about the type of auditing company to do the audit and the type of opinion they get from the auditor.* ***Design/Methodology****: We took secondary data from audit reports issued to private and public corporations containing qualified, disclaimer, and adverse opinions and derived certain conclusions about the possible age and gender board memeber influence on those decisions. The research methodology was based on descriptive statistics and data correlation analysis. The sample consists of 62 companies' audit reports with qualified opinions.* ***Findings:*** *Board members in their golden age and women as board members are better negotiators than other age and gender groups in this context.* ***Originality:*** *When the board is dominated or has an older female, it will rather engage in contracts with the local audit companies. On the other hand, a board dominated by younger male members engaging with local audit companies, when a qualifying opinion is given. The results do not confirm the research questions because the age and gender of the board members have mixed effects when choosing the audit company and the decision to be made.*

Keywords: *auditor-client negotiation, age diversity, corporate governance, modified opinion*

JEL classification: ***M42, M14, M 41***

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ЗНАЧАЈ СТАРОСНЕ И РОДНЕ ПРИПАДНОСТИ У ДОНОШЕЊУ ОДЛУКА РЕВИЗОРА И КЛИЈЕНАТА-СТУДИЈА СЛУЧАЈА РЕПУБЛИКЕ СРБИЈЕ

Апстракт

Сврха*: Овај рад наглашава идеју да су старост и род преговарача у одбору клијената битни када се одлучује о врсти ревизорске куће која ће обавити ревизију и врсти мишљења које они добијају од ревизора.* ***Методологија****: Коришћењем секундарних података ревизорских извештаја издатих корпорацијама чије су акције листиране на берзи и корпорацијама чије акције нису листиране на берзи, а који садрже квалификовано мишљење, уздржавање од мишљења и негативно мишљење, изведени су одређени закључци о томе да ли старости и род чланова одбора клијената утиче на избор ревизорске куће и добијено мишљење. Методогија се зансива на дескриптивној статистици и корелацији. Узорак се састоји од 62 квалификована мишељења.* ***Резултати****: Чланови одбора који се налазе у златном добу, без обзира на род, као и жене као чланице одбора су бољи преговарачи од других групa у овом контексту.* ***Оригиналност:****. Различите старосне и родне групе заступљене у одборима клијената бирају различите ревизорске куће. Истраживање је показало да ако у одбору има старијих чланова, а посебно уколико старије жене доминирају у избору локалне компаније ревизори, док ако у одбору има млађих мушких чланова одбора или оних у средњим годинама опет је изабрана локална компанија када се клијент суочава са квалификованим мишљењем. Резултати не потврђују постављена истраживачка питања, односно године и родна структура делује у комбинованом ефекту, а не као појединачне варијабле.*

Кључне речи*: преговарање ревизор-клијент, старосна разноликост, корпоративно управљање, модификовано мишљење*

Introduction

The audit-client negotiation and decision-making process consists of auditors on the one side and the client's board of directors or auditing committee on the other side. Companies whose shares are traded on the stock exchange and closely held corporations and their financial statements are all subject to auditing. That is common in all jurisdictions, including Serbia. Auditors should express their opinion on whether those financial statements comply with legal and accounting standards. Auditors' independence while issuing those opinions will not be jeopardized with the client-audit negotiation process as long as the ' 'auditor's ethical and professional standards are met.

When a company receives a positive opinion, also called an unqualified opinion, there is less need for negotiation between auditor and client. The positive opinion is given when auditor perception is based on audit methodology and evidence supporting the fact that no material misstatements are presented in the 'client's annual report and that financial statements and disclosures are in line with a set of accounting standards, mainly

International Financial Reporting Standards (IFRS).On the other side of the spectrum are companies whose opinions will be modified. A modified opinion ranges from qualified to the disclaimer and adverse, all of which could force a company to be delisted from the stock exchange or will signalize investors that a company is not an optimal investment alternative, e.g., investors should " sell" their shares. A modified opinion could be separated into three categories: qualified, disclaimer, and adverse. Qualified opinion, according to Pasiouras et al. (2007), is issued when there is either a limitation on the scope of the ' 'auditor's examination that results in insufficient evidence to express an unqualified opinion; the auditor disagrees with the treatment of the disclosure of a matter in the financial statements; financial statements in its entirety do not give a true and fair view of the matters on which the auditors are required to report or do not comply with relevant accounting or other requirements. Also, a qualified opinion is given when a company does not comply with the going concern principle, e.g., will go bankrupt or discontinue its operations. When a client company does not meet the going concern standards, a disclaimer opinion could be issued instead of qualified, but there is no precise guidance for auditors. Audit partners said that when facing issuing disclaimer opinions, they consider factors such as good and bad entities' news, internal control items, financial ratios, auditor perception of litigation risk, and auditor relationship with the client (LaSalle & Anandarajan, 1996). An adverse opinion is issued when there is a material misstatement in client financial statements or when financial statements are not prepared by accounting standards in effect in that jurisdiction. Based on all of the above mentioned, there is a certain space for negotiations between client and auditor in the context when a client expects to get qualified/adverse or disclaimer opinion. As auditor partners mentioned to LaSalle and Anandarajan (1996), litigation risk and the auditor's relationship with the client influence the negotiation process.

