

THE AUDIT PROFESSION INSIDE AND OUTSIDE THE FIRM

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Abstract

Due to the shift in societal expectations, one can analyse, and interpret the history of auditing thanks to the historical growth of the profession both inside and outside of the company. The study's goal is to investigate the audit profession, internal and external audit, professionalism, and commercialism theoretically. Hero gains understanding of the nature of materiality, evidence, professional judgment, and skepticism in auditing from the audit profession. According to pertinent literature, the accounting and auditing professions have made significant contributions to the credibility of financial reporting through their pronouncements. The paper contends that the policeman theory of auditing, which is a component of the theory of accountability that aids in explaining the evolution of auditing in the corporate sector, acts as a link between the audit profession inside and outside the corporation.

Keyword: *Audit Profession, External Audit Professionalism, Commercialism, Policeman Theory of Auditing, Auditors Independent, Audit Report.*

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1. Introduction

To ensure that all departments are using a documented procedure of documenting transactions, the auditor will physically examine the inventory after inspecting various books of accounts. An audit is conducted to verify the correctness of the financial statements that the organisation has submitted. Internal auditing can be done by the staff or representatives of a certain

department, while external auditing can be done by an outside company or an impartial auditor (Guo, & Liang, 2016).

The objective is to inspect and verify the accounts by an impartial auditor to guarantee that all the books of account are completed properly and there is no misstatement or fraud taking place. Before disclosing their results for any sector, all publicly traded companies are required to have an independent auditor audit their financial statements (Power & Gendron 2015). The job of the auditor and the conditions of the engagement, which are often spelt out in a letter that is duly signed by the client. The audit would contain information on the departments the auditor will examine as well as deadlines. Depending on the audit's nature, the auditor may work for a day or even a week. When an auditor examines a company's major financial statements or audits its accounts, the results are typically published in a report. The auditor's report contains documentation of the outcome.

The auditor presents his viewpoint on the financial statements he has studied in a certain entity through auditing. The reliability of the financial statement is required from auditors, but they are also expected to offer value-added services (Teck-Henry & Ali 2008).

Background History of the Auditing Profession

The first audits took place in ancient times when business owners demanded that management read the accounts aloud so that they could audit (literally, to hear, from the Latin *audire*, to hear) the results, that is, determine how well the management had performed and assess the financial records for themselves. However, the modern practise of auditing began in Great Britain in the middle of the 19th century. There were no established accounting or auditing standards back then as the profession was just being started. Instead, auditing at the time was more concerned with checking the financial records and informing shareholders of any irregularities. Basically a police job at the time, the audit function's goal was to find fraud and mistakes. There are three goals for an audit:

1. The detection of fraud;
2. The discovery of mistakes in technology
3. The identification of mistakes in logic

It must be noted that today there seems to be a renewed focus on the detection of fraud as an audit object.

The auditing profession progressed as company became more industrialised and the need for information grew. Thus, four key events played a major role in the evolution of public accounting as a profession. The rise of massive organisations is one of them, as is the evolution of the contemporary corporate type of commercial organisation.

The establishment of national income taxation; iii. The high rate of business insolvencies during various economic crises in the late 19th and early 20th centuries.

It should be noted that before Nigeria gained independence in 1960, the growth of accounting and auditing in Great Britain had a significant impact on Nigerian accounting practise. When Nigeria acquired independence from Britain, the accounting profession had been going strong. Five years after Nigeria gained independence, in 1965, the Institute of Chartered Accountants of Nigeria was founded. In 1968, the businesses Decree, a statute based on the 1948 English Act, was passed. The Accountancy and Auditing practise in Nigeria has seen some significant modifications as a result of the corporations and Allied Matters Decree, 1990, which is the country's current corporations law.

2. Conceptual and Theoretical Clarification

Internal audits

Internal audits are examinations conducted by staff members within a company. Internal audit is a third-party evaluation. Functions are organisation created by management to assess internal control systems as a service to the organisation. It studies, assesses, and reports on internal control's effectiveness objectively in relation to the correct economic, efficient, and effective utilisation of resources. To be independent of employee size, the head of an internal department typically answers to the highest authority inside the company. The audit methodology used in this form of audit is a continuous audit methodology, which involves the verification of transactions and balances across the course of the accounting period without auditing up to a certain date. When a company hires a full-time employee to oversee and document the operation of the business, this is known as internal audit. Management, the acting director, the board of directors, or the audit committee are their accountability bodies. Management specifies responsibilities. Work may include a wide range of operational and financial sectors and be activated as decided by management. Report to the director or audit committee. It must be emphasised that some of the tasks carried out by external auditors and the effectiveness of the former have a significant impact on the latter's word count.

External audits involve the hiring of unbiased individuals from outside the organisation to examine the management-prepared financial statements. In addition to preventing fraud and error, external auditing helps management establish an effective auditing system, evaluate the effectiveness of internal control systems, identify irregularities, and ensures compliance with statutory and professional requirements. It must be emphasised that audits are not intended to find substantial flaws, fraud, or faults in the client's system; rather, the audit work should be done in a way that makes it possible to find flaws, fraud, and errors (if they exist). Indecent external audit of the company. Statutory obligations include reporting to the shareholders and doing the necessary effort to enable them to voice an opinion on the accuracy and fairness of the accounting.