From the client's side, negotiations and decisions differ a lot.

In Serbia, as an emerging market, the role of the board of directors and its members in choosing an audit company and making negotiations is much more effective than the role of the audit committee. That is because Serbian financial markets are illiquid and shallow, and according to the Law on Corporations, not all corporations are required to have an audit committee. Only public companies have this obligation, while private or closely held corporations are not required to establish this committee (Article 409). The audit committee recommends the auditor to the board of directors while the board makes the decision (Article 441). It seems that the board's role is emphasized more than the audit committee, and the committee has a less formal role in the Serbian corporate environment. For the above-mentioned reasons, we took the board of directors members into the analysis of negotiations instead of audit committee members. As mentioned by PWC (2015), a corporation does not need to have an audit committee, and its function is regulated less formally but efficiently. The audit committee could be considered as a sub-board (PWC, 2015). That means that the main role in Serbian corporations lies with the board of directors, and the audit committee has a less visible role. Auditors discuss with the board members or audit committee many different topics such as the audit process, audit planning procedures, auditor position toward accounting practice of the company (accounting policies and procedures, disclosure practice, etc.), auditor assurance about the financial statements, key auditing topics during the audit and challenges that auditor are exposed to during an audit, as well as internal control issues (PWC, 2015). Serbian corporations need to fulfill listing requirements if their shares will be trading at the Belgrade Stock Exchange (https://www.belex.rs/trzista_i_hartije/uslovi), and in those requirements, it is found that a corporation listed at Prime needs to submit a positive opinion (unqualified) while for corporation listed at Standard listing, unqualified and modified opinion is accepted (qualified and disclaimer). Disclaimer and qualified opinions are more common in Serbia than in developed countries. In developed countries, if a qualified opinion is issued to the company, it will be delisted, let alone a disclaimer and adverse. In Serbia, because companies are not frightened to be withdrawn from the stock exchange because of qualified and disclaimer opinions, negotiation between client and auditor is hidden behind. Only adverse opinion, if received, affects corporate delisting in Serbia. This opens much room for the negotiation process between clients and auditors.

Zhang et *al.* (2021) proposed a negotiation integrative model based on three negotiation components – task, dynamic variables of negotiators, and context placed in four dimensions - informational and computational, procedural, social, and strategic. The negotiation process that we emphasize in this paper consists of tasks in the form of discussing important accounting procedures and politics, while the dynamic variable is the gender and age of client board members, and the context is an emerging economy such as Serbia. We took into analysis incorporated businesses (closely held and public companies) that are recipients of audit reports and auditors (type of company and audit opinion issued). From the secondary data, we derived hidden audit-client negotiation trends.

Even though the age of board members is an observable board characteristic, audit negotiation is less observable and is rarely discussed by auditors in a free and open manner because it is a sensitive issue. If disclosed by the auditor, it could mean the independence is undermined. Scholars have rarely investigated the negotiation process between auditor and client for the reasons mentioned above. Gibbins *et al.* (2001) claim that the negotiation process has been influenced by two 'parties' capabilities, interpersonal relationships between auditor and client, and constraints of external conditions. Difficulties in issuing qualified audit opinions by the auditor are even more complex because of the two types of audit report misclassifications (Carey *et al.*, 2008).

They are known as Type II and Type I errors. Type II error is that a bankrupt company will not receive a qualified audit opinion regarding the going concern assumption, and Type I is to give a qualified opinion to a company that will survive the bankruptcy. In the first case, the auditor is stigmatized by the investment community, while in the second case, the auditor will be subject to a court proceeding by the client. It seems that much space for negotiation is opened when this information is taken into the spectrum of the audit-client negotiation process when a modified opinion is to be issued. For Gibbins *et al.* (2001), the negotiation process depends on the cost of negotiation, reporting deadlines, the size of the audit company, and the size of a client relative to the audit firm. Gibbins *et a*l. (2001) applied a questionnaire design to address those issues and find primary data and links between them in negotiations. But, those data are influenced by auditor bias. That is why we take a secondary data analysis in this specific case.

Why would client board age and gender characteristics influence the negotiation process when the company is facing to receive modified opinions? In answering this question, we need to consider that a client, when facing receiving a modified opinion, will pressure the auditor to issue a qualified opinion instead of an adverse or disclaimer. Characteristics of the ‘ ‘client’s age and gender in putting this pressure on the auditor during negotiations make a difference in the negotiation process and its outcome (opinion given). The boards of some companies receiving qualified opinions disagree strongly with auditors (Carcello & Neal, 2003). This supports our idea that the negotiation process happens in this specific type of environment where we conduct our research.

On the other spectrum, auditors could also have in mind that issuing less modified opinion is better for auditing business because the client cannot sue the auditor and the client will not terminate the relationship with the auditor, or the auditor will not be subject to auditor switch and lose the auditing fee from the client. Auditors lose their fees when they apply a more conservative methodology to assess the going concern principle in audit when issuing qualified opinions (Krishnan, 1994). So, we assume that auditors will also support the idea of negotiation and be subject to it reasonably.

In making those negotiations, we found different age groups and their traits very important in this research. The idea that different age groups negotiate differently is supported by research in specific settings, such as leisure spaces, but not in business negotiations (Pain *et al.*, 2000). In business negotiations, more gender issues are found important, as well as negotiation context, process, and outcomes (Agndal *et al.*, 2017). This idea that age is important for negotiations is based on the work of the following authors: Li *et al.*, 2020; Bleidorn & Schwaba, 2018; Damian *et al.*, 2019; and Kandler, 2015.

Li *et al.* (2020) found many consequences of age-diverse workplaces and workforces. Results of this study indicate that age diversity was positively associated with organizational performance through the mediation of increased human and social capital. An age-diverse workforce creates value through knowledge-based organizational resources. Damian *et al.* (2019) found that people change continuously throughout their lifespan, which appears to be most profound during adulthood. However, not everyone follows these normative trends. Life experience may influence personality changes throughout the lifespan. Bleidorn and Schwaba (2018) found that retirement influences change in older people. Kandler et al. (2015) found that although individual differences in personality traits were fairly stable due to genetic and environmental sources, individual changes were primarily due to environmental sources (beyond random error), indicating plasticity in old age. Age differences matter in negotiation in audit client relationships because older people could be better negotiators because of accumulated knowledge and more social and professional connections with auditors.

Based on all the above, the choice of the auditing company and conducting the audit-client negotiation process depends on the personality traits of client board members, and those traits differ between men and women and different age groups. As more women advance into upper-level positions in organizations, it is increasingly important to understand how gender impacts the behaviours, processes, and outcomes of negotiation (Stuhlmacher & Walters, 1999). There is a widespread belief that women are less effective negotiators than men. However, Neu *et al.* (1988) found no differences between male and female sellers. They supported this with the fact that sex differences in interaction styles may fade as people gain experience in the workplace. Gender differences in negotiation depend on the topic; men outperformed women in the masculine version of our negotiation task, and the gender difference was eliminated in the feminine version of the task (Bear & Babcock, 2012). Walters *et al.* (1998) found that women are more competitive than men when competing against opponents who pursued a" "tit for tat" bargaining strategy.

There are twofold importance of this research.

It will help the *Serbian Chamber of Authorized Auditors* by highlighting gender and age as factors in the client-audit negotiation process. It will also help them protect audit companies and their interest from a client's non-ethical pressure in the negotiation process. Academicians, on the other hand, would benefit from extending the research of audit negotiation into the area of corporate governance and client board diversity, which is in line with Directive 2014/95/EU of the *European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups* demanding from companies to make board diversity information publicly available. Therefore, this manuscript is directed to the area of manuscripts promoting gender diversity on the board and in decision-making and negotiations.

The paper is structured as follows: a literature review is presented, followed by empirical research and results from the discussion. The last part of the paper is devoted to concluding remarks.

Theoretical foundations of the research

How the age and gender of the client board of directors influence the audit-client negotiation process could be explained by two theories: social capital and upper echelons theory.

Social capital theory can be defined as all the resources in possession of a person or group. Bourdieu and Wacquant define social capital as "the sum of the resources, actual or virtual, that accrue to an individual or a group by possessing a durable network of more or less institutionalized relationships of mutual acquaintance and recognition." (Niu and Chen, 2016).