Commercialism

Commercialism: It has been argued or debatable that the auditing profession has transitioned from a professionally oriented market to one that is commercially oriented as a result of the industry's concentration on profitability and service, rather than on ethical value (Wen, 2019). The auditing profession's ethical standards are declining. According to Wyatt (2004) and Gendron et al (2006), this is a result of the profession's growing greed. In their study, Freldason and Shanma and Shidu (2001) imply that the non-audit services provided by accounting firms in addition to the audit, such as consulting services, are to blame for the commercialization of the profession. Due to increased globalisation and strong audit market competition, accounting firms are increasingly providing non-audit services to set themselves apart from competitors. which has grown to be a growing worry regarding the independence of auditors (Quick & Ben-Rasmussen, 2005; Crawwell, 1999). According to research, audit quality and independence are compromised when accounting firms offer both audit and non-audit services. the outcome of an objective that is more commercialised as businesses concentrate more on maximising profits (Guo 2016). Some studies have suggested that commercialism is not new within the profession, rather they imply that it is and have been a part of the profession for a long time (Broberg et al, 2013). This raises the question, "what are auditor's perception of marketing activities as the auditing profession has moved to commercialism?" The report made the case that the separation between marketing and auditing activities in the industry has diminished as a result of increased usage of market activities. According to Wen (2019), there is a research deficit in the area of comprehending commercialism at the micro-level of the individual auditor. Wen (2019) provides an example of how the commercial self is built in one of the Big 4 accounting

companies. The findings indicate that in a big 4 accounting firm, three distinct factors—client relationships, value addition, and career—are resurfacing as being significant in creating originality of the personal brand. To justify the introduction of greater commercialism elements, professionalism has been standardised as explained (Wen, 2019).

Auditors intend to change the auditing profession from professionalism to commercialism. The goal of this study was to answer the question, "What are auditors' motivations for marketing activities as the audit profession transitions from professionalism to commercialism? " Marketing as a tool in a more cutthroat market, marketing as a tool that should be used in a more cutthroat market, marketing as a tool that should be used for brand awareness, marketing is not my responsibility, auditing is a trustworthy profession, the most effective marketing tool is word of mouth, seeing clients is not marketing, and marketing activities do not affect the professionalism. This perspective actually changed in the industry, going from professionalism to commercialism. In a market where competition is fierce, auditors saw marketing as a useful tool and did not regard it as detrimental to the audit profession.

Policeman theory of auditing

This auditing philosophy is solely based on mathematical precision and the prevention and detection of fraud. This idea enables auditors to find and stop fraud and mistakes in businesses. In other words, according to this notion, auditors must function as policemen, keeping an eye on, safeguarding, and protecting the organization's resources for the benefit of all stakeholders.

The agency theory's connection to police officers

The agency theory, which helps to explain how policeman theory came to be, holds that agents have access to more information than principals do, and that this information asymmetry negatively affects the principals' ability to assess whether or not their interests are being properly served by the agents.

Factors that influenced the growth of the audit profession

The economic, political, and sociological context at a given moment all have a significant impact on how the public's wants and expectations develop through time. Financial statement data should satisfy the following requirements for public financial reporting: objectivity, comparability, complete disclosure, freedom from bias, uniformity, materiality, cost-benefit

effectiveness, flexibility, consistency, and conservatism. The following are a few of the elements that influenced the growth of audit professions both inside and outside of the company and may be based on auditing its objectivity and audit report.

Independent of the auditor

The "audit independence" is a factor in the advancement an auditor might see in the auditing profession. The focus of recent attention has been on the provision of services other than the financial statement audit to audit clients (non-audit services) and the resulting potential for economic dependence on specific clients, despite the fact that there are many circumstances suspected of undermining auditor independence (e.g., client importance, provision of consulting services, auditor tenure). Independence is described by Louwers, Ramsay, Sinason, and Strawser (2007) as a mental attitude and outward demeanour that depicts the auditor as being unaffected by others in judgement and decision-making.

Review Report

The end result of the entire auditing procedure is the audit report. As far as feasible, the auditor should explain his conclusions to the shareholders in the audit report. In practise, qualified audit reports are typically employed as a last resort; if the found vulnerability could be fixed, there would be no need for qualifying the findings. Management is responsible for the life and death of an organisation, hence their duties should not be confused with those of the auditor. The general public anticipates learning that the directors are embezzling money, yet this is not their main responsibility.

3. Conclusion

One may comprehend, analyse, and evaluate how the audit profession has changed in response to changes in societal expectations by understanding the historical history of the field. Since its start more than a century ago, the audit profession has significantly contributed to the integrity of financial reporting. The development of the audit profession has reached a turning point when auditors may either take the initiative to promote and accept the future or stick with the more conventional approach. In order to provide a truthful and fair perspective of the financial statements, the audit profession is concerned with verifying these financial statements and reporting on the financial status and operational results of the organisation.

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