Niu and Chen (2016) argue that the quality of board performance could be improved if the social network closure can improve trust and collaboration within the board, while external contacts may benefit a company with more diverse sources of information. In this respect, gender and age diversity in corporate boards contribute to businesses with different social capital. Therefore, social capital empowers directors, and different kinds and strengths of social networks and social capital may offer different kinds of chemistry in board meetings, affecting the quality of corporate governance and decision-making (Niu & Chen, 2016).

Upper echelons theory (Bassyouny et al., 2020; Hambrick & Mason, 1984) states that the characteristics of their top managers predict strategic choices and firms' outcomes. Bassyouny et al. (2020) put their research in the environment in which they evaluate how upper-echelon characteristics influence the tone in the narrative disclosures of financial statements. They found that older female and financial expert CEOs display a less positive tone, while audit committee and board independence are negatively associated with a positive narrative tone. Hambrick and Mason (1984) argue that theorists of the Carnegie School pointed out that complex decisions are largely the outcome of behavioural factors rather than a mechanical quest for economic optimization. Older individuals are more conscientious as they are more responsible than younger individuals, have more cautious decision-making strategies, are more risk-averse than younger individuals, and have more experience (Hambrick & Mason, 1984; Taylor, 1975). According to Taylor (1975), age influenced performance more than prior decision-making experience. Taylor (1975) found that young managers are more inclined to pursue risky strategies than older managers (in product innovation, diversification, and financial leverage). According to upper echelon theory, complex decisions result from the upper echelon's behavioural characteristics, namely the board of directors and managers. The more complex the decision is, the more behavioural factors influence it. Each decision-maker brings its own set of behavioural aspects to the decision-making process. Hence, as decision-makers age, they have a different set of knowledge, assumptions, and alternatives they put in it.

Demographic characteristics of board members and audit committee members are put in relationship with corporate disclosures, financial reporting variables, earning quality, audit report lag, stock prices, and audit fees (Mustafa et al., 2017; Komal et al., 2021; Hashim et al., 2019; Abed et al., 2020; Yeung & Lento, 2018; Felix et al., 2021).

Mustafa et al. (2017) report that demographic diversity (e.g., gender and age) and cognitive diversity (e.g., interlocking directorship and levels of education) of the board of 'directors' impact on ' 'the client's incentive and ability to demand high audit quality proxy by Big4 auditors. Authors find a positive relationship between directors within 36-55 and 46-55 years old and audit quality. Komal et al. (2021) study aims to examine how the age diversity of audit committee financial experts (ACFEs) influences the financial reporting quality of Chinese non-financial firms. The study shows that younger ACFEs mitigate earnings management better than older ACFEs. Hashim et al. (2019) found that Gender and Age diversity do not significantly impact earnings quality. Abed et al. (2020) results indicate strong empirical evidence that several non-executive directors, role duality, director age, board diversity, and institutional ownership influence management report lag. Yeung and Lento (2018) find that a stronger ownership structure and higher audit quality are associated with lower stock price crash risk, and the association is stronger since the IFRS and split-share reforms than before them. Felix et al. (2021) find that audit committee cultural diversity is associated with a lower likelihood of financial accounting restatements. More culturally diverse audit committees are more effective in restraining CEO accounting opportunism.

The relationship between age diversity and firm performance, borrowing cost, dividend policy, and earnings management was part of numerous studies as well (Ferrero-Ferrero et al., 2015; Waheed & Malik, 2019; Algatan, 2019; Knežević et al., 2021; Arenas-Torres et al., 2021; Marzuki et al., 2019).

Results regarding age diversity and its influence on entity results are quite mixed and raise inconclusive evidence. Kagzi and Guha (2018) found a positive linear relationship between the overall board demographic diversity index (board gender, age, tenure, and education) and firm performance. Arioglu (2021) suggests that board age diversity positively affects both company performance and risk but does not suggest that intra-group conflicts regarding work-related values are the underlying causes of this positive effect. Jonson et al. (2020) found that the average age of board members is positively associated with firm performance. Mbonu and Amahalu (2021) showed that gender diversity, age diversity, and geographical diversity significantly positively affect Borrowing costs. Ali et al. (2021) illustrate that a higher diversity on the corporate board (in terms of age, gender, tenure, education, and expertise) positively influences firm efficiency, while Wang and Fang (2020) found that understanding the age diversity of the workforce is imperative to understand how organizations can maximize the benefits that can be derived from it. Despite the positive influence of age diversity, negative and insignificant influences are also found. Talavera et al. (2018) found a negative relationship between board age diversity and bank profitability. Emad Eldeen et al. (2021), in an empirical study made in the UK, indicate that age diversity hurts firms. Woschkowiak (2018) found the insignificant influence of age on financial performance.

In Serbia, age diversity is rarely taken into consideration. Whether the influence of age is considered important depends on the industry itself. Pavlović et al. (2018) found no influence of age on performance in the agriculture sector in Serbia.

Regarding gender differences in negotiations, the following studies are found: Hernandez-Arenaz and Iriberri, 2019; Mazei et al., 2015; Hong and van der Wijst, 2013; Andersen et al., 2018). Agndal et al. (2017), found that in real life, a large portion of negotiations takes place within the frame of established relationships, where negotiating is one form of interaction between the parties of the relationship. Relationships are also not static, i.e., they evolve as parties interact and get to know each other (Agndal, 2017). Carlsson and Karlsson (1970) stated that changing conditions would become more visible directly in the behaviour of young people in late cohorts and much less in the behaviour of earlier cohorts, that is, among middle-aged or older people. This is also in line with results obtained by Kagzi and Guha (2018), Woschkowiak (2018), and Arioglu (2021) that younger males are risk-takers.

Men are more likely to enter into negotiations; when negotiating, they obtain better deals than women (Hernandez-Arenaz & Iriberri, 2019). Mazei et al. (2015) found that men achieved better economic outcomes than women on average, but gender differences depend on the context. Power significantly reduces the differences in negotiation outcomes between men and women (Hong & van der Wijst, 2013). Women in matrilineal society earn more than men in negotiations (Andersen, 2018). More evidence supports the idea that women are less effective than men in negotiations. When negotiation is in question, Beattie et al. (2000) found that the audit committee reduces the level of negotiation and increases the level of discussion in a client-audit relationship. Negotiation issues align with earnings management instruments applied by the client companies, while compliance issues dominate discussions (Beattie et al., 2000).

Gender and age are heavily investigated as factors of organizational performance, financial accounting quality, and audit quality, but not as a negotiating factor. From the scarce literature review regarding audit-client negotiations presented, the following research questions are drawn:

RQ1: Are men more effective negotiators than women when clients expect to receive qualified, adverse, or disclaimer opinions in Serbian corporations?

RQ2: Are older board members more effective negotiators than younger board members when clients expect to receive qualified, adverse, or disclaimer opinions in Serbian corporations?

In explaining our research question, we would like to point out that our idea lies in the fact that client who faces difficulties in terms of fulfilling going concern assumption or having other financial difficulties will first make a choice of the auditing company, and then it will influence the audit-client negotiations. The type of audit company doing an audit in this specific case will be of paramount importance. We assume that clients, when facing qualified or adverse and disclaimer opinions, will choose a domestic company to do the audit because of its well-established network with domestic auditors and its size. These are smaller audit companies that do not have rigorous procedures and audit methodology, so a better negotiation outcome for the client is possible (less negative opinion from the pool of modified opinion). After the auditing company is chosen, the client starts negotiations with the auditor to get a better opinion and not be delisted.

Methodology

The sample consists of audit reports issued in 2019 for Serbian corporations (listed and closely held), and 62 received qualified opinions, disclaimers of opinions, or adverse opinions from the audit companies. Auditor reports and types of opinion, as well as the audit company, were part of the database and can be found at the website *https://data.mendeley.com/datasets/x3z4zx8vwr/1 and checkpoint.rs.* The other data regarding the age and gender of board members are hand-collected from respective companies' websites and directors' reports.

The size of the audit company is defined as a local firm (coded with 1), international (coded 2), and Big4 (coded 3). Audit opinion issued is also a categorical variable coded with -3 when an adverse opinion is issued, -2 for a disclaimer opinion, and -1 for a qualified opinion. Female and male board member ages are collected from their year of birth. Board age structure is decomposed into various groups: group 1 -age up to 45, group 2- 45-55, group 3- 55-65, group 4- 65-75, and group 5- more than 75 years old.

Results

Empirical results are presented for the sample of a total of 62 companies receiving qualified, adverse, and disclaimer opinions together with the board diversity characteristics and president of the board age and gender. Results are divided into descriptive statistics and Pearson correlation analysis for all those variables.

To describe the variables in question, we presented client board characteristics in terms of total board 'members' gender, age, board president, age, gender, and CEO age.

Table I shows the gender and age statistics of client board members. According to Table I, the mean age of the female board 'members' is 53.2817 years old, with a minimum age of 37 and a maximum of 71. In the male group, the average age is 58.7965, with a minimum of 39.33 and a maximum of 73. 75. In companies receiving qualified, adverse, and disclaimer opinions, female board members are much younger than their male board counterparts.

Table 1 *Client board age and gender statistics - Descriptive Statistics*

	N	Minimum	Maximum	Mean	Std. Deviation
Female_board_members_age	29	37.00	71.00	53.2817	8.07986
Male_board_members_age	62	39.33	73.75	58.7965	7.61078
Board_age_average	62	39.33	71.20	58.0593	6.78339
Valid N (listwise)	29				

Source: Authors' calculation

All company board presidents with qualified/adverse/disclaimer opinions are male. Table II indicates that the average age of the board president is 59.47, which is higher than the average age of the male board members (58.7965). No female presidents existed in the companies in question. Male presidents are appointed as very young (min. 36) and very old (max. 82).

Table 2 *Client President of the board age statistics* ***-*** *descriptive Statistics*

	N	Minimum	Maximum	Mean	Std. Deviation
President_of_board_age	62	36	82	59.47	10.003
Valid N (listwise)	62				

Source: Authors' calculation

Table III shows that the CEO's age average is 53.66, which is younger than the board's age average (58.0593). It seems that younger individuals are appointed CEOs in this group of companies, and they are younger than the president of the board average (59.47).

Table 3 *CEO age statistics - descriptive Statistics*

	N	Minimum	Maximum	Mean	Std. Deviation
CEO of_company_age	62	31	82	53.66	10.784
Valid N (listwise)	62				

Source: Authors' calculation

The set of Tables IV and V consists of a description of auditor type and audit opinion. It shows that in 71% of cases, local audit companies are engaged to do the audit, and they have issued 4.8% of adverse opinions, 33.9% of disclaimers and 61.3% of qualified opinions. International companies are engaged in 25.8% of cases, and Big 4 in 3.2%

***Table 4** Auditor Type*

	Frequency	**Percent**	**Cumulative Percent**
Local	44	71	71.0
International	16	25	96.8
Big 4	2	3.2	100.0
Total	62	100	

Source: Authors' calculation

***Table 4** Auditor Type*

	Frequency	**Percent**	**Cumulative Percent**
Adverse opinion	3	4.8	4.8
Disclaimer of opinion	21	33.9	38.7
Qualified opinion	36	61.3	100.0
Total	62	100.0	

If female board members are younger (see Table VI), they tend to engage more international auditors (group 1, mean 1.75), while if female board members are older (group 4), they tend to engage local auditors (mean 1.00).

***Table** 6 Female board members are divided into five age groups and auditor-type statistics* (group 1: up to 45; 2: (45,55]; 3: (55,65]; 4: (65,75]: 5: >75 years)

Group Female	**Group characteristics**	**Auditor type**
1	**N**	**4**
	Mean	1.75
	St.Deviation	.957
2	**N**	**12**
	Mean	1.08
	St.Deviation	.289
3	**N**	**12**
	Mean	1.50
	St.Deviation	.522
4	**N**	**1**
	Mean	1.00
	St.Deviation	

Total	**N**	**29**
	Mean	1.34
	St.Deviation	.553

Source: Authors' calculation

In the next section, Table VII, explains male board member groups and engaging the auditors. If male board members are younger (group 1), they engage local companies to do the audit (mean 1.0), while if they are older (group 4 mean is 1.53), they engage more international auditors.

***Table** 7 Male board members divided into five age groups and Auditor type statistics*
(group 1: up to 45; 2: (45,55]; 3: (55,65]; 4: (65,75]: 5: >75 years)

Group Male	**Group characteristics**	**Auditor type**
1	**N**	**2**
	Mean	1.00
	St.Deviation	.000
2	**N**	**18**
	Mean	1.22
	St.Deviation	.428
3	**N**	**27**
	Mean	1.30
	St.Deviation	.609
4	**N**	**15**
	Mean	1.53
	St.Deviation	.516
Total	N	62
	Mean	1.32
	St.Deviation	.536

Source: Authors' calculation

Table VIII explains female board members and their type of opinion. Female board members are categorized into five age groups. The table shows that boards have only one female in the old age group (65-75), while 12 belong to the group 45-65 and 12 in the group 55-65, and we name those groups "golden age." Women in their golden age get more qualified opinions (14 total for both groups) instead of disclaimers (10 total for both groups), and no adverse given. Older women (75 and older) negotiate for a qualified opinion. So, golden age and older females are good negotiators. The very young female group (less than 45 years old) gets qualified and disclaimers opinion, and we could conclude that they negotiate the same as the golden age female group.

Table 8 *Female members were categorized into age groups and correlated with the type of opinion*

GROUP Female	Age		Audit Opinion	
≤45	N	4	Qualified = –1	2
	AS	40.00	Disclaimer of Opinion = –2	2
	SD	2.9439	Adverse Opinion = –3	0
(45,55]	N	12	Qualified = –1	7
	AS	49.76	Disclaimer of Opinion = –2	5
	SD	2.5868	Adverse Opinion = –3	0
(55,65]	N	12	Qualified = –1	7
	AS	59.75	Disclaimer of Opinion = –2	5
	SD	2.3012	Adverse Opinion = –3	0
(65,75]	N	1	Qualified = –1	1
	AS	71	Disclaimer of Opinion = –2	0
	SD	/	Adverse Opinion = –3	0
≥75	N	0	Qualified = –1	0
	AS	/	Disclaimer of Opinion = –2	0
	SD	/	Adverse Opinion = –3	0
Total	N	29	Qualified = –1	17
	AS	53.28	Disclaimer of Opinion = –2	12
	SD	8.0799	Adverse Opinion = –3	0

Source: Authors' calculation

Table IX presents data for male age subgroups and types of opinions. As male members are younger, they get qualified opinions. If they belong to the golden age groups (45-65) with the highest level of knowledge and expertise, they get more qualified opinions than the disclaimer opinion by the auditor (11:8 in the group 45-55 and 18:8 in the group 55-65). But in older groups (45-55 and 55-65), males also got two adverse opinions. That differs greatly from the female group, where no adverse effects are given.

Table 9 *Male members were categorized into age groups and correlated with the type of opinion*

GROUP Male	Age		Audit Opinion	
≤45	N	2	Qualified = –1	2
	AS	41.165	Disclaimer of Opinion = –2	0
	SD	2.5951	Adverse Opinion = –3	0
(45,55]	N	18	Qualified = –1	11
	AS	50.585	Disclaimer of Opinion = –2	6
	SD	3.0254	Adverse Opinion = –3	1
(55,65]	N	27	Qualified = –1	18
	AS	60.63	Disclaimer of Opinion = –2	8
	SD	2.6814	Adverse Opinion = –3	1

(65,75]	N	15	Qualified = –1	7
	AS	67.71	Disclaimer of Opinion = –2	7
	SD	2.1967	Adverse Opinion = –3	1
≥75	N	0	Qualified = –1	0
	AS	/	Disclaimer of Opinion = –2	0
	SD	/	Adverse Opinion = –3	0
Total	N	62	Qualified = –1	38
	AS	58.79	Disclaimer of Opinion = –2	21
	SD	7.6108	Adverse Opinion = –3	3

Source: Authors' calculation

Correlation in Table X shows that as client female board members are older, they are more inclined to get qualified opinions (Corr.0.169). In contrast, in the male group, the same correlation is negative (Corr.-0.139), meaning that older male members are more adverse, and a disclaimer opinion is given on average. However, the results are not statistically significant because of large age variations in the board.

Table 10 *Correlation with audit opinion by gender*

		group_Female	group_Male
Audit_Opinion	Pearson Correlation	0.169	-0.139
	Sig. (2-tailed)	0.382	0.283
	N	29	62

Source: Authors' calculation

Results discussion

To discuss the results and our research questions imposed above, we can conclude that the age and gender of the board matter when choosing an audit company and in audit-client negotiations when the client is facing qualified, disclaimer, or adverse opinion in the audit report.

Our results will be discussed from two negotiation angles: the age and gender of board members in determining the type of audit company through the negotiation process between board members and age/gender in negotiating regarding the opinion received in the client-audit negotiation process.

That is why our paper is based on the idea that if the client board consists of older board members, they will be at a point where financial security and career security are important in their lives. They will avoid engagement in audit contracts considered to be of lower quality, therefore inclining to international or Big 4 audit firms. Our results do not support the research questions. On the contrary, they show that gender and age cannot be observed as isolated variables. Their effects are quite mixed.

We assumed that younger board members would take riskier audit contracts and be more inclined to local firms when negotiating. That is especially true when a company is about to receive adverse, disclaimer, or qualified opinions. Because international and Big 4 companies have strengthened policies and procedures, we assume older members should be inclined towards more international companies. However, this situation is complicated if we take gender into the analysis. Our results confirmed that in a group of companies in Serbia receiving adverse/disclaimer/qualified opinions, younger *male* board members engage local companies to do the audit, while if they are older, they engage more international auditors. On the other hand, younger female board members tend to engage international auditors. If they are older, they sign the contract with local auditors.

This is in line with the widespread opinion that older top executives tend to be more conservative and risk-averse, and they are expected to have more ethical behaviour as a consequence (Pavlović et al., 2019). This is in line with Larimer et al. (2007), who pointed out that males dominate social hierarchies and males are oriented toward status. This could be the explanation for why older males tend to sign contracts with more prestigious audit companies such as Big 4 auditors. They tend to engage international auditors to ensure high-quality audits in this difficult situation.

Well, women of different ages do not follow these patterns in Serbia. It seems that women in top positions tend to be more prone to risk compared with older males in the same position, and they sign more contracts with the local companies, which is against the assumed older members' behavior. Younger female board members, on the other hand, tend to sign contracts with international auditors. Being risk-averse as younger women could be explained in this specific sample of Serbian companies because there are no female boards, so in the mixed environment (male-female board), younger women follow older men's behavior and decisions. This is the case even in politics, where female support groups enhance the authority of male decision-makers while they remain excluded from the source of power (Cohen, 1979). This is in line with Zinkhan and Karande (1991), who found that women are more conservative than men when they perceive the situation as ambiguous and, hence, have to make decisions under uncertainty.

When answering the second research question about the negotiations before issuing an opinion by the auditor, results also show that when older women are included in the client board, the auditor gives fewer disclaimers and adverse opinions. In this specific case, when an opinion is received, it is confirmed that older or golden-age women are as good negotiators as men. The economic outcome in the form of auditor opinion supports this fact. This is opposed to the results of Hernandez-Arenaz and Iriberri (2019) and Mazei (2015). In these studies, men are better negotiators and achieve better economic outcomes.

As mentioned before, having an adverse opinion means a delisting situation for the company, or it gets the attention (Susanto, 2018). This applies to Serbia as well. So, the company will try to avoid this if possible and force negotiation towards a better outcome: qualified and disclaimer. However, the auditor will focus on this outcome as well (Cipriano et al., 2017). We strongly suggest that when negotiation happens, the auditor and client would have the same outcome in mind - to prepare a report with a disclaimer or qualified option and avoid the adverse option, if possible. As Gibbins et al. (2001) pointed out in this context, negotiation will be placed on the side where accounting standards for preparing a report are unclear, ambiguous, and incomplete, making alternative treatments for specific client interests difficult for the auditor to oppose, which is why it led to multiple rounds of negotiations. Johnson and Powell (1994) stated that the problem-solving ability of women significantly improved when the problems set had a '"feminine' rather than '"masculine' content. Negotiation in this context could be seen as having feminine content where judgment, ability to present the idea, and pursuing the auditor to give qualified/disclaimer instead of adverse is of primary importance. Our results support both that negotiations before making decisions happen and that women are as good as men in that process. Unfortunately, there are no direct scientific results in Serbia about negotiations because the subject is very sensitive for auditors and clients, and that is why we have taken this indirect approach in research, using only secondary data and revealing possible relationships.

Conclusion

Gibbins et al. (2001) pointed out that the auditor-client accounting negotiation model must be contextualized. Our research chooses the context in which modified opinion is given to Serbian corporations. Research focuses on the area of client perceptions as a key factor affecting negotiations with auditors, as Gibbins et al. (2001) suggested.

Besides presenting the evidence of negotiation context not influenced by the auditor bias (relying on auditor memory about the events and auditor-specific situation chosen), our objective is to provide researchers with a possible line of audit-client negotiation derived from external secondary data analysis. We derived the indirect evidence that the gender and age of the client board matters in this specific case of negotiation. Our results confirm that age and gender of the client board are factors of interest in the audit-client negotiation process before issuing the opinion and that older females are as good negotiators as men.

These research results are valuable for the academic community, auditors, and their professional bodies. From the academic angle, this paper extends the shortage of literature on audit-client negotiations, putting it in the context of the age demography of board members, the choice of audit company, and the audit opinion issued. From the angle of professional associations of auditors, this paper can serve as a proxy that can reveal possible ethical dilemmas that auditors may face when the client board is composed of different member age groups. The research shed light on the emerging country where different contextual factors shape audit-client negotiations. Considering that corporate boards in Serbia heavily choose local audit companies, the role of the Serbian Chamber of Authorized Auditors in governing the audit process and establishing audit policies should not be underestimated.

Limitations of the research are based on the country where the research has been conducted because it is an emerging market, so the results cannot be transposed to other countries. Also, future researchers could extend the results using interviewing techniques to go deeply into the motives of audit-client negotiations. Based on these preliminary statements found in our research, future researchers could derive an empirical study or model and give attention to specific factors: the number of individuals participating, the range of reports, negotiation accounting topics, and the strategy adopted.

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